

ISDN HOLDINGS LIMITED

(Company Registration Number 200416788Z)
(Incorporated in the Republic of Singapore)

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RESPONSES TO QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022

The Board of Directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to (a) the Company’s announcement dated 28 March 2022 in relation to the Company’s notice issued to shareholders in relation to the Company’s annual general meeting to be convened for the financial year ended 31 December 2021 on Friday, 29 April 2022 (the “**AGM**”), (b) the Company’s annual report for the financial year ended 31 December 2021 released on SGXNet, HKEX and the Company’s website on 28 March 2022, (c) the Company’s announcement dated 28 March 2022 in relation to the AGM to be held by way of electronic means, and (d) the Company’s announcement dated 30 March 2022 in relation to the supplemental announcement to the AGM to be held by way of electronic means.

The Company would like to thank all shareholders for their active participation in the upcoming AGM by submitting their comments, queries and/or questions.

The Company’s responses to the substantial and relevant comments, queries and/or questions received from Shareholders are set out at Annex A of this announcement.

By Order of the Board
ISDN Holdings Limited

Teo Cher Koon
President and Managing Director

22 April 2022



Annex A: Responses to Questions from Shareholders

Query 1:

With regard to "Reportable Operating Segments" in the annual report -
Going forward, could the team include a page that charts the business under the newly defined 5 pillars (Motion Control, Systems, Precision Manufacture, Software, Renewable). I feel it makes the reporting more aligned & depict clearer picture of performance and growth.

Company's Response:

- The 5 pillars of ISDN represent *centres of excellence* in our capabilities, rather than separate business units. The capability pillars are connected, and often work together to deliver solutions to customers. For example:
 - To deliver a system solution, an ISDN subsidiary may connect our Motion Control capabilities with our Software engineering, and then use our Precision Manufacturing competence to produce the solution. Our pillars of capability will have worked together to produce a high-performance, cost-effective solution that is ultimately delivered through an ISDN subsidiary with a customer relationship, where the revenue is booked.
 - To deliver an intelligent automation solution, ISDN's Software business may integrate products manufactured within our precision manufacturing companies and motion control systems offered by our subsidiaries, and then rely on specialised third parties to produce the final Industrial 4.0 manufacturing automation system.
- Therefore, it is not easy to separate the 5 pillars into business units, as ISDN seeks to create full synergies across its capabilities to deliver solutions to customers.
- However, the Company is evaluating options to evolve the reporting of its operating segments, given that some segments (such as Renewable) can be more easily reported separately.

Query 2:

On 10 Sep 2021, ISDN announced the commissioning of its 1st 2 mini-hydropower plants. More than 6 months later, ISDN is still awaiting the commercialization, without any firm confirmation date. In fact, the completion of the mini-hydro plants was delayed for several years for various reasons based on the original schedule when the venture was first announced. I am sure the management is working hard, and understand it is a new venture for ISDN. At the same time, ISDN is a commercial entity, a business. Before the commercialization of the existing commissioned plants, ISDN is already in the process of embarking on new plants:

[a] On hindsight, could the venture (terms and conditions) have been structured differently?

[b] Would it be better for the commissioned mini-hydro plants to be fully commercialized with everything firmly in place (e.g. a few successful billing cycles) before proceeding with even more hydro plants?

[c] Is there room for arbitration? Is ISDN able to negotiate from a position of strength?

[d] Given the past experience, does ISDN see potential issues arising moving forward, even after the commercialization? How confident is the management in resolving any issues on a timely basis?

Company's Response:

[a]

- Terms for power generation facilities are highly standardised in Indonesia, so there are very few (and often no) ways to structure contracts differently. The Indonesian Ministry of Energy and Mineral Resources has issued regulations to standardise the terms and conditions of Power Purchase Agreement entered between state-owned utility PT PLN (Persero) and independent power producers for mini hydro below 10MW.
- All the terms and conditions are applied across to the power producers.
- We consider the standardisation of terms to be positive for ISDN and for the energy market in Indonesia, as it creates a more transparent and level playing field for all producers, and enhances good project governance.

[b]

- ISDN has not committed to investing in more hydropower plants.
- Instead, the Group continues to utilise the experience it has accumulated in its first 3 hydropower projects to develop possibilities for additional projects.
- The decision of whether to invest in additional projects will depend on a number of key factors including reaching commercial operations of ISDN's existing projects.

[c]

- We cannot comment publicly on ongoing private commercial negotiations.
- However, we note that our hydropower markets in Indonesia have a clear need for affordable and sustainable energy, and that the dramatic escalation of global energy prices continues to underscore some of the benefits of renewable energy such as hydropower.

[d]

- ISDN has accumulated extensive experience in addressing the broad range of issues that arise in the complex journey from hydro plant construction to commercialisation. We believe this expertise will continue to help us address issues in a timely manner moving forward.

Query 3:

Regarding the SD Beijing where an ex-employee misappropriated funds resulting in the company having to pay out about S\$1.6mil in compensation, how much legal fee did the company incur? And what measures or corrective actions have been instituted by ISDN to prevent future misconduct or misappropriation of funds cases?

Company's Response:

- ISDN incurred approximately S\$103,000 of legal fees related to the SD Beijing incident. We note that the Group is committed to good governance practices, and the focus of our efforts prioritised risk management, remedial action, and the improvement of our operations over savings in legal fees.
- Immediately following the incident, the Company undertook significant short- and long-term activity to investigate, and then upgrade operations to reduce similar risks in the future. These efforts include:
 - Restructuring our China operation for better common governance by merging our Beijing, Shenzhen and Suzhou subsidiaries, and shutting down the ISDN's holding subsidiary in Suzhou. This consolidation of operations helps to streamline financial controls and reduce duplicate functions among the subsidiaries.
 - Implementing central controls over the use of ISDN's official company seals, to remove the possibility of misuse without jeopardising operational efficiency.
 - Appointing an independent internal audit firm, reporting to the ISDN Board, to evaluate financial controls and processes in Beijing and other ISDN entities and make recommendations for growing operations;
 - Significant investments in implementing a global financial IT system and a restructuring of ISDN's finance organisation to consolidate and automate financial reporting, reconciliation, risk, and managerial controls;
 - Upgrading internal control measures across a range of areas across our global business including account receivables, debt collections, debt confirmations, cash reconciliations, and payments.

Query 4:

How does Performance Leadership Pte Ltd (PL) fit into the overall strategy of the group? Is there any synergy between PL and (a) the automation related software training (b) automation business in China?

Company's Response:

- PL provides ISDN with a set of strategic benefits including:
 - Access to a world class training capability for upskilling our globally distributed workforce in vital business areas including leadership, sales, employee wellness, and business agility and resilience;
 - The opportunity to integrate Industrial 4.0 and AI benefits and skills into PL's program offering;
 - Access to relationships with a large, diversified set of enterprises in Singapore;
 - A strengthening of ISDN's commitment to modern ESG (environment, social and governance) principles as the PL business provides commercial profit while also creating upskilling benefits for the economy in our region; and
 - PL has also provided training guidance to ISDN subsidiaries and helped to integrate our industrial experience into skills future training program offered by local renowned training center.

Query 5:

Has the commercialization date for the Sisira & Angocci mini-hydropower plants fixed? If no, how long more to commercialization?

Company's Response:

- We are reaching at the final stage of the commercialisation for Sisira & Angocci. Based on current progress and barring any unforeseen circumstances, we continue to target commercial operations of our first two 2 mini-hydropower plants this year.

Query 6:

What is the current operating cost for the 2 mini-hydropower plants on a monthly basis?

Company's Response:

- The total operating cost for the 2 mini-hydropower plants is approximately S\$60,000, comprising payroll, office rental and other administrative expenses.
- ISDN has set up a shared service function to enhance financial oversight as well as reduce expenses and share finance, logistics, human resources, and administrative functions across our subsidiaries in Indonesia.

Query 7:

What is impact on your global business arising from the Ukraine-Russia war? Such as supply chain disruption, increase in raw material cost etc? Please elaborate.

Company's Response:

- ISDN does not have any significant exposure to customers or suppliers in Russia or the Ukraine, and as such we have not seen any significant impact from the Ukraine-Russia conflict.

Query 8:

How is the current Covid-19 situation affecting your business in China?

Company's Response:

- The COVID-19 measures in China have disrupted our supply chain and workforce similarly to other multinational businesses operating in China.
- ISDN has adapted our business to remain operational despite the interruptions, and we are grateful to many of our employees who continue to dedicate efforts to operating our business despite the restrictions on movement outside homes and facilities.
- Supply chain disruptions have necessitated the re-routing and re-sourcing of supply on occasion, and ISDN is actively engaging with its broad base of global suppliers to mitigate risks and secure supply to reduce interruptions to our business.

Query 9:

How has the persistent elevated oil and gas prices affecting your operating environment globally?

Company's Response:

- ISDN has not been significantly impacted by elevated energy prices globally.
 - Oil is not a meaningful direct input for our business, but ISDN does rely on electricity to run its operating and manufacturing facilities.
 - The impact of higher electricity costs has not been significant in our business, and we have generally been able to pass the small increases in costs onto our end-markets through pricing.
- The elevated global energy prices have increased global focus and interest in renewable energy, which we believe generally benefits our clean industries businesses.