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MEDIA RELEASE

ISDN Holdings reports 72.5% growth in earnings to S\$9.6 million 1H2020

- 1H2020 revenue surged 13.8% year-on-year (“YoY”) to S\$167.2 million, driven by solid performance in both ISDN’s core industrial automation business and emerging hydropower business.
- ISDN delivered revenue growth while reducing operational expenses and increasing its share of profit of associates, resulting in a 72.5% YoY increase in profit attributable to shareholders for 1H2020
- ISDN remains confident in its long-term growth strategy of ascending the industrial automation value chain and maintaining positive group diversification while ensuring the health and safety of all employees.

Singapore, 7 August 2020 – ISDN Holdings Limited (“**ISDN**”, and with its subsidiaries, the “**Group**”), a leading industrial automation firm, today announced its financial results for the six months ended 30 June 2020 (“**1H2020**”).

Financial Overview

(S\$'000)	1H2020	1H2019	YoY Change (%)
Revenue	167,185	146,963	13.8
Gross Profit	41,335	37,399	10.5
Gross Profit Margin (%)	24.7	25.4	(0.7) ppt
Operating Expenses[#]	26,862	27,542	(2.5)
Profit Before Tax	16,633	10,921	52.3
Profit Attributable to Shareholders	9,572	5,548	72.5
Net Profit Margin* (%)	7.7	5.7	2.0 ppt

ppt – percentage points

– Operating expenses comprise distribution costs and administrative expenses

* – Net profit margin calculates the portion of the net profit to overall revenue, and not the portion of profit attributable to shareholders to overall revenue

ISDN’s overall revenue grew by 13.8% YoY to S\$167.2 million in 1H2020. The Group saw:

- Broad-based increases in demand for its core motion control solutions across Singapore, Malaysia, and Vietnam;

- A solid return of demand in the People's Republic of China (the “**PRC**”) despite the challenging extended lockdown period earlier in the year; and
- Growth in construction revenue as its mini-hydropower plants in Indonesia made gradual progress towards commercialisation.

ISDN is satisfied that its long-term focus on growth markets, together with its geographical and business diversification, has delivered business resilience in a volatile global market environment.

Gross profit increased 10.5% YoY to S\$41.3 million, driven by overall revenue growth. Gross profit margin declined slightly from 25.4% to 24.7% YoY for 1H2020. Excluding the effects from the construction of the mini-hydropower plants that are under the service concession agreement, gross profit margin for ISDN would have been at 27.1% which is higher than 25.8% in 1H2019, indicating better margins for the Group's core business.

The Group's operating expenses decreased by 2.5% YoY to S\$26.9 million for 1H2020, as a result of lower distribution expenses offset by an increase in administrative expenses. Specifically, distribution expenses fell by 6.7% YoY to S\$11.5 million mainly due to lower expenses for office, personnel, and travel, while administrative expenses grew by 1.0% YoY to S\$15.4 million attributable to consolidation of subsidiaries, increase in professional fees and depreciation of right-of-use assets.

As a result of the above, the Group posted a profit before tax of S\$16.6 million for 1H2020 compared to S\$10.9 million from 1H2019 and delivered a net profit of S\$12.9 million and net profit attributable to shareholders of S\$9.6 million for 1H2020 (1H2019: S\$8.3 million and S\$5.5 million respectively).

Business Update

ISDN's core industrial automation business delivered solid growth despite an extended lockdown period in the PRC. The Group attributes its diversified customer base across Asia, and the long-term demand for its industrial automation products for its resilient performance in 1H2020.

Despite the COVID-19 triggered disruptions, ISDN continued to further its diversification strategy. In May 2020, the Group partnered German company ERST Project GmbH to deliver effective disinfectant solutions to aid in the fight against COVID-19 in Asia. ISDN has since secured major deals with Centurion Corporation, The Science Park, and the Public Transport Company, with multiple disinfecting projects with cleaning companies across the city-state. The Group believes that, given the long-term nature of this worsening coronavirus epidemic, the demand for surface disinfectants will increase¹ and this new venture holds much promise.

¹ HR Asia: <https://hrasiamedia.com/featured-news/2020/as-the-covid-19-battle-remains-long-drawn-how-can-asia-pacific-leaders-protect-employee-well-being/>

The Group's hydropower plant business made significant progress from the beginning of 2020, as reflected by growth in construction revenue from the Group's energy business. However, since the Indonesian government-imposed travel restrictions in April this year due to the coronavirus situation, the Group's hydropower plant business have witnessed some disruptions and the completion dates of our two hydropower plant projects have been extended.

Beyond the short-to-medium term coronavirus risk, COVID-19 has also accelerated the pace of cloud-based solutions in Asia², giving rise to greater adoption of advanced and automated processes for factory automation, boding well for the Group's core industrial automation business in the long term.

Mr Teo Cher Koon, ISDN's Managing Director and President, said, *"We are pleased to have kept our workforce healthy and delivered solid growth on our diversification strategy during this tumultuous first half of 2020. Our core industrial automation business has recovered well from the COVID-19 impact, and we are seeing increasing demand from the Southeast Asia region, as well as China."*

Looking ahead, we expect the pace of technology advancement to quicken and we will continue building out our strategic roadmap to buffer these medium-term volatilities and seize the long-term opportunities of Industry 4.0."

This news release is to be read in conjunction with the Group's announcement concurrently posted on SGXNET.

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² Accelerating cloud adoption in post-COVID-19 Asia
<https://www.bangkokpost.com/business/1942612/accelerating-cloud-adoption-in-post-covid-19-asia>

About ISDN Holdings Limited

Founded on its precision and motion control engineering capabilities in 1986 and listed on the Main Board of the Singapore Exchange Securities Trading Limited since 2005, ISDN Holdings Limited has today transformed into a multi-industry corporation with more than 60 offices spanning key Asian growth markets. ISDN is also listed on the Main Board of the Stock Exchange of Hong Kong Limited since 12 January 2017.

ISDN is dominant in the niche areas of motion control, other engineering solutions and industrial computing. ISDN's customised engineering solutions cater to different industrial sectors including medical, robotics, factory automation, energy, manufacturing, hard disk and semiconductor industries. By leveraging its alliances with strategic partners in Europe and Asia, ISDN is able to combine and thereupon benefit from the best-in-class technology and business systems these collaborations have to offer.

For more information, please visit www.isdnholdings.com

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