



MEDIA RELEASE

ISDN continues to build business and gain market share in 2023. Sequential growth in 2H2023 points to recovery this year.

- **Overall sales** declined –7.8% yoy in FY2023. The worst of the semiconductor & electronics downcycle impacted ISDN in 1H2023, followed by sequential recovery in 2H2023 up +2.0% compared to 1H2023.
- **ISDN's China business** (73% of revenue) grew +2.4% in FY2023 over FY2022 and +6.6% yoy on a constant currency basis. ISDN continued to gain market share in China's industrial automation market in 2023.
- **ISDN's Southeast Asia industrial automation business** (21% of revenue) declined –28.3% in FY2023 over FY2022. The decline was heavily concentrated in the Southeast Asia semiconductor sector, with non-semiconductor sales declining –5.9% yoy.
 - ISDN has not lost any semiconductor customers to date and expects this segment to recover along with the broad semiconductor cycle.
 - ISDN believes it has not lost market share in Southeast Asia, and should recover along with the regional industrial sector in FY2024.
- **ISDN's hydropower business** (2% of revenue) reached historic milestones in FY2023 with all 3 initial plants now commercialised and delivering approximately S\$8m in recurring net cash income a year for the Group.
- **Earnings to shareholders** declined -66% yoy to S\$4.9m in FY2023, as ISDN sought to balance profitability in FY2023 with prudent re-investment to gain share and build capabilities to emerge more strongly from the downcycle.
 - The Board believes this is a well-supported strategy for creating long-term growth, with [clear evidence](#)¹ that companies able to invest during downturns have created significantly stronger growth during the economic recovery phase.
- **ISDN has clearly strengthened its capabilities and market position** throughout the downturn, resulting in greater capabilities and market share gains in 2023 that position the Group well for continued growth.

Singapore, 28 February 2024 – ISDN Holdings Limited (“ISDN” or the “Group”), a leading industrial automation firm in Asia, today announced its financial results for full year ended 31 December 2023 (“FY2023”).

Financial summary

Revenue and profitability for FY2023 were heavily impacted by the global semiconductor and electronics downcycle in 2023. However, 2H2023 saw sequential improvement in sales and ISDN continues to see stable momentum in 2024 to date:

¹ See <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/resilience-in-tmt-winning-in-downturns> for example

S\$'000	FY2022	FY2023	YoY change
Revenue	370,779	341,766	-7.8%
Gross profit	105,888	91,134	-13.9%
Gross profit margin (%)	28.6%	26.7%	-1.9ppt
Operating expenses ^a	67,839	66,714	-1.7%
Profit before tax	32,027	18,873	-41.1%
Profit after tax	23,079	11,172	-51.6%
Profit attributable to shareholders	14,620	4,952	-66.1%

ppt percentage points

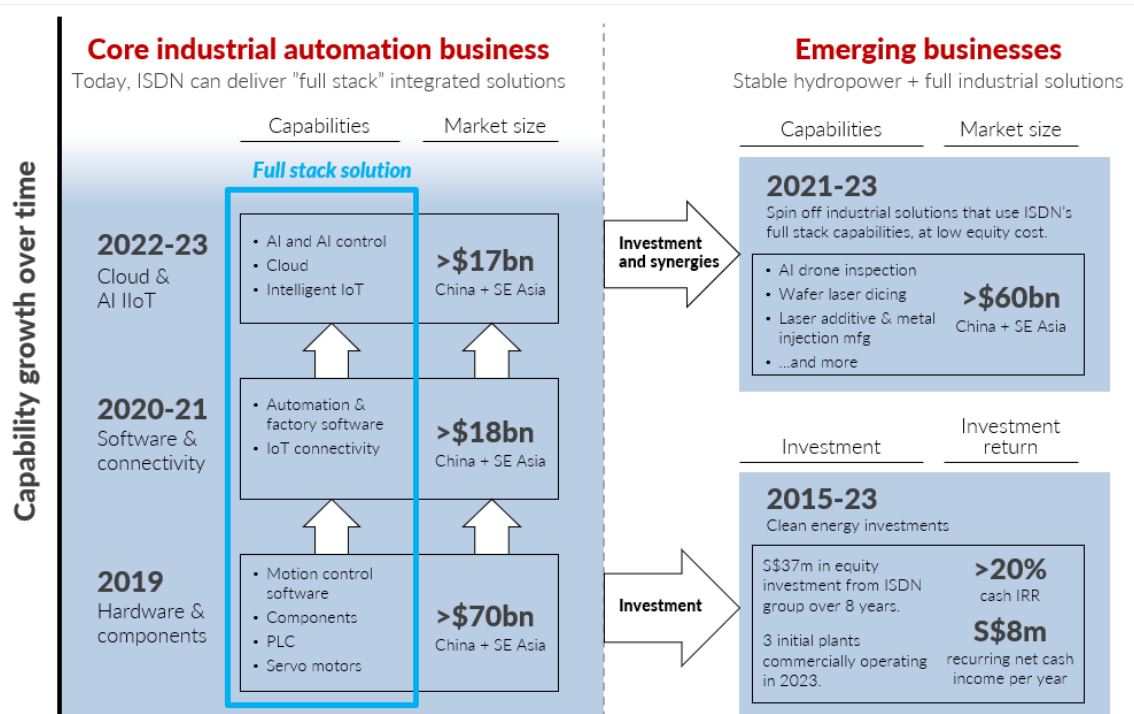
^a Operating expenses comprise distribution costs and administrative expenses

Through the downcycle, ISDN elected to maintain steady operational expenses, to ensure continued commitment to building strategic capabilities for long-term growth. As a result, management believes that the Group continued to gain market share in its core markets during FY2023 and is well-positioned to grow its competitive advantage as the cycle recovers.

The Group believes that companies maintaining long-term investment discipline through downturns have generated superior long-term returns, as demonstrated by McKinsey in a large-scale study².

Building through the downturn and recovery

Despite the cyclical headwinds ISDN faced in 2023, ISDN made excellent progress building its business during the year, reaching notable milestones across its entire business portfolio:



² See <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/resilience-in-tmt-winning-in-downturns> for example

In ISDN's **core industrial automation** business, the Group built out its capabilities further in industrial cloud, AI, and software, enabling it to offer “full stack” integrated solutions that include components, machinery, software and intelligence in a single solution for customers. The Group has already delivered several such solutions, and looks forward to sharing case studies with investors this year.

In ISDN's **clean energy business**, the Group reached full commercialisation for all 3 of its mini-hydropower plants, demonstrating a clear return on equity invested in the projects, as well as a high-quality, recurring stream of annual net cash income of approximately S\$8 million a year for the next 20 to 25 years.

In ISDN's **industrial solutions** business, the Group continued to incubate commercial solutions using ISDN's full-stack technology capabilities. Each of these solutions requires very low cash investment, and allows ISDN to realise synergies through contributing technical, sales, manufacturing, or other full stack capabilities to help realise a commercial market entry.

ISDN's progress in all three business areas throughout 2023 provides the Group with solid strategic capabilities to capitalise on the long-term growth in industrial automation in Asia. As the Group looks towards continued cyclical recovery in 2024, we believe the enlarged capabilities in industrial automation, the expanded market access with both customer- and commercial- solutions, and the proven return from our clean energy portfolio will position ISDN favourably for multi-year growth.

The Group reaffirms its confidence in the growth fundamentals for Asia's industrial automation market, as well as ISDN's competitive position in the market. The combination of advancing manufacturing needs, rising labour costs, technology innovation, and economic growth in China and Southeast Asia point clearly to continued need for industrial automation growth in the region.

Review of 2023 performance

While ISDN experienced overall sales decline in FY2023 driven by a clear global downcycle in semiconductors and electronics, it is seeing increasing signs of cyclical recovery:

- **ISDN's China industrial automation business** (73% of revenue) grew +6.6% year-on-year (“yoy”) in FY2023 on a constant-currency basis, and 2.4% on an as-reported basis (given the devaluation of the RMB currency during the year). This performance represents market share gain for ISDN against the China industrial automation market which declined -2.0% in FY2023.
- **ISDN's Southeast Asia industrial automation business** (21% of revenue) experienced significant decline of 28.3% in 2023. 90.8% of this decline was concentrated in the semiconductor sector, which experienced widespread cyclical decline in Southeast Asia. ISDN has not lost any of its semiconductor customers and believes it has not lost any significant market share in Southeast Asia. Consequently the Group believes its Southeast Asia business should recover alongside the broader industrial and manufacturing sector in the region.
- **ISDN's hydropower business** (2% of revenue) reached key commercialisation milestones in FY2023 with tariff income of S\$8.8 million for the year.

Gross margin for the year declined by 1.9ppts, reflecting the impact of mix-shift from higher-margin sectors such as semiconductors and electronics which experienced industry

downturns in FY2023. The Group believes the gross margin impact is cyclical rather than structural in nature, and margins began to recover sequentially in 2H2023.

ISDN reduced operating expenses modestly by S\$1 million in FY2023. As noted above, this operating expense level reflects ISDN's confidence in investing to grow capabilities through the downturn, as the Group gained share while competitors face market weakness.

Net profit and net profit to shareholders declined significantly in FY2023, driven almost entirely by the cyclical impact to revenue and gross margin described above.

Clean energy business update

2023 was a historic year for ISDN as the Group completed commercialisation of its Anggoci and Sisira mini-hydropower plants. These milestones, coupled with the commercialisation of Lau Biang 1 on 31 December 2022 have increased the total power generation capacity for ISDN to 24.6MW from the three hydropower plants.

In FY2023, the Group recognised S\$3.1 million operating revenue and S\$3.6 million finance lease income as revenue from the three hydropower plants. A total of S\$8.8 million was billed to PT PLN (Persero) ("**PLN**") for FY2023 and received as of January 2024.

The Group continues to focus on building its renewable energy portfolio as construction works for 2 more mini-hydropower plants are already underway.

ISDN will continue to expand its clean energy portfolio and hopes to strengthen the significant and recurring profits further.

2024 outlook

While the Group remains cautious about predicting a recovery, it notes that:

- ISDN saw significant cyclical impact in 1H2023 followed by sequential improvement in growth in 2H2023, persisting through the early 2024;
- China's Manufacturing PMI crossing the benchmark of 50 points into growth territory in December 2023 and January 2024; and
- There is growing evidence in an emerging recovery for the global semiconductor sector, which tends to lead broader recovery for electronics, with the semiconductor industry association SEMI projecting a cyclical recovery in 2024³.

ISDN believes that a slowing cyclical headwind, continued demand for industrial automation in Asia, and the growth of ISDN's strategic capabilities, positions the Group well to capitalise on cyclical recovery and long-term growth in industrial automation.

³ <https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-manufacturing-industry-poised-for-2024-expansion-semi-reports>

CEO remarks

Reflecting on ISDN's strategic position and performance in FY2023, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that “despite tremendous cyclical headwinds in 2023, ISDN managed to grow both revenue and market share in its most important core market, China. Equally importantly, the Group remained steadfast in its focus on long-term growth, capitalising on a weaker economy to grow capabilities to capture more market access and share going forward.

In a difficult year, ISDN grew its advanced software and cloud capabilities, expanded its software market presence in China, delivered “full stack” hardware/software/cloud solutions to customers, made good progress developing exciting new commercial solutions, and completed commercialisation of 3 mini-hydropower plants.

All of these initiatives were accomplished despite a modest reduction in operating expenses for the year.

In the second half of 2023, we began to see early signs of recovery in manufacturing activities in China and Southeast Asia. ISDN has used the downturn to position itself more strongly than ever to be relevant to the automation needs of Asia's growing economies, and we hope to capitalise well on the coming cyclical recovery in semiconductors and electronics.

We look forward to discussing our progress at our upcoming investor briefing, and we thank our investors, customers and employees for their continued support of our growth strategy.”

— End —

About ISDN Holdings Limited

ISDN is a leading provider of industrial automation solutions throughout Asia. The Company has more than 10,000 customers, and 55 offices spanning key Asian growth markets, and has a 30-year history of innovating alongside the growing technology needs of its customers.

Today, ISDN's solutions power advanced industrial sectors including semiconductors, Industry 4.0 manufacturing, medical devices, aerospace, and clean energy. ISDN's solutions power products and manufacturing in 5G, industrial robotics, the Internet of Things (IoT/IIoT), cloud and edge computing, and Industry 4.0 intelligent manufacturing.

ISDN was founded in 1986 and has been listed on the SGX Main Board since 2005 and the Stock Exchange of Hong Kong Main Board since 2017.

For more information, please visit www.isdnholdings.com

Issued for and on behalf of ISDN Holdings Limited by Financial PR.

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ISDN HOLDINGS LIMITED

億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)

(Singapore stock code: I07.SI)

ANNUAL RESULTS ANNOUNCEMENT FOR THE SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Twelve months ended 31 December		
	2023 S\$'000	2022 S\$'000	Change %	2023 S\$'000	2022 S\$'000	Change %
Revenue	172,612	180,072	-4.1%	341,766	370,779	-7.8%
Gross Profit	46,807	51,810	-9.7%	91,134	105,888	-13.9%
Profit after tax	2,111	6,946	-69.6%	11,172	23,079	-51.6%
Profit for the period/year attributable to equity holders of the Company	372	3,550	-89.5%	4,952	14,620	-66.1%
Basic earnings per share (Singapore cents)	0.08	0.81	-90.1%	1.12	3.33	-66.4%

The Board has resolved to recommend a final dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) for the year ended 31 December 2023 (2022 final: 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents)).

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ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2023 (“**2H2023**”) and annual results for the year ended 31 December 2023 (the “**FY2023**”), together with the relevant comparative audited or unaudited figures. The Group’s results for 2H2023 and FY2023 are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

A. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Group					
		Six months ended 31 December			Twelve months ended 31 December		
	Note	2023 S\$’000 (unaudited)	2022 S\$’000 (unaudited)	Change + / (-)	2023 S\$’000 (unaudited)	2022 S\$’000 (audited)	Change + / (-)
Revenue	5	172,612	180,072	-4.1%	341,766	370,779	-7.8%
Cost of sales		(125,805)	(128,262)	-1.9%	(250,632)	(264,891)	-5.4%
Gross profit		46,807	51,810	-9.7%	91,134	105,888	-13.9%
Other operating income	6	1,302	1,463	-11.0%	4,795	3,448	39.1%
Distribution costs		(13,859)	(13,787)	0.5%	(26,318)	(28,710)	-8.3%
Administrative expenses		(21,443)	(19,679)	9.0%	(40,396)	(39,129)	3.2%
Net impairment (losses)/gain on financial assets		(1,607)	70	n.m.	(1,571)	296	n.m.
Other operating expenses		(3,041)	(6,413)	-52.6%	(3,711)	(7,441)	-50.1%
Finance costs	7	(2,320)	(2,229)	4.1%	(4,391)	(3,486)	26.0%
Share of (loss)/profit of associates, net		(312)	79	n.m.	(669)	1,161	n.m.
Profit before income tax	8	5,527	11,314	-51.1%	18,873	32,027	-41.1%
Income tax	9	(3,416)	(4,368)	-21.8%	(7,701)	(8,948)	-13.9%
Profit for the period/year		2,111	6,946	-69.6%	11,172	23,079	-51.6%
Other comprehensive income, net of tax:							
<u>Items that may be subsequently reclassified to profit or loss</u>							
- net fair value changes on cash flow hedge		-	-	n.m.	-	(31)	-100.0%
- exchange differences on translation		(1,435)	(7,924)	-81.9%	(4,918)	(10,288)	-52.2%
Total comprehensive income/ (loss) for the period/year		676	(978)	n.m.	6,254	12,760	-51.0%
Profit for the period/year attributable to:							
Equity holders of the Company		372	3,550	-89.5%	4,952	14,620	-66.1%
Non-controlling interests		1,739	3,396	-48.8%	6,220	8,459	-26.5%
		2,111	6,946	-69.6%	11,172	23,079	-51.6%
Total comprehensive income for the period/year attributable to:							
Equity holders of the Company		(704)	(1,998)	-64.8%	1,073	7,046	-84.8%
Non-controlling interests		1,380	1,020	35.3%	5,181	5,714	-9.3%
		676	(978)	n.m.	6,254	12,760	-51.0%
Earnings per share attributable to the equity holders of the Company:							
Basic and diluted (Singapore cents)	10	0.08	0.81	-90.1%	1.12	3.33	-66.4%

n.m. – Not meaningful

B. Condensed Consolidated Statements of Financial Position

		Group		Company	
		As at 31 December 2023 S\$'000 (unaudited)	As at 31 December 2022 S\$'000 (audited)	As at 31 December 2023 S\$'000 (unaudited)	As at 31 December 2022 S\$'000 (audited)
Note					
ASSETS					
Non-current Assets					
Property, plant and equipment	13	63,189	63,249	613	656
Investment properties		396	417	-	-
Land use rights		1,041	1,104	-	-
Goodwill	14	12,227	12,227	-	-
Subsidiaries		-	-	87,304	50,410
Associates		5,272	6,278	-	-
Service concession receivables	15	73,243	76,960	-	-
Other financial assets		900	900	-	-
Deferred tax assets		281	384	-	-
Total non-current assets		156,549	161,519	87,917	51,066
Current Assets					
Inventories		73,011	81,181	-	-
Trade and other receivables and contract assets	15	110,593	101,116	735	804
Service concession receivables	15	253	-	-	-
Amounts owing by subsidiaries		-	-	37,406	67,963
Dividend receivables		-	-	-	1,400
Cash and bank balances		60,033	56,554	1,845	2,030
Total current assets		243,890	238,851	39,986	72,197
Total Assets		400,439	400,370	127,903	123,263
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	84,755	81,487	84,755	81,487
Reserves		113,867	116,342	39,884	30,197
		198,622	197,829	124,639	111,684
Non-controlling interests		42,043	44,771	-	-
Total Equity		240,665	242,600	124,639	111,684
Non-current Liabilities					
Bank borrowings	17	56,025	10,066	-	-
Leases liabilities		5,035	4,860	618	640
Deferred tax liabilities		568	676	-	-
Total non-current liabilities		61,628	15,602	618	640
Current Liabilities					
Bank borrowings	17	19,659	23,809	-	-
Leases liabilities		1,368	1,322	22	21
Trade and other payables	18	64,624	95,101	2,624	10,571
Contract liabilities		10,811	18,003	-	-
Current tax liabilities		1,684	3,933	-	347
Total current liabilities		98,146	142,168	2,646	10,939
Total Liabilities		159,774	157,770	3,264	11,579
Total Equity and Liabilities		400,439	400,370	127,903	123,263

C. Condensed Consolidated Statements of Changes in Equity

	← Attributable to equity holders of the Group →					Non-controlling interests	Total equity
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings		
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2023							
Balance at 1 January 2023 <i>(audited)</i>	81,487	(436)	(5,697)	6,194	116,281	197,829	242,600
Profit for the year	-	-	-	-	4,952	4,952	11,172
Other comprehensive loss for the year	-	-	(3,879)	-	-	(3,879)	(4,918)
Total comprehensive (loss)/income for the year	-	-	(3,879)	-	4,952	1,073	6,254
Share-based payments	-	-	-	1,387	-	1,387	1,387
Issue of ordinary shares related to share award	1,387	-	-	(1,387)	-	-	-
Dividend paid in cash relating to financial year ended 31 December 2022 ("FY2022")	-	-	-	-	(1,667)	(1,667)	(1,667)
Shares issued in-lieu of cash for dividend relating to FY2022	1,881	-	-	-	(1,881)	-	-
Dividends to non-controlling interests ("NCI")	-	-	-	-	-	(7,909)	(7,909)
Transfer to other reserves	-	-	-	301	(301)	-	-
Balance at 31 December 2023 <i>(unaudited)</i>	84,755	(436)	(9,576)	6,495	117,384	198,622	240,665
2022							
Balance at 1 January 2022 <i>(audited)</i>	81,487	(436)	1,846	6,049	108,190	197,136	246,975
Profit for the year	-	-	-	-	14,620	14,620	23,079
Other comprehensive loss for the year	-	-	(7,543)	(31)	-	(7,574)	(10,319)
Total comprehensive (loss)/income for the year	-	-	(7,543)	(31)	14,620	7,046	12,760
Dividend paid in cash relating to financial year ended 31 Decemeber 2021 "FY2021")	-	-	-	-	(6,408)	(6,408)	(6,408)
Dividends to NCI	-	-	-	-	-	(10,727)	(10,727)
Transfer to other reserves	-	-	-	176	(121)	55	-
Balance at 31 December 2022 <i>(audited)</i>	81,487	(436)	(5,697)	6,194	116,281	197,829	242,600

C. Condensed Consolidated Statements of Changes in Equity (Cont'd)

	Share capital S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total equity S\$'000
Company				
2023				
Balance at 1 January 2023 (<i>audited</i>)	81,487	(178)	30,375	111,684
Profit for the year	-	-	13,235	13,235
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	13,235	13,235
Share-based payments	-	1,387	-	1,387
Issue of ordinary shares related to share award	1,387	(1,387)	-	-
Dividend paid in cash relating to FY2022	-	-	(1,667)	(1,667)
Shares issued in-lieu of cash for dividend relating to FY2022	1,881	-	(1,881)	-
Balance at 31 December 2023 (<i>unaudited</i>)	84,755	(178)	40,062	124,639
2022				
Balance at 1 January 2022 (<i>audited</i>)	81,487	(147)	24,346	105,686
Profit for the year	-	-	12,437	12,437
Other comprehensive loss for the year	-	(31)	-	(31)
Total comprehensive (loss)/income for the year	-	(31)	12,437	12,406
Dividend paid in cash relating to FY2021	-	-	(6,408)	(6,408)
Balance at 31 December 2022 (<i>audited</i>)	81,487	(178)	30,375	111,684

D. Condensed Consolidated Statement of Cash Flows

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Cash Flows from Operating Activities:				
Profit before income tax	5,527	11,314	18,873	32,027
Adjustments for:				
Allowance for impairment loss of trade and other receivables	1,684	58	1,748	127
Allowance for inventories obsolescence	490	1,022	889	1,438
Amortisation of land use rights	16	20	32	33
Depreciation of investment properties	10	10	19	19
Depreciation of property, plant and equipment	3,032	2,321	5,558	4,852
Interest expenses	2,320	2,229	4,391	3,486
Interest income	(213)	(189)	(338)	(404)
Inventories written off	12	41	30	49
(Gain)/Loss on disposal of property, plant and equipment, net	(4)	1	(8)	(24)
Property, plant and equipment written off	20	-	31	-
Over provision of share-based payment	-	-	(358)	-
Share of results of associates, net	312	(79)	669	(1,161)
Trade receivables written off	1	5	158	12
Write back of allowance for impairment loss on trade receivables	(77)	(128)	(177)	(423)
Write back of allowance for inventories obsolescence	-	7	(106)	(85)
Foreign currency on translation of foreign operations	2,240	4,241	1,401	4,862
Operating cash flow before working capital changes	15,370	20,873	32,812	44,808
Changes in working capital:				
Inventories	6,052	2,111	7,360	(5,049)
Trade and other receivables	(4,924)	3,914	(14,407)	10,514
Trade and other payables	(36,069)	(14,711)	(39,574)	(7,214)
Cash from operating activities before service concession	(19,571)	12,187	(13,809)	43,059
Change in receivables from service concession arrangements	3,489	748	3,464	(7,642)
Cash (used in)/generated from operations after service concession arrangements	(16,082)	12,935	(10,345)	35,417
Interest paid	(2,207)	(2,132)	(4,171)	(3,295)
Interest received	213	189	338	404
Income tax paid	(4,924)	(4,258)	(9,969)	(9,534)
Net cash (used in)/generated from operating activities	(23,000)	6,734	(24,147)	22,992

D. Condensed Consolidated Statement of Cash Flows (Cont'd)

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash Flows from Investing Activities:				
Dividend from associates	-	-	309	228
Proceeds from disposal of property, plant and equipment	27	11	37	49
Purchase of property, plant and equipment	(1,810)	(953)	(4,361)	(2,282)
Net cash used in from investing activities	(1,783)	(942)	(4,015)	(2,005)
Cash Flows from Financing Activities:				
Decrease in fixed deposits pledged and restricted bank deposit	1,082	-	1,627	-
Dividends to equity holders of the Company	(1,667)	(6,408)	(1,667)	(6,408)
Dividends to NCI	(6,058)	(10,126)	(6,423)	(10,991)
Interest expense on lease liabilities	(113)	(95)	(220)	(189)
Proceeds from bank loans	43,115	10,716	57,144	22,106
Repayment from trust receipts and other borrowings, net	(1,216)	(3,210)	(2,833)	(1,219)
Repayment of bank loans	(30)	(13,512)	(12,503)	(25,905)
Repayment of lease liabilities	(1,189)	(1,191)	(2,296)	(2,345)
Net cash generated from/(used in) from financing activities	33,924	(23,826)	32,829	(24,951)
Net increase/(decrease) in cash and cash equivalents	9,141	(18,034)	4,667	(3,964)
Cash and cash equivalents at beginning of the period/year	49,572	73,029	54,128	59,021
Effect of currency translation on cash and cash equivalents	549	(867)	467	(929)
Cash and cash equivalents at end of the period/year	59,262	54,128	59,262	54,128
<u>Additional information:</u>				
Cash and bank balances	46,535	53,893	46,535	53,893
Fixed deposits	13,498	2,661	13,498	2,661
Cash and bank balances	60,033	56,554	60,033	56,554
Less: bank deposits pledged	(771)	(2,426)	(771)	(2,426)
Total cash and cash equivalents	59,262	54,128	59,262	54,128

E. Notes to the Condensed Consolidated Financial Statements

1 Corporate Information

The Company is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office and principal place of business is 101 Defu Lane 10, Singapore 539222.

The Company’s principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its subsidiaries and associates are principally focusing on motion control, industrial computing, other specialised engineering solutions and renewable energy.

2 Basis of Preparation

The annual results set out in this announcement do not constitute the Group’s annual report for the FY2023 but are extracted from that report.

The unaudited condensed consolidated financial statements for the second half and full year ended 31 December 2023 have been prepared in accordance with Singapore Financial Reporting Standard (International) (“**SFRS(I)**”) 1-34 “*Financial Reporting*” (“**SFRS(I) 1-34**”) issued by the Accounting Standards Council Singapore (“**ASC**”) and the applicable disclosure requirements of Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) to the Rules Governing the Listing of Securities on the Stock Exchange (the “**SEHK Listing Rules**”). The unaudited condensed consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since last annual financial statements for FY2022.

The unaudited condensed consolidated financial information has been prepared on the historical basis, except certain financial assets and liabilities which are carried at fair value. The unaudited condensed consolidated financial information is presented in Singapore dollars (“**S\$**”) and all values are rounded to the nearest thousand (“**S\$’000**”), except otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 3.

3 Adoption of New and Amended Standards

The Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective for annual period beginning on 1 January 2023. The application of the new and revised standards and interpretations has no material effect on the consolidated financial statements.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)**3 Adoption of New and Amended Standards (Cont'd)***(i) Adoption of SFRS(I)s which are effective*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2023.

The adoption of these amendments to SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the Group's financial performance or financial position.

(ii) Use of judgements and estimates

In preparing the unaudited condensed consolidated financial statements, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in the following notes:

Note 14 – Impairment test of goodwill

Note 15 – Measurement of expected credit loss (“ECL”) allowance for trade and other receivables

4 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

5 Segment Information

The business of the Group is organised into the following main business segments:

- Engineering Solutions - Motion Control
- Other Specialised Engineering Solutions
- Industrial Computing Solutions
- Renewable Energy

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. Segment results represent the profit earned by each segment without allocation of corporate expenses, rental income, share of profit of associates, interest income, finance costs, and income tax expense. Segment assets/liabilities are all operating assets/liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. This is the measure reported to the management for the purposes of resource allocation and assessment of segment performance. Segment revenue includes transfer between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. No operating segments have been aggregated to form the reportable segments above.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
1 July to 31 December	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Revenue														
External sales	128,584	136,441	35,907	36,770	2,184	5,001	5,591	1,553	346	307	-	-	172,612	180,072
Inter-segment sales	1,899	2,219	874	1,300	290	653	-	-	-	-	(3,063)	(4,172)	-	-
	<u>130,483</u>	<u>138,660</u>	<u>36,781</u>	<u>38,070</u>	<u>2,474</u>	<u>5,654</u>	<u>5,591</u>	<u>1,553</u>	<u>346</u>	<u>307</u>	<u>(3,063)</u>	<u>(4,172)</u>	<u>172,612</u>	<u>180,072</u>
Results														
Segment results	6,960	12,058	1,904	3,703	(58)	1,044	143	(2,927)	(1,467)	(908)	-	-	7,482	12,970
Share of (loss)/profit of associates, net	(312)	79	-	-	-	-	-	-	-	-	-	-	(312)	79
Corporate income													235	84
Rental income													229	221
Interest income													213	189
Finance costs													(2,320)	(2,229)
Profit before income tax													5,527	11,314
Income tax													(3,416)	(4,368)
Profit for the six months ended 31 December													<u>2,111</u>	<u>6,946</u>
Assets														
Segment assets	150,018	156,567	54,454	52,052	7,377	5,405	110,919	108,074	5,029	9,728	(5,286)	(6,932)	322,511	324,894
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	-	-	12,227	12,227
Associates	5,272	6,278	-	-	-	-	-	-	-	-	-	-	5,272	6,278
Investment properties													396	417
Cash and bank balances													60,033	56,554
Consolidated total assets as at 31 December													<u>400,439</u>	<u>400,370</u>
Liabilities														
Segment liabilities	50,713	41,451	14,349	17,169	463	489	9,580	45,621	4,470	5,593	(5,286)	(6,932)	74,289	103,391
Bank borrowings and lease liabilities													82,087	40,057
Income tax liabilities													1,684	3,933
Other unallocated corporate liabilities													1,714	10,389
Consolidated total liabilities as at 31 December													<u>159,774</u>	<u>157,770</u>

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments (Cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
1 July to 31 December	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Other information														
Capital expenditure on:														
- Property, plant and equipment	950	378	786	529	1	4	118	-	53	108	-	-	1,908	1,019
Other non-cash expenses:														
- Allowance for impairment of trade and other receivables	1,185	55	(18)	(11)	-	1	-	4	517	9	-	-	1,684	58
- Allowance for inventories obsolescence	408	776	46	246	-	-	-	-	36	-	-	-	490	1,022
- Amortisation of land use rights	16	20	-	-	-	-	-	-	-	-	-	-	16	20
- Depreciation of investment properties	10	10	-	-	-	-	-	-	-	-	-	-	10	10
- Depreciation of property, plant and equipment	1,295	1,131	1,101	1,120	76	67	493	3	67	-	-	-	3,032	2,321
- Inventories written off	3	-	9	41	-	-	-	-	-	-	-	-	12	41
- Property, plant and equipment written off	20	-	-	-	-	-	-	-	-	-	-	-	20	-
- Trade receivables written off	1	5	-	-	-	-	-	-	-	-	-	-	1	5
- Write back of allowance for impairment loss on trade receivables	(30)	15	(17)	(135)	5	-	(35)	-	-	(8)	-	-	(77)	(128)
- Write back of allowance for inventories obsolescence	-	(36)	-	43	-	-	-	-	-	-	-	-	-	7

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments

1 January to 31 December	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue														
External Sales	260,159	278,462	68,830	72,489	5,301	11,502	6,685	7,642	791	684	-	-	341,766	370,779
Inter-segment sales	4,350	4,002	2,255	2,360	463	1,252	-	-	3	27	(7,071)	(7,641)	-	-
	<u>264,509</u>	<u>282,464</u>	<u>71,085</u>	<u>74,849</u>	<u>5,764</u>	<u>12,754</u>	<u>6,685</u>	<u>7,642</u>	<u>794</u>	<u>711</u>	<u>(7,071)</u>	<u>(7,641)</u>	<u>341,766</u>	<u>370,779</u>
Results														
Segment results	16,356	27,186	4,167	6,830	179	3,179	2,468	(3,082)	(1,133)	(1,298)	-	-	22,037	32,815
Share of (loss)/profit of associates, net	(669)	1,161	-	-	-	-	-	-	-	-	-	-	(669)	1,161
Corporate income													1,101	645
Rental income													457	488
Interest income													338	404
Finance costs													(4,391)	(3,486)
Profit before income tax													18,873	32,027
Income tax													(7,701)	(8,948)
Profit for the twelve months ended 31 December													11,172	23,079
Assets														
Segment assets	150,018	156,567	54,454	52,052	7,377	5,405	110,919	108,074	5,029	9,728	(5,286)	(6,932)	322,511	324,894
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	-	-	12,227	12,227
Associates	5,272	6,278	-	-	-	-	-	-	-	-	-	-	5,272	6,278
Investment properties													396	417
Cash and bank balances													60,033	56,554
Consolidated total assets as at 31 December													400,439	400,370
Liabilities														
Segment liabilities	50,713	41,451	14,349	17,169	463	489	9,580	45,621	4,470	5,593	(5,286)	(6,932)	74,289	103,391
Bank borrowings and lease liabilities													82,087	40,057
Income tax liabilities													1,684	3,933
Other unallocated corporate liabilities													1,714	10,389
Consolidated total liabilities as at 31 December													159,774	157,770

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments (Cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
1 January to 31 December	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Other information														
Capital expenditure on:														
- Property, plant and equipment	2,475	912	1,506	941	11	8	379	325	105	194	-	-	4,476	2,380
Other non-cash expenses:														
- Allowance for impairment of trade and other receivables	1,210	68	3	44	-	1	-	4	535	10	-	-	1,748	127
- Allowance for inventories obsolescence	590	1,045	263	393	-	-	-	-	36	-	-	-	889	1,438
- Amortisation of land use rights	32	33	-	-	-	-	-	-	-	-	-	-	32	33
- Depreciation of investment properties	19	19	-	-	-	-	-	-	-	-	-	-	19	19
- Depreciation of property, plant and equipment	2,645	2,664	2,139	1,964	144	112	545	100	85	12	-	-	5,558	4,852
- Inventories written off	9	8	21	41	-	-	-	-	-	-	-	-	30	49
- Property, plant and equipment written off	31	-	-	-	-	-	-	-	-	-	-	-	31	-
- Over provision of share-based payment	(278)	-	(80)	-	-	-	-	-	-	-	-	-	(358)	-
- Trade receivables written off	18	12	87	-	53	-	-	-	-	-	-	-	158	12
- Write back of allowance for impairment loss on trade receivables	(94)	(108)	(47)	(306)	(1)	(1)	(35)	-	-	(8)	-	-	(177)	(423)
- Write back of allowance for inventories obsolescence	(75)	(45)	(31)	(40)	-	-	-	-	-	-	-	-	(106)	(85)

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue

The Group's revenue is disaggregated by the type of goods or services provided to customers, geographical markets, and timing of goods or services transferred. The Group operates in six principal geographical areas — Singapore (country of domicile), the People's Republic of China ("China"), Hong Kong, Malaysia, the Republic of Indonesia ("Indonesia") and Vietnam.

Six months ended 31 December 2023

Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Renewable Energy* S\$'000	Others S\$'000	Total S\$'000
Geographical markets						
Singapore	11,897	1,676	1,809	-	342	15,724
China	93,777	30,171	196	-	-	124,144
Hong Kong	3,711	4	-	-	-	3,715
Malaysia	5,163	438	1	-	3	5,605
Indonesia	221	26	-	5,591	-	5,838
Vietnam	8,774	42	-	-	1	8,817
Others	5,041	3,550	178	-	-	8,769
Total revenue from contracts with customers	128,584	35,907	2,184	5,591	346	172,612
Goods or services transferred at a point in time						
Goods or services transferred at a point in time	128,030	35,289	2,012	-	346	165,677
Services transferred over time						
Services transferred over time	554	618	172	1,958	-	3,302
Finance lease income from service concession arrangements						
Finance lease income from service concession arrangements	-	-	-	3,633	-	3,633

*Included in renewable energy is operating income and finance lease income from service concession arrangements of S\$1,958,000 and S\$3,633,000, respectively for 2H2023 (2H2022: nil and nil, respectively).

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

Group						
Six months ended 31 December 2022						
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Renewable Energy S\$'000	Others S\$'000	Total S\$'000
Geographical markets						
Singapore	20,617	1,887	4,853	-	300	27,657
China	90,682	29,134	-	-	-	119,816
Hong Kong	2,960	39	-	-	-	2,999
Malaysia	6,466	543	14	-	7	7,030
Indonesia	47	22	4	1,553	-	1,626
Vietnam	9,360	24	5	-	-	9,389
Others	6,309	5,121	125	-	-	11,555
Total revenue from contracts with customers	136,441	36,770	5,001	1,553	307	180,072
Goods or services transferred at a point in time	136,441	36,770	5,001	-	307	178,519
Services transferred over time	-	-	-	1,553	-	1,553

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

Group						
Twelve months ended 31 December 2023						
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Renewable Energy* S\$'000	Others S\$'000	Total S\$'000
Geographical markets						
Singapore	23,259	3,582	4,723	-	771	32,335
China	192,341	56,599	196	-	-	249,136
Hong Kong	6,583	13	-	-	-	6,596
Malaysia	10,668	939	6	-	12	11,625
Indonesia	346	45	-	6,685	7	7,083
Vietnam	16,339	99	71	-	1	16,510
Others	10,623	7,553	305	-	-	18,481
Total revenue from contracts with customers	260,159	68,830	5,301	6,685	791	341,766
Goods or services transferred at a point in time	259,015	67,711	4,514	-	791	332,031
Services transferred over time	1,144	1,119	787	3,052	-	6,102
Finance lease income from service concession arrangements	-	-	-	3,633	-	3,633

*Included in renewable energy is operating income and finance lease income from service concession arrangements of S\$3,052,000 and S\$3,633,000, respectively for FY2023 (FY2022: nil and nil, respectively).

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

Group						
Twelve months ended 31 December 2022						
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Renewable Energy S\$'000	Others S\$'000	Total S\$'000
Geographical markets						
Singapore	43,691	3,319	10,949	-	673	58,632
China	186,055	57,147	-	-	-	243,202
Hong Kong	6,750	60	-	-	1	6,811
Malaysia	12,199	1,100	57	-	10	13,366
Indonesia	185	81	10	7,642	-	7,918
Vietnam	16,770	51	14	-	-	16,835
Others	12,812	10,731	472	-	-	24,015
Total revenue from contracts with customers	278,462	72,489	11,502	7,642	684	370,779
Goods or services						
transferred at a point in time	277,660	72,489	11,502	-	684	362,335
Services transferred over time	802	-	-	7,642	-	8,444

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(c) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group					
	Revenue from external customers				Non-current assets as at	
	Six months		Twelve months		31	31
	ended 31 December		ended 31 December		December	December
	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	15,724	27,657	32,335	58,632	25,656	29,821
China	124,144	119,816	249,136	243,202	28,390	24,029
Hong Kong	3,715	2,999	6,596	6,811	2,400	1,058
Malaysia	5,605	7,030	11,625	13,366	915	916
Indonesia	5,838	1,626	7,083	7,918	97,605	104,411
Vietnam	8,817	9,389	16,510	16,835	596	433
Others	8,769	11,555	18,481	24,015	987	851
Total	172,612	180,072	341,766	370,779	156,549	161,519

(d) Information about Major Customers

The Group's revenue from any single external customer is less than 10%.

(e) A breakdown of sales as follows:

	Group		
	2023	2022	Decrease
	S\$'000	S\$'000	
Sales reported for the first half year	169,154	190,707	-11.3%
Operating profit after tax before deducting NCI reported for the first half year	9,061	16,133	-43.8%
Sales reported for the second half year	172,612	180,072	-4.1%
Operating profit after tax before deducting NCI reported for the second half year	2,111	6,946	-69.6%

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

6 Other Operating Income

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Interest income	213	189	338	404
Commission income	39	105	40	135
Realised foreign exchange gain	630	-	-	-
Unrealised foreign exchange loss	(839)	-	-	-
Gain/(Loss) on disposal of property, plant and equipment, net	4	(1)	8	24
Government grants	140	52	522	258
Operating lease rental income:				
- investment properties	30	38	52	63
- sub-let of office/warehouse premises	199	183	405	425
Property management income	253	227	526	499
Technical service income	344	255	629	507
Write back of allowance of inventories obsolescence	-	(7)	106	85
Miscellaneous income	289	422	2,169	1,048
	<u>1,302</u>	<u>1,463</u>	<u>4,795</u>	<u>3,448</u>

7 Finance Costs

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Interest expenses on:				
- bank loans	1,119	705	2,000	1,201
- trust receipts	110	121	243	168
- leases liabilities	113	95	220	189
- others	978	1,308	1,928	1,928
	<u>2,320</u>	<u>2,229</u>	<u>4,391</u>	<u>3,486</u>

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

8 Profit before Income Tax

(a) Significant Items

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:				
Amortisation of land use rights	16	20	32	33
Depreciation of property, plant and equipment				
- recognised in cost of sales	876	367	1,291	778
- recognised in distribution costs	168	194	378	423
- recognised in administrative expenses	1,988	1,760	3,889	3,651
	3,032	2,321	5,558	4,852
Depreciation of investment properties	10	10	19	19
Other operating expenses included:				
- trade receivables written off	1	5	158	12
- allowance for inventories obsolescence	490	1,022	889	1,438
- inventories written off	12	41	30	49
- realised foreign exchange losses	1,126	1,086	1,126	1,039
- unrealised foreign exchange losses	1,401	4,241	1,401	4,862
- property, plant and equipment written off	20	-	31	-

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

8 Profit before Income Tax (Cont'd)

(b) Related Party Transactions

In addition to the related party information disclosed elsewhere in the results announcement, the following are significant transactions of the Group with their related parties at mutually agreed amounts:

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Sales to associates	(37)	(15)	(87)	(67)
Sales to related parties	(3,683)	(5,209)	(7,924)	(10,431)
Purchases from associates	11	65	89	73
Purchases from related parties	33,718	33,487	71,006	66,498
Administrative income charged to associates	(21)	(20)	(41)	(41)
Administrative income charged to related parties	(140)	(125)	(281)	(259)
Rental charged to a related party	(271)	(218)	(536)	(487)
Rental charged to associates	(2)	(2)	(5)	(5)
Interest charged to a related party	(4)	(4)	(8)	(8)
Other expenses charged by related parties	336	285	605	588
Other income charged to related parties	(102)	(147)	(257)	(269)
Other income charged to associates	-	(228)	(309)	(228)

9 Income Tax

The Group calculates income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the Condensed Consolidated Statement of Profit or Loss are:

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Current income tax				
- Singapore	15	771	438	1,611
- China	3,054	3,417	6,443	6,865
- Outside Singapore and China	221	572	529	940
- Under/(Over) provision in respect of prior year	124	(244)	308	(292)
	3,414	4,516	7,718	9,124
Deferred taxation				
- Withholding tax on the profits of the Group's subsidiaries	(120)	(86)	(120)	(114)
- Under/(Over) provision in respect of prior year	122	(62)	103	(62)
	2	(148)	(17)	(176)
	3,416	4,368	7,701	8,948

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

9 Income Tax (Cont'd)

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the years ended 31 December 2023 and 2022 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the years ended 31 December 2023 and 2022 is 24%.

The statutory tax rate for Hong Kong profit is 16.5% on the assessable profits arising during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("HK\$") 2 million of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits at 16.5%. The Inland Revenue (Amendment) (No. 3) Ordinance 2018 is effective from the year of assessment 2018/2019.

For those entities of the Group operating in China, China income tax is calculated at the applicable tax rate in accordance with the Corporate Income Tax Law. The income tax rate for both domestic and foreign-investment enterprise is at 25%.

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

10 Earnings Per Share

The calculation of the basic earnings per share attributable to equity holders of the Company is based on the following data:

	Group			
	Six months ended 31 December		Twelve months ended 31 December	
	2023	2022	2023	2022
Earnings for the purpose of basic and diluted earnings per share, being profit for the period/year attributable to equity holders of the Company (S\$'000)	372	3,550	4,952	14,620
Weighted average number of ordinary shares for the purpose of basic earnings per share	444,645,632	438,638,533	442,511,892	438,638,533
Basic and fully diluted earnings per share (Singapore cents)	0.08	0.81	1.12	3.33

The calculation of basic earnings per share was based on profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding. The Group has no dilution in its per shares for the six months and twelve months ended 31 December 2023 and 2022.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

11 Dividends

Group	
31 December 2023	31 December 2022
S\$'000	S\$'000

Ordinary dividends paid during the financial year:

Tax exempt (one-tier) final dividend of 0.80 Singapore cents per ordinary share (2022: 1.45 Singapore cents) in respect of the previous year

3,548	6,408
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On 24 August 2023, a final dividend of 0.80 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the "Shareholders") was paid to the shareholders as the final dividend in respect of FY2022.

The scrip dividend alternatives were accepted by the Shareholders as follows:

Group	
31 December 2023	31 December 2022
S\$'000	S\$'000

Dividends:

Cash

1,667 6,408

Scrip dividend

1,881 -

3,548 6,408

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

12 Net Asset Value

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Net assets (S\$'000)	198,622	197,829	124,639	111,684
Number of issued shares at the end of the year (net of treasury shares)	446,000,209	438,638,533	446,000,209	438,638,533
Net assets value per ordinary share based on number of issued share as at respective year (Singapore cents)	44.53	45.10	27.95	25.46

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

13 Property, Plant and Equipment

During the FY2023, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$6,878,000 (31 December 2022: S\$4,133,000), of which S\$2,402,000 (31 December 2022: S\$1,753,000) relates to right-of-use assets and S\$115,000 (31 December 2022: S\$98,000) were acquired by means of finance lease. Cash payments of S\$4,361,000 (31 December 2022: S\$2,282,000) were made to purchase property, plant and equipment.

As at 31 December 2023, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 17 was S\$18,408,000 (2022: S\$19,610,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$405,000 (2022: S\$433,000).

14 Goodwill

	Group	
	31 December 2023	31 December 2022
	S\$'000	S\$'000
Balance at 1 January and 31 December	12,227	12,227

Impairment testing of goodwill

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets acquired in the following subsidiaries ("**cash-generating units**" or "**CGUs**") under the respective operating segments as set out below.

	Group	
	31 December 2023	31 December 2022
	S\$'000	S\$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd (" Servo Thailand ")	75	75
- TDS Technology (S) Pte Ltd (" TDS ")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd	9,508	9,508
Renewable Energy		
- Aenergy Holdings Company Limited (" Aenergy ")	541	541
	12,227	12,227

The Group assessed the recoverable amount of each CGU based on value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period.

As at the end of the current and previous financial years, the recoverable amount of the CGUs were determined to be higher than the carrying amount and thus, no impairment loss needs to be recognised.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

15 Trade and Other Receivables and Contract Assets

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current:</u>				
Service concession receivables	73,243	76,960	-	-
<u>Current:</u>				
Service concession receivables	253	-	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	18,387	10,441	-	-
- trade receivables	67,403	73,386	-	-
- associates	36	10	-	-
- related parties	1,919	2,651	-	-
	87,745	86,488	-	-
Other receivables, net of impairment:				
Advances to associates	31	7	2	3
Advances to related parties	110	101	-	-
Deposits	596	644	17	17
Loan to associates	26	27	-	-
Sundry debtors	3,714	4,061	700	700
Amounts owing from NCI	1,715	1,878	-	-
	6,192	6,718	719	720
Contract assets	509	-	-	-
Advances paid to suppliers	14,212	6,351	-	-
Prepayment	1,935	1,559	16	84
	110,593	101,116	735	804

The aging analysis of trade receivables of the Group based on invoice date is as follows:

	Group	
	31 December 2023	31 December 2022
	S\$'000	S\$'000
Within 30 days	40,995	36,071
31 - 90 days	25,014	31,064
Over 90 days	21,736	19,353
	87,745	86,488

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

15 Trade and Other Receivables (Cont'd)

ECL assessment

The Group has applied the simplified approach in SFRS(I) 9 to measure the ECL either at lifetime ECL or 12-month ECL for trade and other receivables. The Group determined the ECLs on trade and other receivables by taking into account the historical default experience and the financial position of the counterparties, including their credit characteristics, geographical location, and adjusted for factors that are specific to the receivables and general economic conditions of the industry in which the receivables operate.

The Group continues to monitor its trade and other receivables closely and prudently. The carrying amount of trade and other receivables were measured at fair value by taking into consideration of the above credit risk assessment.

16 Share Capital

	Group and Company			
	31 December 2023		31 December 2022	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At the beginning of year	438,638,533	81,487	438,638,533	81,487
Issue of ordinary shares related to share award	2,830,000	1,387	-	-
Shares issued-in-lieu of cash for dividend	4,531,676	1,881	-	-
At the end of year	446,000,209	84,755	438,638,533	81,487

Shares do not have any par value. The holders of shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restrictions and rank equally with respect to the Company's residual assets.

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares of the Company ("**New Shares**") were granted and vested under ISDN Performance Share Plan 2022 ("**ISDN PSP 2022**") to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six (6) months.

On 24 August 2023, the Company issued 4,531,676 New Shares under the Company's Scrip Dividend Scheme at an issue price of S\$0.415 (for Singapore Shareholders) and HK\$2.403 (for Hong Kong Shareholders).

Following the allotment and issuance of New Shares, the number of ordinary shares as at 31 December 2023 is 446,000,209 (31 December 2022: 438,638,533). No treasury shares were held as at 31 December 2023 (31 December 2022: nil). The number of shares held as subsidiary holdings as at 31 December 2023 is nil (31 December 2022: nil).

As at 31 December 2023 till the date of this announcement, the Company does not have any existing warrants or convertibles (31 December 2022: nil).

There were no sales, transfer, disposal, cancellation and/or use of treasury shares during the current financial year reported on.

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

17 Bank Borrowings

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	9,691	10,810	-	-
- unsecured	9,968	12,999	-	-
	<u>19,659</u>	<u>23,809</u>	<u>-</u>	<u>-</u>
<i>Amount repayable after one year</i>				
- secured	51,274	10,066	-	-
- unsecured	4,751	-	-	-
	<u>56,025</u>	<u>10,066</u>	<u>-</u>	<u>-</u>

The bank loans of the Group are secured over leasehold properties, service concession receivables and land use rights. These facilities are also secured by corporate guarantees provided by the Company and other subsidiaries as well as personal guarantees by the directors of the subsidiaries.

18 Trade and Other Payables

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables:				
- trade payables	27,166	33,861	-	-
- associates	36	90	-	-
- related parties	8,384	9,586	-	-
	<u>35,586</u>	<u>43,537</u>	<u>-</u>	<u>-</u>
Accrued operating expenses	2,441	2,173	117	147
Accrued salaries and bonuses	8,207	17,522	1,483	9,380
Amount owing to an associate	-	24	-	-
Amount owing to NCI	8,575	4,831	-	-
Amounts owing to subsidiaries	-	-	910	825
Other payables	9,815	27,014	114	219
	<u>64,624</u>	<u>95,101</u>	<u>2,624</u>	<u>10,571</u>

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)

18 Trade and Other Payables (Cont'd)

The aging analysis of trade payables of the Group based on invoice date is as follows:

	Group	
	31 December 2023	31 December 2022
	S\$'000	S\$'000
Within 30 days	23,719	28,355
31 - 90 days	9,706	12,151
Over 90 days	2,161	3,031
	35,586	43,537

Trade payables are non-interest bearing and are usually settled within 30 – 90 days term. Included in trade payables is an amount due to engineering, procurement and construction (“EPC”) contractor for Lau Bian 1 of nil (2022: S\$6.2 million).

19 Financial Assets and Financial Liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2023 and 31 December 2022:

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
Financial Assets				
Other financial assets at fair value through other comprehensive income	900	900	-	-
Cash and bank balances, service concession receivables and trade and other receivables (Amortised cost)	227,466	226,720	39,970	70,713
	228,366	227,620	39,970	70,713
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	146,711	135,158	3,264	11,232

E. Notes to the Condensed Consolidated Financial Statements (Cont'd)**20 Subsequent events**

On 3 January 2024, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") further invested S\$32,386 share capital for an additional 32,386 ordinary shares in a 51.0%-owned subsidiary, Performance Leadership Pte. Ltd. ("**Performance Leadership**"). Following the completion of the share allotments, the Group's effective interest in Performance Leadership decreased from 51.0% to 50.62%.

On 9 January 2024, the Company's direct wholly-owned subsidiary, ISDN Investments Pte. Ltd. ("**ISDN Investments**") made a capital injection of United States Dollar ("**USD**")1,000,000 (equivalent to approximately S\$1,329,400) in ISDN (Jiangxi) Technologies Co., Ltd ("**ISDN Jiangxi**") for working capital purposes. Following the completion of the capital injection, the paid-up share capital of ISDN Jiangxi will be USD1,000,000 (equivalent to approximately S\$1,329,400) and ISDN Jiangxi remains as an indirect wholly-owned subsidiary of the Company.

On 5 February 2024, the Company's direct wholly-owned subsidiary, MCG capitalised a loan sum of S\$180,000 being part of the existing amount due and owing by its 90.0%-owned subsidiary, NovaPeak Pte. Ltd ("**NovaPeak**"), to be applied towards MCG's additional capital injection in NovaPeak (the "**Capitalisation of Loan**"). Following the completion of the Capitalisation of Loan, the Group's effective interest in NovaPeak remains unchanged at 90.0%.

On 22 February 2024, the Company's direct wholly-owned subsidiary, MCG acquired 150,000 ordinary shares in Fuji Master Engineering Sdn Bhd ("**Fuji Master**") and 7,500 ordinary shares in Centronics Automation Technology Pte Ltd ("**Centronics**"), representing 30% of the entire issued and paid up capital of both Fuji Master and Centronics at a consideration of RM7,197,952 (equivalent to approximately S\$2,027,663) and S\$24,715 respectively. Following the completion of the acquisition, Fuji Master and Centronics had become an associated companies of MCG and the Group.

Other than the above, no major subsequent event has occurred since the end of the financial year ended 31 December 2023 up to the date of this announcement.

F. Management Discussion and Analysis

BUSINESS REVIEW

Revenue and profitability for FY2023 were heavily impacted by the global semiconductor and electronics downcycle in 2023. However, 2H2023 saw sequential improvement in sales, providing cautious early traction towards a cyclical recovery.

Through the downcycle, ISDN elected to maintain steady operational expenses, to ensure continued commitment to building strategic capabilities for long-term growth. As a result, management believes ISDN gained market share in our largest core market in Industrial Automation in China during FY2023.

Despite the cyclical headwinds ISDN faced in 2023, ISDN made excellent progress building its business during the year, reaching notable milestones across its entire business portfolio:

- In ISDN's core **industrial automation business**, the Group built out its capabilities further in industrial cloud, AI and software, enabling it to offer "full stack" integrated solutions that include components, machinery, software and intelligence in a single solution for customers.
- In ISDN's **clean energy business**, the Group reached full commercialisation for all 3 of its mini-hydropower plants, demonstrating a clear return on equity invested in the projects, as well as a high-quality, recurring stream of annual net cash income of approximately S\$8 million a year.
- In ISDN's **industrial solutions business**, the Group continued to incubate commercial solutions using ISDN's full-stack technology capabilities. Each of these solutions requires low cash investment, and allows ISDN to realise synergies through contributing technical, sales, manufacturing, or other full stack capabilities to help realise a commercial market entry.

Review of ISDN revenue

ISDN's **China industrial automation business** (73% of revenue) grew +6.6% year-on-year ("yoy") in FY2023 on a constant-currency basis, and 2.4% on an as-reported basis (given the devaluation of the RMB currency during the year). This performance represents market share gain for ISDN against the China industrial automation market which declined -2.0% in FY2023.

ISDN's **Southeast Asia industrial automation business** (21% of revenue) experienced significant decline of 28.3% in FY2023. 90.8% of this decline was concentrated in the semiconductor sector, which experienced widespread cyclical decline in Southeast Asia. ISDN has not lost any of its semiconductor customers and believes it has not lost any significant market share in Southeast Asia. Consequently, the Group believes its Southeast Asia business should recover alongside the broader industrial and manufacturing sector in the region.

ISDN's **hydropower business** (2% of revenue) reached key commercialisation milestones in FY2023 with tariff income of S\$8.8 million for the year.

Review of ISDN expenses and profitability

Gross margin for the year declined by 1.9ppts, reflecting the impact of mix-shift from higher-margin sectors such as semiconductors and electronics which experienced industry downcycles in FY2023. The Group believes the gross margin impact is cyclical rather than structural in nature, and margins began to recover sequentially in 2H2023.

F. Management Discussion and Analysis (cont'd)**BUSINESS REVIEW (cont'd)**

ISDN reduced operating expenses modestly by S\$1 million in FY2023. As noted above, this operating expense level reflects ISDN's confidence in investing to grow capabilities through the downcycle, as the Group gained share while competitors face market weakness.

Other operating income increased by 39.1% yoy to S\$4.8 million for FY2023, mainly driven by an increase in compensation claims of S\$1.2 million for non-performance by the engineering, procurement, and construction ("EPC") contractor on the hydropower plant projects, an increase in government grant of S\$0.3 million, and an increase in technical service income of S\$0.1 million.

Finance costs grew by 26% yoy to S\$4.4 million, resulting from the increased bank borrowings and higher interest rates during the reporting period.

Net profit and net profit to shareholders declined significantly in FY2023, driven almost entirely by the cyclical impact to revenue and gross margin described above.

The Group continued to maintain a robust balance sheet position, with cash and bank balance standing at S\$60.0 million as of 31 December 2023.

Declaration of dividends

The Group is encouraged by its growing industrial capabilities, its market share growth in 2023, and its view of long term growth prospects. ISDN is declaring a final dividend of 0.28 Singapore cents per share for FY2023, reaffirming its confidence in profitability and growth for the Group.

F. Management Discussion and Analysis (cont'd)**BUSINESS OUTLOOK**

While the Group remains cautious about predicting a recovery, it notes that:

- ISDN saw significant cyclical impact in 1H2023 followed by sequential improvement in growth in 2H2023, persisting through the early 2024;
- China's Manufacturing PMI index crossing the benchmark of 50 points into growth territory in December 2023 and January 2024; and
- There is growing evidence in an emerging recovery for the global semiconductor sector, which tends to lead broader recovery for electronics, with the semiconductor industry association SEMI projecting a cyclical recovery in 2024¹.

The Group remained steadfast in its focus on long-term growth, capitalising on a weaker economy to grow capabilities to capture more market access and share going forward. In 2023, ISDN grew its advanced software and cloud capabilities, expanded its software market presence in China, delivered “full stack” hardware/software/cloud solutions to customers, made good progress developing exciting new commercial solutions, and completed commercialisation of 3 mini-hydropower plants.

ISDN believes that (1) a slowing cyclical headwind; (2) continued demand for industrial automation in Asia; and (3) the growth of the Group's strategic capabilities, positions the Group well to capitalise on cyclical recovery and long-term growth in industrial automation.

¹ <https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-manufacturing-industry-poised-for-2024-expansion-semi-reports>

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

Revenue and gross profit margin

	Group					
	Six months ended			Twelve months ended		
	31 December			31 December		
	2023	2022	% change	2023	2022	% change
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions						
Revenue	167,021	178,519	-6.4%	335,081	363,137	-7.7%
Gross profit	41,649	51,695	-19.4%	85,003	105,322	-19.3%
Gross profit margin	24.9%	29.0%	-4.1 ppt	25.4%	29.0%	-3.6 ppt
Renewable Energy						
Revenue	5,591	1,553	n.m.	6,685	7,642	-12.5%
Construction income	-	1,553	-100.0%	-	7,642	-100.0%
Operating income	1,958	-	n.m.	3,052	-	n.m.
Finance lease income	3,633	-	n.m.	3,633	-	n.m.
Gross profit	5,158	115	n.m.	6,131	566	n.m.
Construction income	-	115	-100.0%	-	566	-100.0%
Operating income	1,525	-	n.m.	2,498	-	n.m.
Finance lease income	3,633	-	n.m.	3,633	-	n.m.
Gross profit margin	92.3%	7.4%	84.9 ppt	91.7%	7.4%	84.3 ppt
Construction income	-	7.4%	-100.0%	-	7.4%	-100.0%
Operating income	77.9%	-	n.m.	81.8%	-	n.m.
Finance lease income	100.0%	-	n.m.	100.0%	-	n.m.
Total						
Revenue	172,612	180,072	-4.1%	341,766	370,779	-7.8%
Gross profit	46,807	51,810	-9.7%	91,134	105,888	-13.9%
Gross profit margin	27.1%	28.8%	-1.7 ppt	26.7%	28.6%	-1.9 ppt

n.m.: Not meaningful

The Group's revenue of S\$172.6 million for 2H2023 was lower as compared to the second half of 2022 ("2H2022") of S\$180.1 million. For FY2023, the Group's revenue decreased by approximately S\$29.0 million or 7.8% from S\$370.8 million in FY2022 to S\$341.8 million in FY2023.

Revenue from our industrial automation solutions segment decreased by S\$11.5 million or 6.4% in 2H2023. The decline was significantly impacted by the cyclical impact from several semiconductor industry customers and weaker RMB currency against the Group's reporting currency, S\$. RMB had depreciated by about 3.9% in FY2023 as compared to FY2022. On a constant currency basis, the Group's industrial automation solutions revenue would be S\$345.1 million in FY2023, which resulted in a slight decrease by 5.0%.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Revenue and gross profit margin (Cont'd)

For renewable energy, the revenue recognised in FY2022 was related to construction revenue before it was commercialised. The Group's hydropower plant, Lau Biang 1, commenced commercial operations on 31 December 2022 followed by another two hydropower plants, Anggoci and Sisira, commenced commercial operations on 15 June 2023. Together with the three hydropower plants, the Group recognised operating revenue of S\$2.0 million and finance lease income of S\$3.6 million in 2H2023. In FY2023, the Group recognised S\$3.1 million operating revenue and S\$3.6 million finance lease income as revenue for the three hydropower plants. A total of S\$8.8 million was billed to PT PLN (Persero) ("PLN") for FY2023 and received as of January 2024.

Gross profit for 2H2023 and FY2023 decreased by S\$5.0 million or 9.7% and S\$14.8 million or 13.9% respectively as compared to corresponding periods last year. Gross profit margin of the Group in 2H2023 decreased by 1.7 percentage point from 28.8% to 27.1%, while for FY2023, the gross profit margin of the Group decreased by 1.9 percentage point from 28.6% to 26.7%. In FY2023, the gross profit and gross profit margin for the industrial automation solutions segment fell by S\$20.3 million and 3.6 percentage points, respectively. This decline in sales to higher profit margin customers can be attributed to the weakness in cyclical sectors such as semiconductors and electronics, which affected the Group's sales mix. As a result, the Group experienced a notable decrease in its gross profit margin. The gross profit margin for renewable energy grew from 7.4% to 92.3% in 2H2023 and grew from 7.4% to 91.7% in FY2023, as a result of the commercialisation of three hydropower plants.

Other operating income

Other operating income decreased by S\$0.2 million, or 11.0% to S\$1.3 million in 2H2023 mainly due to decrease in net foreign exchange losses of S\$0.2 million, decrease in miscellaneous income of S\$0.1 million and decrease in commission income of S\$0.1 million. This was partially offset by the increase in technical service income of S\$0.1 million and increase in government grant of S\$0.1 million.

For FY2023, other operating income increased by S\$1.3 million, or 39.1% to S\$4.8 million. The increase was mainly due to claims for compensation for non-performance from the EPC contractor totalling S\$1.2 million for the construction of our hydropower plant projects in Indonesia, increase in government grant of S\$0.3 million and increase in technical service income of S\$0.1 million; partially offset by decrease in commission income of S\$0.1 million, decrease in interest income of S\$0.1 million and decrease in miscellaneous income of S\$0.1 million.

Distribution costs

Distribution costs increased by S\$0.1 million, or 0.5% to S\$13.9 million in 2H2023 mainly attributed to increase in travelling expenses of S\$0.2 million due to the easing of business travel restriction in our business segments, increase in staff and related costs and sales and marketing expenses of S\$0.2 million; partially offset by decrease in office and other expenses of S\$0.3 million.

For FY2023, distribution costs decreased by \$2.4 million, or 8.3% to S\$26.3 million. The decrease was mainly due to decrease in staff and related costs of S\$1.2 million arising from lower staff commission to sales personnel, decrease in sales and marketing expenses of S\$1.2 million which is in line with the decrease in revenue and decrease in office and other expenses of S\$0.4 million. This was partially offset by the increase in travelling expenses of S\$0.4 million due to the easing of business travel restriction in our business segments.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF COMPREHENSIVE INCOME (Cont'd)****Administrative expenses**

Administrative expenses increased by S\$1.8 million, or 9.0% to S\$21.4 million in 2H2023. The increase was mainly due to increase in staff and related costs of S\$1.1 million mainly arising from the consolidation of new subsidiaries incorporated in 2H2022, increase in office and others expenses of S\$0.8 million mainly arising from the increase in withholding tax payment upon receiving the dividend income from overseas subsidiaries, increase in travelling expenses of S\$0.2 million and increase in professional fees of S\$0.1 million; partially offset by the decrease in performance bonus for executive Directors of S\$0.4 million which is in line with the decrease of the Group's business performance.

For FY2023, administrative expenses increased by S\$1.3 million, or 3.2% to S\$40.4 million. The increase was mainly due to increase in staff and related costs of S\$1.5 million mainly arising from the consolidation of new subsidiaries incorporated in 2H2022, increase in office and other expenses of S\$0.6 million mainly arising from the increase in withholding tax upon receiving the dividend income from overseas subsidiaries, increase in traveling expenses of S\$0.3 million and increase in professional fees of S\$0.2 million. This was partially offset by the decrease in performance bonus for executive Directors of S\$1.3 million which is in line with the decrease of the Group's business performance.

Net impairment (losses)/gain on financial assets

Net impairment loss on financial assets of S\$1.6 million in 2H2023 and S\$1.6 million in FY2023 was primarily attributable to an impairment loss for a customer whose business is inactive and the guarantors have filed bankruptcy. The Group had been following up with the customer on collection prior to the guarantors filing for bankruptcy and was informed that the overdue balances would be paid once the government grants were received. However, the amount owed remained unpaid. In light of the guarantor's bankruptcy filing and out of prudence, the overdue amount has been reserved for the full receivable amount.

Other operating expenses

Other operating expenses decreased by S\$3.4 million, or 52.6% to S\$3.0 million in 2H2023. The decrease was mainly due to lower net foreign exchange losses of S\$2.8 million and decrease in allowance for inventories obsolescence of S\$0.5 million.

In FY2023, other operating expenses decreased by S\$3.7 million, or 50.1% to S\$3.7 million. The decrease was mainly due to decrease in net foreign exchange loss of S\$3.4 million and decrease in allowance for inventories obsolescence of S\$0.5 million; partially offset by the increase in bad debts written off of S\$0.1 million.

Finance costs

Finance costs increased by S\$0.1 million and S\$0.9 million respectively for 2H2023 and FY2023, as a result of increase in bank borrowings and higher bank interest rates.

Share of (loss)/profit of associates, net

Due to the decline in business activity of our associated companies, the Group recorded a share of loss of associates of S\$0.3 million and S\$0.7 million respectively in 2H2023 and FY2023, compared to a share of profit of S\$0.1 million and S\$1.2 million respectively in 2H2022 and FY2022.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF COMPREHENSIVE INCOME (Cont'd)****Income tax expense**

Income tax expense decreased by S\$1.0 million, or 21.8% to S\$3.4 million, and S\$1.2 million, or 13.9% to S\$7.7 million for 2H2023 and FY2023 respectively. The decrease was mainly due to lower taxable profits.

STATEMENT OF FINANCIAL POSITION ITEMS**Property, plant and equipment**

Property, plant and equipment decreased by S\$0.1 million, or 0.1% as at 31 December 2023. The decrease was mainly due to depreciation charge of S\$5.6 million, translation loss of S\$1.3 million arising from the weakening of RMB against S\$ in FY2023. This was partially offset by the increase in capital expenditure of S\$1.5 million for construction of a new building in our Wujiang office, China, recognition of right-of-use assets of S\$2.4 million, purchase of plant and machinery of S\$1.2 million, purchase of furniture and fitting of S\$0.9 million, renovation of leasehold properties of S\$0.5 million and purchase of motor vehicles of S\$0.3 million.

Associates

Interests in associates decreased by S\$1.0 million, or 16.0% as at 31 December 2023 mainly due to share of loss of associates of S\$0.7 million and declaration of dividend from associates of S\$0.3 million.

Service concession receivables (current and non-current)

Service concession receivables decreased by S\$3.5 million, or 4.5% to S\$73.5 million as at 31 December 2023. Service concession receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements. In FY2023, a total of S\$2.0 million in service concession receivables were derecognised upon invoicing to PLN for Lau Biang 1 and Anggoci. Furthermore, due to the USD's depreciation against the IDR, a foreign exchange revaluation loss of S\$0.6 million was recognised as well as a translation loss of S\$0.9 million resulting from the strengthening of S\$ against Indonesian Rupiah ("IDR").

Inventories

Inventories decreased by S\$8.2 million or 10.1% to S\$73.0 million as at 31 December 2023 primarily due to decrease in revenue in FY2023.

Trade and other receivables and contract assets

Trade and other receivables increased by S\$9.5 million or 9.4% to S\$110.6 million as at 31 December 2023 mainly due to increase in advances to trade suppliers of S\$7.9 million, which predominately result from advances made to the EPC for the construction of mini-hydropower plants, Lau Biang 2 and 3, increase in trade receivables of S\$1.3 million, increase in contract assets of S\$0.5 million, increase in prepayment of S\$0.4 million; partially offset by the decrease in sundry debtors of S\$0.4 million, and amount owing from NCI of S\$0.2 million.

Subsequent receipt of about S\$21.9 million was received from customers as at 31 January 2024. The collection represented approximately 25.0% of trade receivables as at 31 December 2023.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF FINANCIAL POSITION ITEMS (Cont'd)****Trade and other payables**

Trade and other payables decreased by S\$30.5 million or 32.0% to S\$64.6 million as at 31 December 2023, which was mainly due to the payment of S\$23.4 million to EPC contractor for Lau Biang 1, decrease in accrued salaries and bonuses of S\$9.3 million for the payment of performance bonus to the executive Director, and decrease in trade payables of S\$1.8 million. This was partially offset by loan from NCI of S\$3.7 million and increase in accrued operating expenses of S\$0.3 million.

Contract liabilities

The decrease in contract liabilities of S\$7.2 million or 39.9% to S\$10.8 million was mainly due to decrease in advances received from customers for sales of goods largely from our China subsidiaries. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$41.8 million to S\$75.7 million as at 31 December 2023. The increase was primarily due to proceeds from bank borrowings of S\$66.1 million offset by repayment of bank borrowings (inclusive of trust receipts) of S\$24.3 million. The Group has successfully secured a green loan amounting to S\$25.3 million for the refinancing of Lau Biang 1 in FY2023.

CASH FLOW STATEMENT**Changes in Cash Flow from Operating Activities**

For 2H2023, net cash generated from operating activities before changes in working capital amounted to S\$15.4 million. Cash used in working capital of S\$31.5 million mainly due to decrease in trade and other payables of S\$36.1 million, increase in trade and other receivables of S\$4.9 million; partially offset by decrease in inventories of S\$6.0 million and decrease in receivables from service concession arrangements of S\$3.5 million. In addition, there was income tax paid of S\$4.9 million and net interest payment of S\$2.0 million. As a result of the above, the net cash used in operating activities amounted to S\$23.0 million.

For FY2023, net cash generated from operating activities before changes in working capital amounted to S\$32.8 million. Cash used in working capital of S\$43.1 million mainly due to decrease in trade and other payables of S\$39.6 million, increase in trade and other receivables of S\$14.4 million; partially offset by the decrease in inventories of S\$7.4 million and decrease in receivables from service concession arrangements of S\$3.5 million. In addition, there was income tax paid of S\$10.0 million and net interest payment of S\$3.8 million. As a result of the above, the net cash used in operating activities amounted to S\$24.1 million.

Changes in Cash Flow from Investing Activities

For 2H2023, net cash used in investing activities of S\$1.8 million was primarily attributed to purchase of property, plant and equipment of S\$1.8 million.

For FY2023, net cash used in investing activities of S\$4.1 million was primarily attributed to the purchase of property, plant and equipment of S\$4.4 million; partially offset by the dividends received from an associate of S\$0.3 million.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****CASH FLOW STATEMENT (Cont'd)****Changes in Cash Flow from Financing Activities**

For 2H2023, net cash generated from financing activities amounted to S\$33.9 million was primary attributed to net proceeds of bank borrowings (inclusive of trust receipts) of S\$41.9 million and decrease in bank deposits pledged of S\$1.1 million; partially offset by dividends to NCI of S\$6.1 million, dividends to equity holders of the Company of S\$1.7 million and repayment of lease liabilities (inclusive interest paid) of S\$1.3 million.

For FY2023, net cash generated from financing activities amounted to S\$32.8 million was primarily attributed to net proceeds of bank borrowings (inclusive of trust receipts) of S\$41.8 million and decrease in bank deposits pledged of S\$1.6 million; partially offset by dividends paid to NCI of S\$6.4 million, repayment of lease liabilities (inclusive interest paid) of S\$2.5 million and dividends to equity holders of the Company of S\$1.7 million.

As at 31 December 2023, the Group maintained a healthy cash and cash equivalents balance of S\$59.3 million.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Please refer to Note 12 of Section G - Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023).

LIQUIDITY AND FINANCIAL RESOURCES

During FY2023, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2023, cash and bank balances amounted to approximately S\$60.0 million increased by approximately 6.2% as compared from S\$56.6 million as at 31 December 2022. The quick ratio of the Group was approximately 1.7 times (31 December 2022: 1.1 times).

As at 31 December 2023, the Group has long and short-term bank borrowings of approximately S\$75.7 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$19.7 million (31 December 2022: S\$23.8 million) while the bank borrowings due after one year amounted to approximately S\$56.0 million (31 December 2022: S\$10.1 million).

As at 31 December 2023, the weighted average effective interest rates on bank borrowings is 5.2% (31 December 2022: 4.5%) per annum. The Group obtained the Temporary Bridge Loan (the "TBL") of S\$5.0 million in financial year ended 2021 which was initiated by the Singapore government to help local companies' working capital needs. The term of the TBL is 5 years with fixed interest rate at 2.65% per annum. In addition, the Group obtained a loan from financial institution of S\$0.4 million with fixed interest rate of 4.25% per annum in FY2023 (31 December 2022: nil). Other than the above, the Group does not have fixed rate bank borrowings as at 31 December 2023 and 31 December 2022. Together with the obligation under finance leases of approximately S\$0.1 million (31 December 2022: S\$0.2 million), the Group's total borrowings amounted to S\$75.7 million (31 December 2022: S\$34.1 million).

GEARING RATIO

During FY2023, the gearing ratio of the Group was about 38.2% (31 December 2022: 17.2%) which was calculated on the Group's total borrowings (including total borrowings and finance lease but excluding trade and other payables) to total Shareholders' equity (excluding NCI).

F. Management Discussion and Analysis (cont'd)**TREASURY POLICIES**

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the FY2023. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the FY2023, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and USD. The Group has currency exposure as certain sourced parts and components incurred in China were denominated in RMB. Certain of the subsidiaries of the Company have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During FY2023, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During FY2023, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$4,361,000 (2022: S\$2,282,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, there were 1,149 (2022: 1,124) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022. The purpose of the ISDN PSP 2022 is to (a) foster a culture of ownership within the Group to align the interests of Group Employees and Group Non-executive Directors with the interests of Shareholders; (b) motivate participants to strive towards excellence and to maintain high level of performance to contribute to the Group and to achieve key financial and operational goals of the Company and/or their respective business units; and (c) make total employee remuneration sufficiently competitive to recruit and retain staff whose contributions are important to the long-term growth and profitability of the Group.

On 13 March 2023, an aggregate of 2,830,000 New Shares were granted and vested under ISDN PSP 2022 to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six (6) months.

There are no outstanding share awards issued under the ISDN PSP 2022.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during FY2023.

F. Management Discussion and Analysis (cont'd)**RISK MANAGEMENT****Contingent Liabilities**

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at FY2023.

Charge on the Group's Assets

As at 31 December 2023, the Group's bank deposits, service concession receivables, net book value of property, plant and equipment and land use rights of approximately S\$0.8 million, S\$73.5 million, S\$18.4 million and S\$1.0 million, respectively (31 December 2022: S\$2.4 million, S\$77.0 million, S\$19.6 million and S\$1.1 million) were pledged to banks to secure banking facilities granted to the Group.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND CANCELLATION OF TREASURY SHARES

During FY2023 and up to the date of this announcement, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST, neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per ordinary share for FY2023. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Tuesday, 30 April 2024 (the "AGM") at 9:30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on or about Monday, 26 August 2024 to the Shareholders whose names shall appear on the register of members of the Company on Monday, 8 July 2024.

The Directors propose that the Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) SGX-ST and the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Wednesday, 17 July 2024. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Monday, 26 August 2024.

F. Management Discussion and Analysis (cont'd)**CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM

For Hong Kong Shareholders

The Hong Kong Branch Share Register will be closed from Thursday, 25 April 2024 to Tuesday, 30 April 2024 both days inclusive. During this period, no transfer of shares in the capital of the Company will be registered. In order to be entitled to attend and vote at the AGM, the non-registered Hong Kong Shareholders must lodge all completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 April 2024.

For Singapore Shareholders

The share transfer books and the Singapore Principal Share Register will be closed at 5:00 p.m. on Friday, 26 April 2024 for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers received by the Company's Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower, #14-07, Singapore 098632 up to 5:00 p.m. on Wednesday, 24 April 2024 shall be registered to determine Shareholders' entitlements to attend and vote at the AGM.

For determining the entitlement to the proposed final dividend

For Hong Kong Shareholders

The Hong Kong Branch Share Register will be closed from Tuesday, 9 July 2024 to Wednesday, 10 July 2024, both days inclusive. During this period, no transfer of shares in the capital of the Company will be registered. In order to qualify for the final dividend, Shareholders who wish to hold their shares on the Hong Kong register of members of the Company must lodge all completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 8 July 2024.

For Singapore Shareholders

For the avoidance of doubt, where the registered holder is The Central Depository (Pte) Limited ("CDP"), the final dividend shall be paid to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of shares standing to the credit of each depositor's securities account with the CDP as at 5:00 p.m. on Monday, 8 July 2024. Duly completed registrable transfers received by the Company's Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower, #14-07, Singapore 098632 up to 5:00 p.m. on Monday, 8 July 2024 shall be registered to determine Shareholders' entitlements to the final dividend.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023)

1. Review

The condensed consolidated statement of financial position of the Group as at 31 December 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the second half and full year ended 31 December 2023 and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

Please refer to section F. Management Discussion and Analysis – Financial Review.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the FY2022 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

4. Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results.

No specific forecast statement was previously disclosed to Shareholders.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

Please refer to section F. Management Discussion and Analysis – Business Review and Outlook.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) (Cont'd)

6. Dividend Information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes.

Name of Dividend	Proposed Final
Dividend Type	Cash and/or Scrip
Dividend Amount per Share (in Singapore cents)	0.28 cents
Tax Rate	Tax exempt (One-Tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

Name of Dividend	Proposed Final
Dividend Type	Cash and/or Scrip
Dividend Amount per Share (in Singapore cents)	0.80 cents
Tax Rate	Tax exempt (One-Tier)

(c) Date Payable

Upon the Shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on or about 26 August 2024 to the Shareholders whose names shall appear on the register of members of the Company on 8 July 2024.

(d) Books Closure Date

The date on which Registrable Transfers received by the Company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

The book closure date shall be on 8 July 2024.

7. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

8. Interested Person Transactions ("IPTs")

The Group has not obtained a general mandate from Shareholders for IPTs.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) (Cont'd)

9. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

The Company has re-allocated the unutilised net proceeds from the Second Placement, which was originally allocated for working capital requirements of the mining-related business of the Group, in particular for coal trading to funding for construction and working capital requirement of the renewal energy business of the Group. For more information, please refer to Company's announcement entitled "Change in Use of Proceeds" dated 7 July 2023.

There has been no material usage till the date of this announcement after the last announcement made on 15 January 2024. The Company will make further announcements when the remaining net proceeds from Second Placements are materially disbursed.

(b) Use of Net Proceeds from the issuance of new shares under general mandate

There has been no material usage till the date of this announcement after the last announcement made on 8 November 2023. The Company will make further announcement(s) on the utilisation of proceeds from the subscription as and when the funds are materially disbursed.

10. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

11. Review of performance of the Group – turnover and earnings

Please refer to section F. Management Discussion and Analysis – Financial Review.

12. Disclosure of Acquisition (including incorporations) and sale of shares since the end of the previous reporting period under Rule 706A

On 21 August 2023, the Company's indirect 75%-owned subsidiary, Shanghai Dbasix M&E Equipment Co., Ltd ("**Dbasix Shanghai**") incorporated a wholly-owned subsidiary in China known as Dbasix Suzhou Co., Ltd. ("**Dbasix Suzhou**") with a registered capital of RMB1,000,000 (equivalent to approximately S\$186,000). Dbasix Suzhou is principally engaged in the develop, design and manufacture advanced manufacturing equipment and provide consultancy and technical services.

On 31 August 2023, the Company's indirect wholly-owned subsidiary, Suzhou Servo Dynamics Co., Ltd. ("**Suzhou Servo**"), had subscribed for an aggregate consideration of RMB1,500,000 (equivalent to S\$279,000) in its 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") by way of declaration of final dividend for the financial year ended 31 December 2022 to Suzhou Servo. Following the capital injection by way of final dividend, the total paid-up share capital of Beijing Bei Cheng increased from RMB2,000,000 to RMB5,000,000 and the Group's effective interest in Beijing Bei Cheng remains unchanged at 50%.

On 7 September 2023, the Company's direct wholly-owned subsidiary, ISDN Investments had made a capital injection of USD300,000 (equivalent to S\$408,000) in a wholly-owned subsidiary, ISDN (Zhejiang) Precision Technology Co., Ltd. ("**ISDN Zhejiang**") for working capital purpose. Following the completion of the capital injection, the total paid-up share capital of ISDN Zhejiang increased from USD1,000,000 to USD1,300,000.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) (Cont'd)

12. Disclosure of Acquisition (including incorporations) and sale of shares since the end of the previous reporting period under Rule 706A (Cont'd)

On 12 September 2023, the Company's indirect 49%-owned subsidiary, Dirak Asia had made a capital injection of USD430,000 (equivalent to S\$585,000) in a wholly-owned subsidiary, Suzhou D Snap Technologies Co., Ltd ("**Suzhou D Snap**") for working capital purpose. Following the completion of the capital injection, the total registered and paid-up share capital of Suzhou D-Snap increased from USD1,320,000 to USD1,750,000 (100%) of the total registered and paid-up share capital of Suzhou D-Snap.

On 3 October 2023, the Company's indirect wholly-owned subsidiary, ISDN Resource Pte Ltd ("**ISDN Resource**") acquired 870 ordinary shares in Jin Zhao Yu Pte. Ltd. ("**Jin Zhao Yu**") from two minority shareholders at a consideration of S\$0.50 each. Following the completion of the acquisition, the Group's effective interest in Jin Zhao Yu increased from 51% to 80%.

On 5 October 2023, the Company's direct wholly-owned subsidiary, MCG acquired 2,400 ordinary shares from ISDN Resource and 600 ordinary shares from a minority shareholder for a total consideration of S\$1.00 each in the capital of Jin Zhao Yu. MCG and ISDN Resource are wholly-owned subsidiaries of the Company. Following the completion of the acquisition, the Group's effective interest in Jin Zhao Yu increased from 80% to 100%. The company name of Jin Zhao Yu had changed to IRSS Pte. Ltd. ("**IRSS**") subsequently.

On 19 October 2023, the Company's direct wholly-owned subsidiary, MCG entered into a joint venture with a minority shareholder for an additional subscription of 197,000 ordinary shares in IRSS. MCG had subscribed 127,000 ordinary shares at a subscription price of S\$1 per share for an aggregate cash consideration of S\$127,000 and the minority shareholder had subscribed 70,000 ordinary shares at the subscription price of S\$1 per share for an aggregate cash consideration of S\$70,000 (the "**Capital Injection**"). Following the completion of the Capital Injection, the Group's effective interest in IRSS decreased from 100% to 65%.

On 31 October 2023, the Company's indirect wholly-owned subsidiary ISDN Software Business Pte Ltd ("**ISDN Software**"), had made a capital injection of RMB3,750,000 (equivalent to S\$703,000) in a 70%-owned subsidiary, ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") for working capital purpose. Following the completion of the Capital Injection, the total paid-up share capital of ISDN Nanjing will be RMB7,000,000 (equivalent to approximately S\$1,354,000).

On 8 November 2023, the Company indirect wholly-owned subsidiary, SDHK (Shenzhen) Technology Co., Ltd. ("**SDHK Shenzhen**"), a company incorporated under the laws of the China, has been placed under members' voluntary liquidation under the laws of the China, and the voluntary liquidation has been completed on 6 November 2023 (the "**Liquidation**"). The voluntary liquidation of SDHK Shenzhen comports with the Group's overall approach to increasing the simplicity and focus of its corporate structure over time. The voluntary liquidation is not expected to have a material impact on the net tangible assets per share and the earnings per share of the Company for the current financial year ended 31 December 2023.

On 8 December 2023, the Company's direct wholly-owned subsidiary, ISDN Investments incorporated a wholly-owned subsidiary in China known as ISDN Jiangxi with a registered capital of USD20,000,000 (equivalent to S\$26,872,000). ISDN Jiangxi is principally engaged in the technology development, provide consultancy and technology service, seal and hardware products manufacturing.

On 26 December 2023, the Company's direct wholly-owned subsidiary, MCG incorporated a wholly-owned subsidiary in Malaysia known as Servo Technologies Sdn. Bhd. ("**Servo Technologies**"), with an issued and paid-up share capital of MYR1 for 1 ordinary shares. Servo Technologies is principally engaged in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) (Cont'd)

12. Disclosure of Acquisition (including incorporations) and sale of shares since the end of the previous reporting period under Rule 706A (Cont'd)

On 27 December 2023, the Company capitalised a loan sum of S\$35,506,907 being part of the existing loan owed by its wholly-owned subsidiary, ISDN Investments to the Company, to be applied towards the Company's additional capital injection in ISDN Investments (the "**Capitalisation of Loan**"). Following the completion of the Capitalisation of Loan, the issued and paid-up share capital of ISDN Investments increased from S\$13,757,001 to S\$49,263,908, representing 100% of the total issued and paid-up capital of ISDN Investments.

13. Disclosure of persons occupying managerial positions who are related to a director, chief executive officer or substantial Shareholder

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, the Company set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family Relationship with any Director and/or Substantial Shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Thang Yee Chin	64	Spouse of:- Teo Cher Koon - managing director and substantial shareholder	Company's name: Servo Dynamics Pte Ltd A principal Subsidiary of the Company Position in the Company: Director Appointed on: 26 September 2005 Duties: Managing the administrative functions of the subsidiary.	No change

14. Compliance with Corporate Governance Codes

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore Revised Code of Corporate Governance 2018 (the "**Code**") and the applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Part 2 of Appendix 14 (renumbered as Appendix C1 effective from 31 December 2023) to the SEHK Listing Rules to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long-term Shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout FY2023, the Group has complied with the Code and the HK CG Code.

15. Compliance with Singapore Listing Manual and Hong Kong Model Code

In compliance with Rules 1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the SGX-ST and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (renumbered as Appendix C3 effective from 31 December 2023) to the SEHK Listing Rules (the "**Model Code**"), the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities and these are applicable to all officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code during FY2023.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (renumbered as Appendix D2 effective from 31 December 2023) (Cont'd)**15. Compliance with Singapore Listing Manual and Hong Kong Model Code (Cont'd)**

The Company and its officers are not allowed to deal in the shares of the Company during the period commencing 30 days immediately before the announcement of the Company's half-year results and 60 days immediately before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information and/or inside information of the Company and they are not to deal in the Company's securities on short-term considerations.

16. Audit Committee

The Audit Committee with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang. Mr. Lim Siang Kai is the chairman of the Audit Committee.

The financial information in this announcement has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the FY2023 and is of the opinion that such results complied with the applicable accounting standards, the requirements under Singapore Listing Manual and the SEHK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

17. Scope of Work of The Independent Auditor

The figures in respect of the preliminary announcement of the Group's results for FY2023 have been agreed by the independent auditor, Moore Stephens LLP, to the amounts set out in the Group's draft consolidated financial statements for FY2023 and the amounts were found to be in agreement. The work performed by the independent auditor in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Independent Auditor on this announcement.

18. Publication of Financial Information

The annual results announcement for FY2023 is published on the website of the SGX-ST at <https://www.sgx.com/securities/company-announcements>, the website of the Stock Exchange at <https://www.hkexnews.hk>, and the website of the Company at <https://www.isdnholdings.com/sgx-singapore-exchange>. The annual report of the Company for FY2023 containing, among others, the financial information of the Group will be published on the above websites in due course.

By Order of the Board
ISDN Holdings Limited

Teo Cher Koon
President and Managing Director
Singapore and Hong Kong, 28 February 2024

As at the date of this announcement, the Board comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive Directors; Mr. Toh Hsiang-Wen Keith as non-executive Director; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive Directors.