

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 SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 2020 – 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 1 March 2021 in relation to the Company’s unaudited financial statements for the second half and full year ended 31 December 2020 (“**FY2020 Results Announcement**”).

Unless otherwise defined or the context otherwise requires, all capitalized terms shall bear the same meaning as ascribed to them in the FY2020 Results Announcement.

Q1. We note that the Company has attributed on page 13 of the Financial Statements, the increase in net impairment losses on financial assets to the impairment loss of funding to investee companies. Please provide the background for these investments, the quantum of these investments and the total amount of impairments made to date in this regard.

Company’s Response:

In December 2014, the Group provided debt venture funding of US\$2.9 million (equivalent to S\$3.9 million) to two companies (PT Bun Yan Hasanah and PT Gema Energy Indonesia, collectively the “**Investees**”) to explore a potential mining opportunity in Indonesia. The debt funding is secured by the unconditional personal guarantee of a principal shareholder of the Investees.

In 2018, as part of an overall shift to simplify strategic focus, the Group decided not to proceed with the mining venture. Accordingly, the Group has since made good faith efforts to collect the US\$2.9 million of debt owed to it.

The Group proceeded into arbitration in Singapore against the Investees and their guarantor for recovery of debts since September 2019. The arbitration is on-going and its outcome cannot be anticipated fully as of the date of the full year results announcement. Consequently, out of prudence, the Group decided to fully impair the US\$2.9 million (equivalent to S\$3.9 million) of debt as at 31 December 2020.

Q2. With regard to the line item “trade and other receivables” on page 3 of the Financial Statements, please disclose:-

(i) a breakdown of the Group’s receivables;

(ii) aging of the Group’s trade receivables; and

(iii) details of the Group’s underlying transactions of its other receivables and the terms of these transactions.

Company’s Response:

(i) A breakdown of the Group’s receivables follows:

Trade and other receivables

	2020
	S\$’000
<u>Current:</u>	
Trade receivables, net of impairment	
- note receivables ¹	11,597
- third parties ¹	66,952
- associates ²	2,425
- related parties ³	4,425
	<u>85,399</u>
Other receivables, net of impairment:	
- Funding to investee companies ⁴	401
- Advances to associates ⁵	144
- Advances to related parties ⁵	59
- Deposits ⁶	517
- Loan to associates ⁷	65
- Promissory note due ⁸	765
- Amounts owing from non-controlling interest ⁹	6,541
- Sundry debtors ¹⁰	3,770
	<u>12,262</u>
Advances paid to suppliers	4,304
Prepayment	985
	<u>102,950</u>

The Group notes that:

1. Note receivables and third party receivables are principally trade receivables from customers of the Group’s core business.
2. Receivables from associates are principally related to commercial product sales to the associated companies where the Group does not hold a controlling stake and does not consolidate revenues.
3. Related party receivables represent mainly product sales attributable to related parties’ subsidiaries which are not connected to the Directors of the Group.

4. Breakdown of funding to investee companies, net of impairment:

	2020 S\$'000
Funding to investee companies, net of impairment	
Note A — discontinuation of mining venture	286
Note B — discontinuation of energy and mining venture	115
	<u>401</u>

A. In 2010, a subsidiary of the Group provided the initial venture funding of US\$330,000 to an investee company in the mining business in Indonesia (note that this venture is unrelated to the Investees in section Q1 above). 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 for the balance of funding of US\$330,000 (equivalent to S\$412,000) to be repaid to this subsidiary and collateralised by a third person's personal undertaking to guarantee for the repayment by the investee company. As at 31 December 2020, the total credit loss allowance for impairment of receivables was S\$126,000.

B. In prior years, a subsidiary of the Group made advances of US\$174,000 (equivalent to S\$232,000) to two venture investee companies in the energy and mining sectors under a non-binding term sheet separately, which did not represent or create an obligation to conclude a transaction, for exploring energy related projects. The funding 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. As at 31 December 2020, the total credit loss allowance for impairment of receivables was S\$117,000.

5. The advances to associates and related parties are non-trade, unsecured, interest-free, and are repayable on demand in cash.
6. The deposits relate to security deposits for rental of leasehold properties and utilities used by the business, as well as performance guarantee issued for the sales of goods.
7. The loan to associates are unsecured, interest-free and repayable on demand.
8. 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 31 December 2020, the total credit loss allowance for impairment of receivables was S\$500,000.

9. The amount owing from non-controlling interest is related to sums due from the non-controlling equity owners of the Group's Indonesian subsidiaries. The amounts are non-trade, unsecured, interest-free, and are repayable on demand in cash.

10. Sundry debtors mainly consists of loan to employees, retention receivables, and taxes receivable. The sundry debtors are unsecured, interest-free and repayable on demand.

(ii) An aging analysis of the Group's trade receivables based on invoice date follows:

	2020 S\$'000
Within 30 days	38,059
31 - 90 days	26,800
Over 90 days	20,540
	<u>85,399</u>

The Group continues to monitor its trade receivables closely and prudently. The carrying amount of trade receivables were measured at fair value by taking into consideration of necessary credit risk of its customers, based on its credit profile and historical payment history.

(iii) Details of the Group's underlying transactions of its other receivables, and the terms of these transactions are provided in section (i) above.

Q3. Please disclose a breakdown of the line item "trade and other payables" found on page 3 of the Financial Statements. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response:

(i) A breakdown of trade and other payables follows:

	2020 S\$'000
Trade payables	
- third parties ¹	29,618
- associates	34
- related parties ²	10,180
	<u>39,832</u>
Accrued operating expenses	6,131
Accrued salaries and bonuses	12,828
Amount owing to an associate	23
Amount owing to non-controlling interests	1,285
Other payables	24,265
	<u>84,364</u>

1. Third parties payables are primarily trade payables for the Group's core business.

2. Payables to related parties are primarily trade payables attributable to the related parties' subsidiaries which are not connected to the Directors of the Group.

(ii) The aging analysis of the Group's other payables is as follows:

	2020 S\$'000
Within 30 days	22,400
31 - 90 days	137
Over 90 days	1,728
	<u>24,265</u>

Other payables are primarily retention payables, accrual of construction cost for mini-hydropower plants projects in Indonesia, dividend payable to non-controlling interests, and taxes payable.

Included in other payables of the Group are third parties except for dividend payable to non-controlling interests amounting to S\$800,000.

Q4. Please provide a breakdown of the line items "trade and other receivables" and "trade and other payables" on page 3 of the Financial Statements.

Company's Response:

Please refer to Q2 and Q3 above for the breakdown of trade and other receivables and trade and other payables.

Q5. The Company has disclosed on page 15 of the Financial Statements, an allowance for non-payment of a promissory note. Please state the quantum involved and disclose information on the background and underlying transaction for this promissory note.

Company's Response:

Please refer to Q2 Note 8 above for the information on promissory note.

Q6. Please explain why interest income amounted to only \$303,000 during FY2020 when the Company has significant cash and bank balance amounting to \$51.9 million.

Company's Response:

Since the beginning of current pandemic, the bank interest rate, including savings and time-deposits accounts, has been declining in most of the Asian countries that the Group operates in. Thus, it resulted a lower interest income for FY2020.

	2020 S\$'000
Cash and bank balances	55,382
Fixed deposits	3,091
Total cash and bank balances	<u>58,473</u>
Less: restricted bank deposits	(4,156)
Less: fixed deposits pledged	(2,877)
Cash and cash equivalents	<u>51,440</u>

The fixed deposits have a maturity period of 1 to 24 months which are not held for investment purpose but are placed to have better yield returns than cash at banks. These fixed deposits are readily convertible to cash to meet the Group's cash commitments in the short term, if required.

The interest income derived from cash placed with reputable banks yielded low interest rates ranging between 0.1% to 2.9% per annum and not all bank accounts were interest-bearing.

By Order of the Board

ISDN Holdings Limited
Teo Cher Koon
President and Managing Director
9 March 2021