

ISDN HOLDINGS LIMITED

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

101 Defu Lane 10
Singapore 539222
Tel: 6844 0288 Fax: 6844 0070
Web: www.isdnholdings.com

UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 – FURTHER CLARIFICATION RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 12 August 2021 and 20 August 2021 in relation to the Company’s unaudited financial statements for the financial period ended 30 June 2021 (“**1H2021 Results Announcement**”).

Unless otherwise defined or the context otherwise requires, all capitalized terms shall bear the same meaning as ascribed to them in the 1H2021 Results Announcement.

1. Please provide further details on the funding to investee companies and the promissory notes (i.e. the parties involved, the quantum involved and the amounts impaired thus far). Please elaborate the Company’s efforts to recover the funding to investee companies.

Company’s Response:

- (i) Breakdown of funding to investee companies:

	As at 30 June 2021		
	Gross amount S\$’000	Loss allowance S\$’000	Net carrying amount S\$’000
Funding to investee companies			
Note A — discontinuation of mining venture	419	(419)	-
Note B — discontinuation of energy and mining venture	235	(235)	-
	<u>654</u>	<u>(654)</u>	<u>-</u>

A. In 2010, a subsidiary of the Group provided the initial venture funding of US\$330,000 (equivalent to S\$419,000) (“**Funding**”) to an investee company in the mining business in Indonesia. The Funding is interest-bearing at 10% per annum.

In 2018, as part of an overall shift to simplify strategic focus, the Group elected not to proceed with the mining venture. Accordingly, the parties terminated the investment agreement and the Group is in negotiation with the investee company to recover the Funding to be repaid to this subsidiary.

The Group has previously issued a letter of demand to recover the Funding through a legal adviser in Indonesia. Upon receipt of the letter of demand, the investee company has in the past assured the repayment of Funding but failed to repay the Funding. Subsequently, the Group lodged a police report to seek repayment of the Funding and the investee company has admitted that the Funding owed to the subsidiary. Subsequently, a

third party had agreed to provide an undertaking to guarantee the repayment of the Funding on behalf of the investee company. The Group was also informed by the third party that he will repay the Funding once an investor is being secured for his mining business. The Group has not received the repayment of the Funding and has since made efforts to recover the Funding by requesting for an update on the status of the repayment through phone calls. The Group has engaged a representative in Indonesia to recover the Funding. The representative would provide status update to the Company as and when there are developments on the matter. The Group is in close contact with this representative and the third party and will make efforts to recover the Funding. In view of the uncertainties of the business environment during the COVID-19 pandemic and out of prudence the Funding has been reserved for the full receivable amount.

As at 30 June 2021, the total credit loss allowance for impairment of receivables was S\$419,000.

- B. In prior years, a subsidiary of the Group made advances of US\$174,000 (equivalent to S\$235,000) ("**Advances**") to two venture investee companies ("**Investee Company A**" and "**Investee Company B**") in the energy and mining sectors under a non-binding term sheets separately, which did not represent or create an obligation to conclude a transaction, for exploring energy related projects. It was agreed that the Advances shall be refunded to the Group at no interests if the investment risk or returns profile is not in favour to the Group.

In 2018, as part of an overall shift to simplify strategic focus, the Group elected not to proceed with the two ventures.

At that time, the Group also discovered that the Advances made to Investee Company A was not being used by Investee Company A for the purpose of the investment as agreed. The Group then engaged a representative in Indonesia to lodge a police report on Investee Company A in relation to the Advances that were not repaid. In around end of 2019, the police had organised a meeting between the representative and Investee Company A for investigation. The investigation is still on-going. The representative has not been able to travel to the police station to further pursue this matter as shortly after the end of 2019, there were lockdowns causing restrictions in travelling in Indonesia.

The Advances to Investee Company B was provided for the purpose of purchasing machineries and operating costs of Investee Company B. However, Investee Company B was not able to obtain any sales order due to the change in management of his customer. The Group has been discussing with Investee Company B on the recoverability of the Advances from Investee Company B and both parties have mutually agreed to sell the machineries currently owned by the Investee Company B for the purposes of repaying the Advances. However, due to the current COVID-19 pandemic, Investee Company B has not been able to find a potential purchaser to purchase the machineries. Investee Company B is currently making efforts to seek for a potential purchaser of the machineries and will provide updates from time to time on the status.

The Group has been seeking the recoverability of the Advances from the two investee companies by requesting for an update on the status of the repayment of the Advances through phone calls. The Group has engaged a representative in Indonesia to recover the Advances. The representative would provide status update to the Company as and when there are developments to the matter. The Group is in close contact with this representative and will make efforts to recover the Advances. In view of the uncertainties of the business environment during the COVID-19 pandemic and out of prudence the Advances has been reserved for the full receivable amount.

As at 30 June 2021, the total credit loss allowance for impairment of receivables was S\$235,000.

(ii) Breakdown of promissory notes:

	As at 30 June 2021		
	Gross amount	Loss allowance	Net carrying amount
	S\$'000	S\$'000	S\$'000
Promissory notes	1,288	(895)	393

The promissory note relates to 2017 venture financing issued to an individual (the “**Borrower**”) to explore an overseas opportunity in sustainable forestry. The financing amount was US\$950,000 (equivalent to S\$1.3 million), bears interest at 6.5% per annum, and is secured by 100% of the shares in a company beneficially owned by the individual.

In 2019, as part of an overall shift to simplify strategic focus, the Group elected not to proceed with the sustainable forestry venture.

Consequently, the Group initiated the collection of the promissory note and in February 2020, the Borrower signed a repayment plan agreement and agreed to repay the amount to the Group over 12 payments, starting from 30 September 2020. In late 2020, both parties have mutually agreed to extend the repayment plan because the Borrower’s sustainable forestry business has been affected by COVID-19 and travel restriction. As at 30 June 2021, the total credit loss allowance for impairment of receivables was S\$895,000.

2. Please disclose if the counterparties are related parties.

Company’s Response:

The counterparties (investee companies and promissory note receivables) are not related parties to the Group.

3. Please disclose if the counterparties are still in operation and the reason for the impairments.

Company’s Response:

With regards to the amount due from investees, the counterparties are inactive and as part of an overall shift to simplify strategic focus, the Group elected not to proceed with the ventures. With the rising uncertainties of the business environment during the COVID-19 pandemic, the Group believed it is appropriate to fully impaired the amount due.

The counterparty in relation to the promissory note is still in operation and its business is affected by the COVID-19 pandemic. The Group continues to progress its case towards a favourable recovery of amount due. The Group had assessed and concluded that the carrying amount due from promissory note as at 30 June 2021 was measured at fair value and recoverable.

By Order of the Board

ISDN Holdings Limited
Teo Cher Koon
President and Managing Director
27 August 2021