

ISDN HOLDINGS LIMITED

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

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UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023 – RESPONSES TO QUERIES 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 announcement dated 27 September 2023 and 8 August 2023 in relation to the Company’s unaudited financial statements for the financial period ended 30 June 2023 (“**1H2023 Results Announcement**”).

Unless otherwise defined or the context otherwise requires, all capitalized terms shall bear the same meaning as ascribed to them in the 1H2023 Results Announcement.

Q1. Revenue

Please explain the reasons why the Company recorded positive profits of S\$9.0m while it has also recorded negative cashflows from operations of S\$1.1m.

Company’s Response:

The Company recorded negative cash flows from operations mainly due to (i) advances made to the trade suppliers of S\$6.1 million, which predominately result from advances made to the engineering, procurement and construction (“**EPC**”) contractor for the construction of mini-hydropower plant, Lau Biang 2 and (ii) lower contract liabilities of S\$3.5 million was mainly due to decrease in advances received from customers for sales of goods largely from our PRC subsidiaries. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Q2. Cash and bank balances:-

- (i) Please explain why interest income amounted to only S\$125k, when the Company has significant cash and bank balance amounting to S\$51.5m.***
- (ii) Please provide a breakdown of cash and bank balances that are restricted / unrestricted.***
- (iii) Please explain the reason why the Company is holding S\$51.5m of cash, and the Company’s plans for the utilisation of such cash.***

Company’s Response:

- (i)*** The Group maintained a cautious approach to its cash management, preferring flexibility over interest income. Consequently, the Group maintained the majority of its cash in low yielding interest and non-interest bearing bank accounts where it was readily available, although this resulted in lower overall interest income.

- (ii) A breakdown of the Group's cash and bank balances that are restricted / unrestricted follows:

	As at 30 June 2023
	S\$'000
Cash and bank balances	48,060
Fixed deposits	3,497
Cash and bank balances	51,557
Less: bank deposits pledged (restricted)	(1,985)
Total cash and cash equivalents (unrestricted)	49,572

- (iii) Company's plans for the utilisation of S\$51.5 million of cash

The Group plans to utilise the cash for the expansion of our industrial park in PRC for the extension of our business services, the construction pipeline of our renewable energy projects, working capital for operations as well as the repayment of short-term liabilities obligations.

Q3. Trade and other receivables:-

- (i) *Please provide an explanation why 'advances paid to suppliers' increased from S\$6.3m as at 31 December 2022 to S\$12.4m as at 30 June 2023, while revenue decreased to S\$169.1m as at 30 June 2023 from the previous corresponding period.*
- (ii) *Noted that the aging of trade receivables has been disclosed on page 21. In this regard, please disclose the amount of trade receivables that are past due, and the Board's reasoning and assessment of their collectability.*

Company's Response:

- (i) The increase in advances paid to suppliers from S\$6.3 million as at 31 December 2022 to S\$12.4 million as at 30 June 2023 was mainly due to advances made to the EPC contractor for the construction of mini-hydropower plant, Lau Biang 2 which is in line with our expected project timeline.
- (ii) The past-due amount of trade receivables was S\$23.4 million as of 30 June 2023 (31 December 2022: S\$30.8 million) of which approximately S\$3.4 million or 14.6% was collected subsequently as at 31 July 2023. The management reviews the trade receivables aging monthly and follows up with the respective general managers and/or customers on collection matters. If overdue debts remain unpaid, the Group may stop processing new orders from the customers until the overdue debts are settled. The management may also take legal actions to recover debts, if necessary. The management regularly assesses the recoverability of the trade receivables.

The Board has considered the approach undertaken by the management and is comfortable with the approach taken. In addition, the Board also review of the receivables as at 30 June 2023 and is satisfied with the recoverability.

Q4. Trade and other payables:-

- (i) **Please explain the nature of the S\$27.4m 'Other payables'.**
- (ii) **Apart from the trade payables, please confirm whether the rest of the payables are interest bearing.**
- (iii) **Please confirm if any of the Trade and other payables are past due and if the Company has received any letters of demand from its creditors.**

Company's Response:

- (i) Breakdown and nature of other payables of S\$27.4m:

	S\$ million	Nature
Amounts due to contractors	23.6	It relates to the construction cost of our mini-hydropower plants projects, namely Lau Biang 1, Sisira and Angocci and the amount is not due yet as of the date of reports
Other taxes payables	1.8	It refers to goods and services tax and withholding tax
Sundry payables	1.6	
Dividend to non-controlling interest of subsidiary	0.4	
	<u>27.4</u>	

- (ii) The amount due to contractor of \$19.3 million for Lau Biang 1 project is interest bearing at 6.5% per annum. The remaining amounts due to contractors for Sisira and Angocci of S\$4.3 million are non-interest bearing.
- (iii) Trade and other payables are usually settled within the credit terms. There are past due trade and other payables which majority have been settled subsequently with no letters of demand received by the Group.

By Order of the Board

ISDN Holdings Limited
Teo Cher Koon
President and Managing Director
5 October 2023