



ISDN reports FY2022 earnings

Group sees cyclical softness in China market, offset by recurring hydropower earnings; ISDN reaffirms confidence in long-term outlook

- ISDN was impacted by weakness in cyclical sectors in 2022, with pullbacks in the electronics, semiconductor, and machine tools sectors all consistent with the overall industrial cycle in Asia.
- Group revenue declined 15.8% YoY in FY2022, and 19.2% YoY in 2H2022, impacted by these cyclical industries. The Group remains confident that the drivers of recent revenue weakness are cyclical, and that fundamentals for a cyclical recovery and long-term growth remain solid.
- Adjusted net profit declined 19.9% in FY2022 and 16.5% in 2H2022, excluding one-time sale of real estate in FY2021, and unrealised, non-cash foreign exchange (“FX”) variance in FY2022 and 2H2022 respectively.
- Results exclude the full year impact of ISDN’s Lau Biang 1 hydropower plant that is expected to add over S\$2.0 million of recurring net profit to shareholders in 2023 and beyond, and the impact of the Angocci and Sisira hydropower plants expected to transition to commercial operations and contribute to earnings in 2023.
- The Group reaffirms confidence in its growth strategy of: (a) benefiting from the multi-year growth in industrial automation in Asia; and (b) benefiting from growth in its clean energy business.

Singapore, 24 February 2023 – ISDN Holdings Limited (“ISDN” or the “Group”), a leading industrial automation firm in Asia, today announced its financial results for the full year (“FY2022”) ended 31 December 2022.

Financial summary

S\$'000	FY2022	FY2021	YoY % Change
Revenue	370,779	440,136	-15.8
Gross Profit	105,888	120,384	-12.0
Gross Profit Margin (%)	28.6	27.4	+1.2ppt
Operating Expenses ^a	67,839	72,372	-6.3
Profit Before Tax	32,027	52,473	-39.0
Profit After Tax	23,079	39,064	-40.9
Profit Attributable to Shareholders	14,620	25,485	-42.6
Net Profit Margin ^b (%)	6.2	8.9	-2.7ppt
Adjustments for unrealised/non-recurring items:			
Sale of real estate in 2021 ^c		(2,194)	
Unrealised foreign exchange (gain)/loss ^d	4,862	(1,980)	
Adjusted Profit After Tax excluding unrealized FX/non-recurring items:	27,941	34,890	-19.9

ppt percentage points

^a Operating expenses comprise distribution costs and administrative expenses

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

^c ISDN sold its Singapore offices in Sep 2021, resulting in a one-time, non-recurring gain of S\$2.2 million in 3Q FY2021.

^d Foreign-denominated receivables and payables were marked to market on monthly basis, resulting in non-cash, unrealised FX gains or losses. ISDN's Indonesian and China subsidiaries that report in Indonesian Rupiah ("IDR") and Renminbi ("RMB") held USD and SGD denominated net payables in FY2022. Both USD and SGD were strengthening against IDR and RMB by 9% to 10% during FY2022, hence it resulted in unrealised FX loss. The Group has policies in place to manage its exposure to foreign currency risk and liquidity risk.

Group impacted by cyclical end-markets, but reaffirms long-term prospects

ISDN has analysed customer performance closely over the last year to separate structural changes in its market from cyclical effects. The Group believes over 90% of the revenue decline in FY2022 over FY2021 was driven by cyclical end-industries: electronics & semiconductors, machine tools, and research equipment. Structural changes in the China market should favour ISDN for long-term growth.

Revenue impact was concentrated in China, where cyclical factors drove revenue decline of 23% YoY in FY2022. Outside of China, Group revenue grew +4.5%, reflecting milder cyclicity and continued growth in industrial automation in Southeast Asia.

The Group believes the impact it experienced in FY2022 is consistent with the broad industry cycle across China and Asia, noting that:

- Broad indicators of industrial production (such as China's manufacturing PMI and industrial output) have demonstrated similar cyclical weakness through 2022; and

- ISDN has observed headwinds in China's industrial growth stemming from rolling COVID-19 regional shutdowns, the global downcycle in consumer electronics, and weakness in industrial capex as manufacturing companies adopt a more cautious outlook on the global economy.

Despite the cyclical impact in 2022, the Group believes that structural shifts in the China market over the past year have strengthened longer-term growth fundamentals for ISDN:

- China has eased COVID-19 restrictions successfully, easing conditions for consumers and businesses to resume economic activity.
- The continuation of US-China trade tensions has strengthened the determination of China's policymakers to advance domestic manufacturing and industrial automation.
- China's industrial utilisation was already at 75.7% in Q42022 and is expected to rise further this year as economic activity resumes after COVID-19 easing and an early Lunar New Year in 2023, increasing prospects for capacity expansion.

As a result, the Group continues to see solid long-term growth in China as both the public and private sector continue to support industrial automation as a critical strategy to support economic growth for China.

ISDN remains well-positioned to benefit from this ongoing thematic growth in China.

Significant, recurring, and high-quality earnings from clean energy business

ISDN was pleased to announce the commencement of commercial operations for the first of 3 hydropower plants in Indonesia.

The Lau Bian 1 plant began commercial operations on 31 December 2022, and is expected to contribute S\$2.0 million of annual recurring net profit to shareholders and S\$2.9 million of annual recurring cash net profit to ISDN for the next 25 years.

The Group anticipates that the 2 additional plants, Sisira and Anggoci, will commence commercial operations this year.

ISDN notes the continued broad-based policy and community support for clean energy in Indonesia, and the strong market valuations for hydropower businesses, with publicly traded hydropower companies averaging over 30x P/E in valuation¹.

ISDN believes 2023 is an historic year for its clean energies business as it has transitioned into providing significant, recurring profits for the Group.

CEO remarks

Reflecting on ISDN's strategic position and performance in FY2022, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that "FY2022 was a difficult year for the

¹ Source: CapitalIQ as of 9 Jan 2023

global economy, and a difficult year for China in particular. ISDN has not been able to escape the clear cyclical headwinds across China and Asia. However, we've continued to build our business for long-term growth and we're reaffirming our convictions in our strategy and our long-term prospects.

Despite the industrial downcycle in China, we've continued to build our earnings by commercialising the first of 3 hydropower plants, and are close to commercialising 2 additional plants. Our clean energy businesses provide stable, recurring earnings into our business portfolio, and have strong intrinsic value as clean energy businesses have enjoyed strong market value in Indonesia.

The cyclical headwinds in China must give way to longer-term growth in industrial automation. We've looked carefully at the impact on our business in 2022 and we affirm that the impact is cyclical rather than structural or secular in nature.

While cyclical conditions remain uncertain, we see positive structural shifts in our China market. The country has emerged successfully from COVID-19 easing, economic activity is recovering, industrial utilisation is increasing, and national policy has strengthened support for advanced industry and industrial automation.

All of these factors point to continued long-term prospects from ISDN as we benefit from both the secular growth of industrial automation in our core business, and the welcome addition of growing recurring profits in our clean energy business as our hydropower plants commercialise.

We look forward to updating investors with our progress at our upcoming investor briefing."

— 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.

For media enquiries, please contact:

Shivam Saraf

Email: shivam@financialpr.com.sg

Kamal Samuel

Email: kamal@financialpr.com.sg

Vicki Zhou

Email: zhouyan@financialpr.com.sg

Tel: +65 6438 2990

ISDN Holdings Limited

101 Defu Lane 10 Singapore 539222

Tel: +65 6844 0288

Fax: +65 6844 0070

Web: www.isdnholdings.com

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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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Twelve months ended 31 December		
	2022 S\$'000	2021 S\$'000	Change %	2022 S\$'000	2021 S\$'000	Change %
Revenue	180,072	222,978	-19.2%	370,779	440,136	-15.8%
Gross Profit	51,810	62,191	-16.7%	105,888	120,384	-12.0%
Profit after tax	6,946	19,676	-64.7%	23,079	39,064	-40.9%
Profit for the period / year attributable to equity holders of the Company	3,550	13,318	-73.3%	14,620	25,485	-42.6%
Basic earnings per share (Singapore cents)	0.81	3.04	-73.4%	3.33	5.84	-43.0%

The Board has resolved to recommend a final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) for the year ended 31 December 2022 (2021 final: 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents)).

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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 2022 (“**2H2022**”) and annual results for the year ended 31 December 2022 (the “**FY2022**”), together with the relevant comparative audited or unaudited figures. The Group’s results for 2H2022 and FY2022 are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

		Group					
		Six months ended 31 December			Twelve months ended 31 December		
		2022	2021	Change	2022	2021	Change
Note		S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
		(unaudited)	(unaudited)		(unaudited)	(audited)	
Revenue	5	180,072	222,978	-19.2%	370,779	440,136	-15.8%
Cost of sales		(128,262)	(160,787)	-20.2%	(264,891)	(319,752)	-17.2%
Gross profit		51,810	62,191	-16.7%	105,888	120,384	-12.0%
Other operating income	6	1,463	6,048	-75.8%	3,448	8,976	-61.6%
Distribution costs		(13,787)	(15,333)	-10.1%	(28,710)	(30,028)	-4.4%
Administrative expenses		(19,679)	(23,610)	-16.6%	(39,129)	(42,344)	-7.6%
Net impairment gains/(losses) on financial assets		70	(751)	n.m.	296	(1,526)	n.m.
Other operating expenses		(6,413)	(2,084)	n.m.	(7,441)	(2,616)	n.m.
Finance costs	7	(2,229)	(792)	n.m.	(3,486)	(1,476)	n.m.
Share of profit of associates, net		79	738	-89.3%	1,161	1,103	5.3%
Profit before income tax	8	11,314	26,407	-57.2%	32,027	52,473	-39.0%
Income tax	9	(4,368)	(6,731)	-35.1%	(8,948)	(13,409)	-33.3%
Profit for the period/year		6,946	19,676	-64.7%	23,079	39,064	-40.9%
Other comprehensive income, net of tax:							
Items that may be subsequently reclassified to profit or loss							
- net fair value changes on cash flow hedge		-	(15)	n.m.	(31)	(15)	n.m.
- exchange differences on translation		(7,924)	3,059	n.m.	(10,288)	4,822	n.m.
Total comprehensive (loss)/ income for the period/year		(978)	22,720	n.m.	12,760	43,871	-70.9%
Profit for the period/year attributable to:							
Equity holders of the Company		3,550	13,318	-73.3%	14,620	25,485	-42.6%
Non-controlling interests		3,396	6,358	-46.6%	8,459	13,579	-37.7%
		6,946	19,676	-64.7%	23,079	39,064	-40.9%
Total comprehensive income for the period/year attributable to:							
Equity holders of the Company		(1,998)	15,466	n.m.	7,046	28,951	-75.7%
Non-controlling interests		1,020	7,254	-85.9%	5,714	14,920	-61.7%
		(978)	22,720	n.m.	12,760	43,871	-70.9%
Earnings per share attributable to the equity holders of the Company:							
Basic and diluted (Singapore cents)	10	0.81	3.04	-73.4%	3.33	5.84	-43.0%

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B. Condensed Consolidated Statements of Financial Position

		Group		Company	
		As at 31 December 2022 S\$'000 (<i>unaudited</i>)	As at 31 December 2021 S\$'000 (<i>audited</i>)	As at 31 December 2022 S\$'000 (<i>unaudited</i>)	As at 31 December 2021 S\$'000 (<i>audited</i>)
Note					
ASSETS					
Non-current Assets					
	13	63,249	67,707	656	684
		417	440	-	-
		1,104	1,221	-	-
	14	12,227	12,227	-	-
		-	-	50,410	50,410
		6,278	5,345	-	-
	15	76,960	69,356	-	-
		900	900	-	-
		384	350	-	-
		161,519	157,546	51,066	51,094
Current Assets					
		81,181	77,534	-	-
	15	101,116	118,504	804	849
		-	-	67,963	61,246
		-	-	1,400	500
		56,554	61,681	2,030	864
		238,851	257,719	72,197	63,459
		400,370	415,265	123,263	114,553
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
	16	81,487	81,487	81,487	81,487
		116,342	115,649	30,197	24,199
		197,829	197,136	111,684	105,686
		44,771	49,839	-	-
		242,600	246,975	111,684	105,686
Non-current Liabilities					
	17	10,066	12,761	-	-
		4,860	4,559	640	660
		676	790	-	-
		15,602	18,110	640	660
Current Liabilities					
	17	23,809	27,360	-	-
		1,322	2,117	21	20
	18	95,101	96,885	10,571	8,025
		18,003	19,475	-	-
		3,933	4,343	347	162
		142,168	150,180	10,939	8,207
		157,770	168,290	11,579	8,867
		400,370	415,265	123,263	114,553

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
2022							
Balance at 1 January 2022 <i>(audited)</i>	81,487	(436)	1,846	6,049	108,190	49,839	246,975
Profit for the year	-	-	-	-	14,620	8,459	23,079
Other comprehensive loss for the year	-	-	(7,543)	(31)	-	(2,745)	(10,319)
Total comprehensive (loss)/income for the year	-	-	(7,543)	(31)	14,620	5,714	12,760
Dividend paid in cash relating to FY2021	-	-	-	-	(6,408)	-	(6,408)
Dividends to non-controlling interests ("NCI")	-	-	-	-	-	(10,727)	(10,727)
Transfer to other reserves	-	-	-	176	(121)	(55)	-
Balance at 31 December 2022 <i>(unaudited)</i>	81,487	(436)	(5,697)	6,194	116,281	44,771	242,600
2021							
Balance at 1 January 2021 <i>(audited)</i>	79,213	(436)	(1,635)	4,967	87,911	47,604	217,624
Profit for the year	-	-	-	-	25,485	13,579	39,064
Other comprehensive income/(loss) for the year	-	-	3,481	(15)	-	1,341	4,807
Total comprehensive income/(loss) for the year	-	-	3,481	(15)	25,485	14,920	43,871
Shares issued in-lieu of cash for dividend relating to financial year ended 31 December 2020 ("FY2020")	2,274	-	-	-	(2,274)	-	-
Dividend paid in cash relating to FY2020	-	-	-	-	(1,263)	-	(1,263)
Dividends to NCI	-	-	-	-	-	(8,905)	(8,905)
Additional capital contributed by NCI	-	-	-	-	-	381	381
Acquisition of NCI without a change in controlling subsidiary	-	-	-	(1,231)	-	(3,502)	(4,733)
Transfer to other reserves	-	-	-	2,328	(1,669)	(659)	-
Balance at 31 December 2021 <i>(audited)</i>	81,487	(436)	1,846	6,049	108,190	49,839	246,975

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				
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>unaudited</i>)	81,487	(178)	30,375	111,684
2021				
Balance at 1 January 2021 (<i>audited</i>)	79,213	(132)	19,125	98,206
Profit for the year	-	-	8,758	8,758
Other comprehensive loss for the year	-	(15)	-	(15)
Total comprehensive (loss)/income for the year	-	(15)	8,758	8,743
Shares issued in-lieu of cash for dividend relating to FY2020	2,274	-	(2,274)	-
Dividend paid in cash relating to FY2020	-	-	(1,263)	(1,263)
Balance at 31 December 2021 (<i>audited</i>)	81,487	(147)	24,346	105,686

D. Condensed Consolidated Statement of Cash Flows

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2022	2021	2022	2021
	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	11,314	26,407	32,027	52,473
Adjustments for:				
Allowance for impairment loss of trade and other receivables	58	789	127	1,670
Allowance for impairment loss on investment in associate	-	611	-	611
Allowance for inventories obsolescence	1,022	1,006	1,438	1,285
Amortisation of land use rights	20	20	33	33
Depreciation of investment properties	10	10	19	19
Depreciation of property, plant and equipment	2,321	2,485	4,852	4,761
Gain on termination of leases	-	(13)	-	(13)
Interest expenses	2,229	792	3,486	1,476
Interest income	(189)	(150)	(404)	(368)
Inventories written off	41	126	49	130
Loss on disposal of interest in associates	-	93	-	93
Loss/(Gain) on disposal of property, plant and equipment, net	1	(2,193)	(24)	(2,207)
Property, plant and equipment written off	-	89	-	91
Share of results of associates, net	(79)	(738)	(1,161)	(1,103)
Share-based payment	-	1,750	-	1,750
Trade receivables written off	5	33	12	189
Write back of allowance for impairment loss on trade receivables	(128)	(38)	(423)	(144)
Write back of allowance for inventories obsolescence	7	(70)	(85)	(88)
Foreign currency on translation of foreign operations	(8,993)	(1,281)	(10,554)	(21)
Operating cash flow before working capital changes	7,639	29,728	29,392	60,637
Changes in working capital:				
Inventories	2,112	(12,418)	(5,049)	(23,269)
Trade and other receivables	4,859	3,495	16,123	(20,110)
Trade and other payables	(120)	290	2,594	14,621
Cash from operating activities before service concession	14,490	21,095	43,060	31,879
Change in receivables from service concession arrangements	(1,553)	(4,818)	(7,642)	(9,478)
Cash generated from operations after service concession	12,937	16,277	35,418	22,401
Interest paid	(2,134)	(682)	(3,296)	(1,258)
Interest received	189	150	404	368
Income tax paid	(4,258)	(6,357)	(9,534)	(12,850)
Net cash generated from operating activities	6,734	9,388	22,992	8,661

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

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Cash Flows from Investing Activities:				
Dividend from associates	-	-	228	258
Proceeds from disposal of associates	-	53	-	53
Proceeds from disposal of property, plant and equipment	11	5,027	49	5,042
Purchase of property, plant and equipment	(953)	(4,012)	(2,282)	(6,842)
Net cash (used in)/generated from investing activities	(942)	1,068	(2,005)	(1,489)
Cash Flows from Financing Activities:				
Additional contribution from NCI	-	381	-	381
Decrease in fixed deposits pledged and restricted bank deposit	-	2,229	-	4,449
Dividends to equity holders of the Company	(6,408)	(1,263)	(6,408)	(1,263)
Dividends to NCI	(10,126)	(7,813)	(10,991)	(9,071)
Interest expense on lease liabilities	(95)	(109)	(189)	(217)
Proceeds from bank loans	10,716	13,830	22,106	27,512
(Repayment)/Proceeds from trust receipts and other borrowings, net	(3,210)	1,968	(1,219)	5,190
Repayment of bank loans	(13,512)	(17,949)	(25,905)	(24,290)
Repayment of lease liabilities	(1,191)	(692)	(2,345)	(1,726)
Net cash (used in)/generated from financing activities	(23,826)	(9,418)	(24,951)	965
Net (decrease)/increase in cash and cash equivalents	(18,034)	1,038	(3,964)	8,137
Cash and cash equivalents at beginning of the period/year	73,029	58,134	59,021	51,440
Effect of currency translation on cash and cash equivalents	(867)	(151)	(929)	(556)
Cash and cash equivalents at end of the period/year	54,128	59,021	54,128	59,021
Additional information:				
Cash and bank balances	53,893	58,852	53,893	58,852
Fixed deposits	2,661	2,829	2,661	2,829
Cash and bank balances	56,554	61,681	56,554	61,681
Less: bank deposits pledged	(2,426)	(2,660)	(2,426)	(2,660)
Total cash and cash equivalents	54,128	59,021	54,128	59,021

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 construction of hydropower plant.

2 Basis of Preparation

The annual results set out in this announcement do not constitute the Group’s annual report for the FY2022 but are extracted from that report.

The unaudited condensed consolidated financial statements for the second half and full year ended 31 December 2022 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 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 the year ended 31 December 2021 (“**FY2021**”).

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 2022. 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 2022.

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 2021.

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

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 and 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		Others*		Elimination		Consolidated	
1 July to 31 December	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Revenue												
External sales	136,441	172,213	36,770	39,297	5,001	6,010	1,860	5,458	-	-	180,072	222,978
Inter-segment sales	2,219	3,939	1,300	1,741	653	753	27	108	(4,199)	(6,541)	-	-
	<u>138,660</u>	<u>176,152</u>	<u>38,070</u>	<u>41,038</u>	<u>5,654</u>	<u>6,763</u>	<u>1,887</u>	<u>5,566</u>	<u>(4,199)</u>	<u>(6,541)</u>	<u>180,072</u>	<u>222,978</u>
Results												
Segment results	12,058	20,742	3,703	2,484	1,044	3,039	(3,835)	(1,358)	-	-	12,970	24,907
Share of profit of associates, net	79	738	-	-	-	-	-	-	-	-	79	738
Corporate income											84	1,101
Rental income											221	303
Interest income											189	150
Finance costs											(2,229)	(792)
Profit before income tax											11,314	26,407
Income tax											(4,368)	(6,731)
Profit for the six months ended 31 December											<u>6,946</u>	<u>19,676</u>
Assets												
Segment assets	156,567	171,985	52,052	59,165	5,405	6,226	117,802	109,353	(6,932)	(11,157)	324,894	335,572
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	6,278	5,345	-	-	-	-	-	-	-	-	6,278	5,345
Investment properties											417	440
Cash and bank balances											56,554	61,681
Consolidated total assets as at 31 December											<u>400,370</u>	<u>415,265</u>
Liabilities												
Segment liabilities	41,451	64,226	17,169	17,901	489	1,166	51,214	37,142	(6,932)	(11,157)	103,391	109,278
Bank borrowings and lease liabilities											40,057	46,797
Income tax liabilities											3,933	4,343
Other unallocated corporate liabilities											10,389	7,872
Consolidated total liabilities as at 31 December											<u>157,770</u>	<u>168,290</u>

*Included in Others is construction revenue of S\$1,553,000 for the 2H2022 (2H2021: S\$4,818,000).

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

5 Segment Information (Cont'd)

(a) Reportable Operating Segments (Cont'd)

1 July to 31 December	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	378	2,406	529	911	4	2	108	693	-	-	1,019	4,012
Other non-cash expenses:												
- Allowance for impairment loss on investment in an associate	-	-	-	-	-	-	-	611	-	-	-	611
- Allowance for impairment of trade and other receivables	55	178	(11)	199	1	1	13	411	-	-	58	789
- Allowance for inventories obsolescence	776	650	246	356	-	-	-	-	-	-	1,022	1,006
- Amortisation of land use rights	20	20	-	-	-	-	-	-	-	-	20	20
- Depreciation of investment properties	10	10	-	-	-	-	-	-	-	-	10	10
- Depreciation of property, plant and equipment	1,131	1,484	1,120	906	67	61	3	34	-	-	2,321	2,485
- Gain on termination of leases	-	(13)	-	-	-	-	-	-	-	-	-	(13)
- Inventories written off	-	91	41	35	-	-	-	-	-	-	41	126
- Property, plant and equipment written off	-	71	-	13	-	5	-	-	-	-	-	89
- Share based payment	-	1,109	-	641	-	-	-	-	-	-	-	1,750
- Trade receivables written off	5	14	-	19	-	-	-	-	-	-	5	33
- Write back of allowance for impairment loss on trade receivables	15	(25)	(135)	(13)	-	-	(8)	-	-	-	(128)	(38)
- Write back of allowance for inventories obsolescence	(36)	(70)	43	-	-	-	-	-	-	-	7	(70)

*Included Renewable Energy Solutions

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		Others*		Elimination		Consolidated	
1 January to 31 December	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Revenue												
External Sales	278,462	339,784	72,489	79,304	11,502	10,619	8,326	10,429	-	-	370,779	440,136
Inter-segment sales	4,002	6,560	2,360	2,877	1,252	1,043	27	108	(7,641)	(10,588)	-	-
	<u>282,464</u>	<u>346,344</u>	<u>74,849</u>	<u>82,181</u>	<u>12,754</u>	<u>11,662</u>	<u>8,353</u>	<u>10,537</u>	<u>(7,641)</u>	<u>(10,588)</u>	<u>370,779</u>	<u>440,136</u>
Results												
Segment results	27,186	44,943	6,830	6,004	3,179	4,154	(4,380)	(3,189)	-	-	32,815	51,912
Share of profit of associates, net	1,161	1,103	-	-	-	-	-	-	-	-	1,161	1,103
Corporate income/(expenses)											645	(13)
Rental income											488	579
Interest income											404	368
Finance costs											(3,486)	(1,476)
Profit before income tax											32,027	52,473
Income tax											(8,948)	(13,409)
Profit for the twelve months ended 31 December											<u>23,079</u>	<u>39,064</u>
Assets												
Segment assets	156,567	171,985	52,052	59,165	5,405	6,226	117,802	109,353	(6,932)	(11,157)	324,894	335,572
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	6,278	5,345	-	-	-	-	-	-	-	-	6,278	5,345
Investment properties											417	440
Cash and bank balances											56,554	61,681
Consolidated total assets as at 31 December											<u>400,370</u>	<u>415,265</u>
Liabilities												
Segment liabilities	41,451	64,226	17,169	17,901	489	1,166	51,214	37,142	(6,932)	(11,157)	103,391	109,278
Bank borrowings and lease liabilities											40,057	46,797
Income tax liabilities											3,933	4,343
Other unallocated corporate liabilities											10,389	7,872
Consolidated total liabilities as at 31 December											<u>157,770</u>	<u>168,290</u>

*Included in Others is construction revenue of S\$7,642,000 for FY2022 (FY2021: S\$9,478,000).

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		Others*		Elimination		Consolidated	
1 January to 31 December	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	912	4,071	941	1,603	8	9	519	1,159	-	-	2,380	6,842
Other non-cash expenses:												
- Allowance for impairment loss on investment in an associate	-	-	-	-	-	-	-	611	-	-	-	611
- Allowance for impairment of trade and other receivables	68	196	44	201	1	1	14	1,272	-	-	127	1,670
- Allowance for inventories obsolescence	1,045	909	393	376	-	-	-	-	-	-	1,438	1,285
- Amortisation of land use rights	33	33	-	-	-	-	-	-	-	-	33	33
- Depreciation of investment properties	19	19	-	-	-	-	-	-	-	-	19	19
- Depreciation of property, plant and equipment	2,664	2,854	1,964	1,600	112	95	112	212	-	-	4,852	4,761
- Gain on termination leases	-	(13)	-	-	-	-	-	-	-	-	-	(13)
- Inventories written off	8	95	41	35	-	-	-	-	-	-	49	130
- Property, plant and equipment written off	-	71	-	15	-	5	-	-	-	-	-	91
- Share based payment	-	1,109	-	641	-	-	-	-	-	-	-	1,750
- Trade receivables written off	12	89	-	88	-	-	-	12	-	-	12	189
- Write back of allowance for impairment loss on trade receivables	(108)	(81)	(306)	(63)	(1)	-	(8)	-	-	-	(423)	(144)
- Write back of allowance for inventories obsolescence	(45)	(88)	(40)	-	-	-	-	-	-	-	(85)	(88)

*Included Renewable Energy Solutions

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 (the "PRC"), Hong Kong, Malaysia, the Republic of Indonesia ("Indonesia") and Vietnam.

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	Others* S\$'000	Total S\$'000
Geographical markets					
Singapore	20,617	1,887	4,853	300	27,657
The PRC	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	1,860	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					
Six months ended 31 December 2021					
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Others*	Total S\$'000
Geographical markets					
Singapore	21,976	1,743	5,858	420	29,997
The PRC	118,425	31,227	-	-	149,652
Hong Kong	7,246	91	-	-	7,337
Malaysia	6,700	630	38	1	7,369
Indonesia	79	36	-	4,818	4,933
Vietnam	8,888	198	-	-	9,086
Others	8,899	5,372	114	219	14,604
Total revenue from contracts with customers	172,213	39,297	6,010	5,458	222,978
Goods or services transferred at a point in time	169,223	39,297	6,010	640	215,170
Services transferred over time	2,990	-	-	4,818	7,808

*Included in Others is construction revenue of S\$1,553,000 for the 2H2022 (2H2021: S\$4,818,000).

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	Others* S\$'000	Total S\$'000
Geographical markets					
Singapore	43,691	3,319	10,949	673	58,632
The PRC	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	8,326	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)

(b) Disaggregation of Revenue (Cont'd)

Group Twelve months ended 31 December 2021					
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Others* S\$'000	Total S\$'000
Geographical markets					
Singapore	36,675	3,589	10,185	642	51,091
The PRC	246,818	63,270	-	-	310,088
Hong Kong	14,704	123	-	-	14,827
Malaysia	11,581	1,292	86	2	12,961
Indonesia	397	68	-	9,478	9,943
Vietnam	15,937	198	3	-	16,138
Others	13,672	10,764	345	307	25,088
Total revenue from contracts with customers	339,784	79,304	10,619	10,429	440,136
Goods or services transferred at a point in time	336,794	79,304	10,619	951	427,668
Services transferred over time	2,990	-	-	9,478	12,468

*Included in Others is construction revenue of S\$7,642,000 for FY2022 (FY2021: S\$9,478,000).

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
	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	27,657	29,997	58,632	51,091	29,821	29,636
The PRC	119,816	149,652	243,202	310,088	24,029	25,380
Hong Kong	2,999	7,337	6,811	14,827	1,058	1,086
Malaysia	7,030	7,369	13,366	12,961	916	946
Indonesia	1,626	4,933	7,918	9,943	104,411	97,814
Vietnam	9,389	9,086	16,835	16,138	433	502
Others	11,555	14,604	24,015	25,088	851	2,182
Total	180,072	222,978	370,779	440,136	161,519	157,546

(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		
	2022	2021	Increase/
	S\$'000	S\$'000	(Decrease)
Sales reported for the first half year	190,707	217,158	-12.2%
Operating profit after tax before deducting NCI reported for the first half year	16,133	19,388	-16.8%
Sales reported for the second half year	180,072	222,978	-19.2%
Operating profit after tax before deducting NCI reported for the second half year	6,946	19,676	-64.7%

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	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Interest income	189	150	404	368
Commission income	105	234	135	283
Realised foreign exchange gain	-	44	-	231
Unrealised foreign exchange gain	-	1,079	-	1,980
(Loss)/Gain on disposal of property, plant and equipment, net	(1)	2,193	24	2,207
Gain on termination of leases	-	13	-	13
Government grants	52	157	258	356
Operating lease rental income:				
- investment properties	38	32	63	56
- sub-let of office/warehouse premises	183	271	425	523
Property management income	227	302	499	560
Technical service income	255	764	507	1,063
Write (off)/back of allowance of inventory obsolescence	(7)	70	85	88
Miscellaneous income	432	739	1,048	1,248
	1,473	6,048	3,448	8,976

7 Finance Costs

	Group			
	Six months		Twelve months	
	ended 31 December		ended 31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Interest expenses on:				
- bank loans	705	578	1,201	1,020
- trust receipts	121	68	168	85
- leases liabilities	95	109	189	217
- others	1,308	37	1,928	154
	2,229	792	3,486	1,476

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	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:				
Amortisation of land use rights	20	20	33	33
Depreciation of property, plant and equipment				
- recognised in cost of sales	367	389	778	698
- recognised in distribution costs	194	217	423	420
- recognised in administrative expenses	1,760	1,879	3,651	3,643
	2,321	2,485	4,852	4,761
Depreciation of investment properties	10	10	19	19
Share-based payment	-	1,750	-	1,750
Other operating expenses included:				
- trade receivables written off	5	33	12	189
- allowance for inventories obsolescence	1,022	1,006	1,438	1,285
- inventories written off	41	126	49	130
- realised foreign exchange losses	1,086	-	1,039	-
- unrealised foreign exchange losses	4,241	-	4,862	-
- loss on disposal of interest in an associate	-	93	-	93
- property, plant and equipment written off	-	89	-	91
- allowance for impairment loss on investment in an associate	-	611	-	611

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 announcements, 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	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Sales to associates	(15)	(45)	(67)	(85)
Sales to related parties	(5,209)	(5,045)	(10,431)	(9,870)
Purchases from associates	65	52	73	106
Purchases from related parties	33,487	40,414	66,498	80,181
Administrative income charged to associates	(20)	(21)	(41)	(41)
Administrative income charged to related parties	(125)	(134)	(259)	(232)
Rental charged to a related party	(218)	(274)	(487)	(513)
Rental charged to associates	(2)	(2)	(5)	(5)
Interest charged to associates	-	48	-	-
Interest charged to a related party	(4)	4	(8)	(8)
Other expenses charged by related parties	285	402	588	528
Other income charged to related parties	(147)	(236)	(269)	(349)
Other income charged to associates	(228)	(258)	(228)	(258)

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	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current income tax				
- Singapore	771	442	1,611	737
- The PRC	3,417	5,668	6,865	11,574
- Outside Singapore and the PRC	572	511	940	831
- (Over)/Under provision in respect of prior year	(244)	(8)	(292)	149
	4,516	6,613	9,124	13,291
Deferred taxation				
- Withholding tax on the profits of the Group's subsidiaries	(86)	205	(114)	205
- Over provision in respect of prior year	(62)	(87)	(62)	(87)
	(148)	118	(176)	118
	4,368	6,731	8,948	13,409

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 2022 and 2021 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the years ended 31 December 2022 and 2021 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 the PRC, the PRC 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	
	2022	2021	2022	2021
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)	3,550	13,318	14,620	25,485
Weighted average number of ordinary shares for the purpose of basic earnings per share	438,638,533	437,616,052	438,638,533	436,486,336
Basic and fully diluted earnings per share (Singapore cents)	0.81	3.04	3.33	5.84

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 2022 and 2021.

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

11 Dividends

Group	
31 December	31 December
2022	2021
S\$'000	S\$'000

Ordinary dividends paid during the financial year:

Tax exempt (one-tier) final dividend of 1.45 Singapore cents per ordinary share (2021: 0.8 Singapore cents) in respect of the previous year

6,408	3,537
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On 26 August 2022, a final dividend of 1.45 Singapore cents per ordinary share was paid to the shareholders of the Company ("**Shareholders**") as the final dividend in respect of FY2021.

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

Group	
31 December	31 December
2022	2021
S\$'000	S\$'000

Dividends:

Cash	6,408	1,263
Scrip dividend	-	2,274
	6,408	3,537

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	31 December	31 December	31 December
	2022	2021	2022	2021
Net assets (S\$'000)	197,829	197,136	111,684	105,686
Number of issued shares at the end of the year (net of treasury shares)	438,638,533	438,638,533	438,638,533	438,638,533
Net assets value per ordinary share based on number of issued share as at respective year (Singapore cents)	45.10	44.94	25.46	24.09

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

13 Property, Plant and Equipment

During the FY2022, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$4,133,000 (31 December 2021: S\$12,688,000), of which S\$1,753,000 (31 December 2021: S\$5,846,000) relates to right-of-use assets and S\$98,000 (31 December 2021: S\$Nil) were acquired by means of finance lease. Cash payments of S\$2,282,000 (31 December 2021: S\$6,842,000) were made to purchase property, plant and equipment.

As at 31 December 2022, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 17 was S\$19,681,000 (2021: S\$21,726,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$307,000 (2021: S\$368,000).

14 Goodwill

	Group	
	31 December 2022 S\$'000	31 December 2021 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 2022 S\$'000	31 December 2021 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
Others		
- 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

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current:</u>				
Service concession receivables	76,960	69,356	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	10,441	18,567	-	-
- trade receivables	73,386	81,585	-	-
- associates	10	19	-	-
- related parties	2,651	2,511	-	-
	86,488	102,682	-	-
Other receivables, net of impairment:				
Advances to associates	7	3	3	2
Advances to related parties	101	89	-	-
Deposits	644	765	17	17
Loan to associates	27	27	-	-
Sundry debtors	4,061	5,285	700	700
Amounts owing from NCI	1,878	1,975	-	-
Derivatives	-	36	-	31
	6,718	8,180	720	750
Advances paid to suppliers	6,351	6,136	-	-
Prepayment	1,559	1,506	84	99
	101,116	118,504	804	849

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

	Group	
	31 December 2022	31 December 2021
	S\$'000	S\$'000
Within 30 days	36,071	42,783
31 - 90 days	31,064	33,586
Over 90 days	19,353	26,313
	86,488	102,682

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

15 Trade and Other Receivables (Cont'd)

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

Expected credit loss ("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 2022		31 December 2021	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At the beginning of year	438,638,533	81,487	435,337,894	79,213
Shares issued-in-lieu of cash for dividend	-	-	3,300,639	2,274
At the end of year	438,638,533	81,487	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.

The number of ordinary shares as at 31 December 2022 is 438,638,533 (31 December 2021: 438,638,533). No treasury shares were held as at 31 December 2022 (31 December 2021: nil). The number of shares held as subsidiary holdings as at 31 December 2022 is nil (31 December 2021: nil).

As at 31 December 2022 till the date of this announcement, the Company does not have any existing warrants or convertibles (31 December 2021: 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 2022	31 December 2021	31 December 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	10,810	13,309	-	-
- unsecured	12,999	14,051	-	-
	<u>23,809</u>	<u>27,360</u>	<u>-</u>	<u>-</u>
<i>Amount repayable after one year</i>				
- secured	10,066	12,761	-	-

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 2022	31 December 2021	31 December 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables:				
- trade payables	33,861	34,638	-	-
- associates	90	34	-	-
- related parties	9,586	9,058	-	-
	<u>43,537</u>	<u>43,730</u>	<u>-</u>	<u>-</u>
Accrued operating expenses	2,173	3,612	147	202
Accrued salaries and bonuses	17,522	17,640	9,380	7,477
Amount owing to an associate	24	24	-	-
Amount owing to NCI	4,831	2,639	-	-
Amounts owing to subsidiaries	-	-	825	151
Other payables	27,014	29,240	219	195
	<u>95,101</u>	<u>96,885</u>	<u>10,571</u>	<u>8,025</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 2022	31 December 2021
	S\$'000	S\$'000
Within 30 days	28,355	28,103
31 - 90 days	12,151	13,837
Over 90 days	3,031	1,790
	43,537	43,730

Trade payables are non-interest bearing and are usually settled within 30 – 90 days term.

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 2022 and 31 December 2021:

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	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)	226,720	241,899	70,713	62,860
	227,620	242,799	70,713	62,860
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	135,158	143,682	11,232	8,705

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

20 Subsequent events

On 4 January 2023, the Group has dissolved two Malaysian subsidiaries, SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd.. The dissolution of the Malaysian subsidiaries 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 financial year ending 31 December 2023.

Other than the above, no major subsequent event has occurred since the end of the financial year ended 31 December 2022 up to the date of this announcement.

F. Management Discussion and Analysis**BUSINESS REVIEW**

In FY2022, the Group reported a decrease of 15.8% year-on-year (“YoY”) in revenue to S\$370.8 million, from S\$440.1 in FY2021. The revenue decline can mainly be attributed to our industrial automation solutions segment, which decreased by 15.7% YoY in FY2022. It was impacted by COVID-19 lockdown measures in the PRC, headwinds in cyclical industries in the PRC (such as electronics, automotive) and the weaker Renminbi (“RMB”) currency. The revenue drop was partially offset by revenue from mini-hydropower plants in Indonesia amounting to S\$1.6 million in 2H2022.

Consequently, the Group’s gross profit also decreased by 12% YoY to S\$105.9 million, compared to S\$120.4 million in FY2021. However, gross profit margin increased by 1.2 percentage points to reach 28.6% in FY2022.

The Group’s core industrial automation solutions segment continued to contribute the majority of revenues, accounting for 97.9% of the Group’s total revenue. Geographically, the PRC continued to contribute the largest share of the Group’s total revenue by country, standing at 65.6%.

In FY2022, other operating expenses increased by S\$4.8 million to S\$7.4 million, primarily due to the net foreign exchange loss of S\$5.9 million. Furthermore, finance costs also increased by S\$2.0 million mainly arising from project financing from the engineering, procurement and construction (“EPC”) contractor for our mini-hydropower plant project in Indonesia. These factors resulted in a 40.9% YoY decline in net profit after tax as it dipped to S\$23.1 million in FY2022, compared to S\$39.1 million in FY2021.

While 2022 was a year characterised by short term headwinds and softness in our PRC market, we continued to increase our presence in other regional markets, such as Singapore. The Group is cognizant of the near-term headwinds but remains cautiously optimistic of the long-term growth prospects due to the two strong growth pillars from the industrial automation in Asia and clean energy business going forward.

The PRC recently announced the easing of border and movement restrictions and moved away from its zero COVID-19 policy to revive industrial activities once again. The Group believes that this will contribute to a revival in economic activities in the economy and further augment business momentum. The current softness in the Chinese economy will be addressed through increased government investments and hence, push for adoption of next generation technologies to boost productivity. This increased momentum will drive the need for industrial automation solutions, providing a growth opportunity for ISDN in its largest geographical market.

The Group also announced that its first mini-hydropower plant received commercial operation date as of 31 December 2022. This is the first of many to come and the Group’s long-term vision of capturing the shift to clean energy has starting gaining increasing traction. The Group is positive that the commercialisation of the other two mini-hydropower plants will also happen in 2023 and therefore, make meaningful contributions to the Group’s earnings in FY2023.

The Group’s cash and bank balances remains robust at S\$56.6 million as at 31 December 2022. The Board has also proposed a final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per share for FY2022.

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

As highlighted in the Business Review section, the Group has been impacted by weakness in cyclical sectors in 2022, with pullbacks in the electronics, semiconductor, and machine tools sectors all consistent with the overall industrial cycle in Asia.

The Group has analysed customer performance closely over the last year to separate structural changes in its market from cyclical effects. The Group believes over 90% of the revenue decline in FY2022 over FY2021 was driven by cyclical end-industries: electronics & semiconductors, machine tools, and research equipment. Structural changes in the PRC market should favour ISDN for long-term growth.

The Group believes the impact it experienced in FY2022 is consistent with the broad industry cycle across the PRC and Asia, noting that:

- Broad indicators of industrial production (such as the PRC's manufacturing PMI and industrial output) have demonstrated similar cyclical weakness through 2022; and
- ISDN has observed headwinds in the PRC's industrial growth stemming from rolling COVID-19 regional shutdowns, the global downcycle in consumer electronics, and weakness in industrial capex as manufacturing companies adopt a more cautious outlook on the global economy.

Despite the cyclical impact in 2022, the Group believes that structural shifts in the PRC market over the past year have strengthened longer-term growth fundamentals for ISDN:

- The PRC has eased COVID-19 restrictions successfully, easing conditions for consumers and businesses to resume economic activity.
- The continuation of US-China trade tensions has strengthened the determination of the PRC's policymakers to advance domestic manufacturing and industrial automation.
- The PRC's industrial utilisation was already at 75.7% in Q42022 and is expected to rise further this year as economic activity resumes after COVID-19 easing and an early Lunar New Year in 2023, increasing prospects for capacity expansion.

As a result, the Group continues to see solid prospects for long-term growth in the PRC as both the public and private sector continue to support industrial automation as a critical strategy to support economic growth for the PRC.

The Group was pleased to announce the commencement of commercial operations for the first of three hydropower plants in Indonesia. The Lau Biang 1 plant began commercial operations on 31 December 2022, and is expected to contribute S\$2.0 million of annual recurring net profit to shareholders and S\$2.9 million of annual recurring cash net profit to ISDN for the next 25 years.

The Group believes 2023 is a historic year for its clean energies business as it has transitioned into providing significant, recurring profits for the Group.

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		
	2022	2021	% change	2022	2021	% change
	S\$'000	S\$'000	+/(-)	S\$'000	S\$'000	+/(-)
Industrial Automation Solutions						
Revenue	178,519	218,160	-18.2%	363,137	430,658	-15.7%
Gross profit	51,695	61,834	-16.4%	105,322	119,682	-12.0%
Gross profit margin	29.0%	28.3%	0.7 ppt	29.0%	27.8%	1.2 ppt
Construction Revenue						
Revenue	1,553	4,818	-67.8%	7,642	9,478	-19.4%
Gross profit	115	357	-67.8%	566	702	-19.4%
Gross profit margin	7.4%	7.4%	0 ppt	7.4%	7.4%	0 ppt
Total						
Revenue	180,072	222,978	-19.2%	370,779	440,136	-15.8%
Gross profit	51,810	62,191	-16.7%	105,888	120,384	-12.0%
Gross profit margin	28.8%	27.9%	0.9 ppt	28.6%	27.4%	1.2 ppt

The Group's revenue of S\$180.1 million for 2H2022 was lower as compared to the second half of 2021 ("2H2021") of S\$223.0 million. For FY2022, the Group's revenue decreased by approximately S\$69.4 million or 15.8% from S\$440.1 million in FY2021 to S\$370.8 million in FY2022.

Revenue from our industrial automation solutions segment decreased by S\$39.6 million or 18.2% in 2H2022, which was impacted by COVID-19 lockdown measures in the PRC coupled with weaker RMB currency and headwinds in cyclical industries in the PRC (such as electronics, automotive). Furthermore, the revenue from mini-hydropower plants in Indonesia was lower by S\$3.3 million in 2H2022.

Gross profit for 2H2022 and FY2022 decreased by S\$10.4 million or 16.7% and S\$14.5 million or 12.0% respectively as compared to corresponding periods last year. However, the gross profit margin of the Group in 2H2022 inched up by 0.9 percentage point from 27.9% to 28.8%. For FY2022, the gross profit margin of the Group inched up by 1.2 percentage point from 27.4% to 28.6%.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF COMPREHENSIVE INCOME (Cont'd)****Other operating income**

Other operating income decreased by S\$4.6 million, or 75.8% to S\$1.5 million in 2H2022 mainly due to a one-time gain from the sale of office space in Singapore for S\$2.2 million in 2H2022, absence of net foreign exchange gain S\$1.1 million, decrease in technical services income of S\$0.5 million, decrease in miscellaneous income of S\$0.3 million, decrease in commission income of S\$0.1 million, decrease in government grant of S\$0.1 million, decrease in rental income of S\$0.1 million, decrease in write back of allowances of inventory obsolescence of S\$0.1 million and decrease in property management income of S\$0.1 million.

For FY2022, other operating income decreased by S\$5.5 million, or 61.6% to S\$3.4 million. The decrease was mainly due to a one-time gain from the sale of office space in Singapore for S\$2.2 million in 2H2022, absence of net foreign exchange gain of S\$2.2 million, decrease in technical services income of S\$0.6 million, decrease in miscellaneous income of S\$0.2 million, decrease in commission income of S\$0.1 million, decrease in government grant of S\$0.1 million and decrease in property management income of S\$0.1 million.

Distribution costs

Distribution costs decreased by S\$1.5 million, or 10.1% to S\$13.8 million in 2H2022 mainly attributed to decrease in salary and related costs and sales and marketing expenses of S\$1.6 million arising from lower staff commission to sales personnel which is in line with the decrease in revenue and no accrued share-based payment; partially offset by slight increase in office and other expenses of S\$0.1 million.

For FY2022, distribution costs decreased by \$1.3 million, or 4.4% to S\$28.7 million. The decrease was mainly due to decrease in staff and related costs and sales and marketing expenses of S\$1.3 million arising from lower staff commission to sales personnel which is in line with the decrease in revenue and no accrued share-based payment. Furthermore, there was decrease in travelling expenses of S\$0.1 million which is in line with the decrease in business activities; partially offset by the increase in office and other expenses of S\$0.1 million.

Administrative expenses

Administrative expenses decreased by S\$3.9 million, or 16.6% to S\$19.7 million in 2H2022. The decrease was mainly due to decrease in salary and related cost of S\$4.2 million due to lower performance bonus for executive Directors which is in line with the decrease of the Group's business performance and no accrued share-based payment, decrease in office and other expenses of S\$0.4 million; partially offset by the increase in professional fees of S\$0.7 million which has resulted from business activities and corporate actions.

For FY2022, administrative expenses decreased by S\$3.2 million, or 7.6% to S\$39.1 million was mainly arising from decrease in salary and related cost of S\$3.2 million due to lower performance bonus for executive Directors which is in line with the decrease of the Group's business performance and no accrued share-based payment.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF COMPREHENSIVE INCOME (Cont'd)****Net impairment gains/(losses) on financial assets**

Net impairment gains on financial assets of S\$0.1 million and S\$0.3 million in 2H2022 and FY2022 respectively was mainly due to reversal of impairment loss which following expected credit loss assessment and recovery of debts. Net impairment losses on financial assets of S\$0.8 million and S\$1.5 million in 2H2021 and FY2021 respectively was mainly due to impairment loss made for funding to investee companies.

Other operating expenses

Other operating expenses increased by S\$4.3 million to S\$6.4 million in 2H2022. The increase was mainly due to net foreign exchange losses of S\$5.3 million of which S\$4.2 million was unrealised foreign exchange loss. The unrealised foreign currency losses were attributed to the unfavorable foreign currency fluctuations against financial assets and liabilities as well as the investments in subsidiaries by way of debts resulting from the depreciation of RMB against United States Dollar ("USD") and S\$ and Indonesian Rupiah ("IDR") against USD. The Group has policies in place to manage its exposure to foreign currency risk and liquidity risk. This was partially offset by the absence of allowance for impairment loss on investment in an associate of S\$0.6 million and loss on disposal of interest in an associate of S\$0.1 million in 2H2021. In addition, there was also decrease in other operating expenses of S\$0.1 million, decrease in property, plant and equipment written off of S\$0.1 million and inventories written off of S\$0.1 million.

In FY2022, other operating expenses increased by S\$4.8 million to S\$7.4 million. The increase was mainly due to net foreign exchange loss of S\$5.9 million of which S\$4.9 million was unrealised foreign exchange loss. The unrealised foreign currency losses were attributed to the unfavorable foreign currency fluctuations against financial assets and liabilities as well as the investments in subsidiaries by way of debts resulting from the depreciation of RMB against USD and S\$ and IDR against USD. In addition, there was an increase in allowance for inventories obsolescence of S\$0.2 million. This was partially offset by the absence of allowance for impairment loss on investment in an associate of S\$0.6 million and loss on disposal of interest in an associate of S\$0.1 million in FY2021. In addition, there was also decrease in other operating expenses of S\$0.2 million, decrease in trade receivables written off of S\$0.2 million, decrease in property, plant and equipment written off of S\$0.1 million and inventories written off of S\$0.1 million.

Finance costs

Finance costs increased by S\$1.4 million and S\$2.0 million respectively for 2H2022 and FY2022, as a result of project financing from the engineering, procurement and construction ("EPC") contractor for our mini-hydropower plant project in Indonesia and higher bank interest rate.

Income tax expense

Income tax expense decreased by S\$2.4 million, or 35.1% to S\$4.4 million, and S\$4.5 million, or 33.3% to S\$8.9 million for 2H2022 and FY2022 respectively. The decrease was mainly due to lower taxable profits.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF FINANCIAL POSITION ITEMS****Property, plant and equipment**

Property, plant and equipment decreased by S\$4.5 million, or 6.6% as at 31 December 2022. The decrease was mainly due to depreciation charge of S\$4.8 million and translation loss of S\$3.7 million arising from the weakening of RMB against S\$ in FY2022. This was partially offset by recognition of right-of-use assets of S\$1.8 million, purchase of plant and machinery of S\$0.8 million, purchase of furniture and fitting of S\$0.6 million, renovation of leasehold properties of S\$0.4 million, recognition of construction costs incurred of S\$0.2 million for the construction of mini-hydropower plant in Indonesia and purchase of motor vehicles of S\$0.2 million.

Associates

Interests in associates increased by S\$0.9 million, or 17.5% as at 31 December 2022 mainly due to share of profit of associates of S\$1.1 million; partially offset by declaration of dividend from associates of S\$0.2 million.

Service concession receivables

Service concession receivables increased by S\$7.6 million, or 11.0% to S\$77.0 million as at 31 December 2022. This was mainly due to recognition of construction revenue of S\$7.6 million from the construction of mini-hydropower plants under the service concession arrangement. Service concessions 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.

Inventories

Inventories increased by S\$3.6 million or 4.7% to S\$81.2 million as at 31 December 2022 primarily due to the fulfilment of customer orders for the financial year ending 31 December 2023.

Trade and other receivables

Trade and other receivables decreased by S\$17.4 million or 14.7% to S\$101.1 million as at 31 December 2022 mainly due to decrease in trade receivables of S\$16.2 million, decrease in sundry receivables of S\$1.2 million, decrease in deposit of S\$0.1 million and decrease in amount owing from NCI of S\$0.1 million; partially offset by increase in advances to trade suppliers of S\$0.2 million.

Subsequent receipt of about S\$22.0 million was received from customers as at 31 January 2023. The collection represented approximately 25.4% of trade receivables as at 31 December 2022.

Trade and other payables

Trade and other payables decreased by S\$1.8 million or 1.8% to S\$95.1 million as at 31 December 2022, which was mainly due to decrease in accrued operating expenses of S\$1.4 million, decrease in other payables of S\$1.1 million, decrease in accrual of construction cost relating to construction of mini-hydropower plants of S\$1.1 million, decrease in trade payables and accrued salaries and bonuses of S\$0.2 million and S\$0.1 million, respectively. This was partially offset by loan from NCI of S\$2.2 million for construction of mini-hydropower plants.

Contract liabilities

The decrease in contract liabilities of S\$1.5 million or 7.6% to S\$18.0 million was mainly due to decrease in advances received from customers for sales of goods largely from our PRC subsidiaries. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

F. Management Discussion and Analysis (cont'd)**FINANCIAL REVIEW (Cont'd)****STATEMENT OF FINANCIAL POSITION ITEMS (Cont'd)****Bank borrowings (current and non-current)**

Bank borrowings decreased by S\$6.2 million or 15.6% to S\$33.9 million as at 31 December 2022. The decrease was primarily due to repayment of bank borrowings (inclusive of trust receipts) of S\$27.1 million and translation loss of S\$1.2 million arising from the weakening of RMB against S\$ in FY2022 offset by proceeds from bank borrowings of S\$22.1 million.

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

For 2H2022, net cash generated from operating activities before changes in working capital amounted to S\$7.6 million. Cash generated from working capital of S\$5.3 million mainly due to decrease in trade and other receivables of S\$4.9 million, decrease in inventories of S\$2.1 million; partially offset by increase in trade and other payables of S\$0.1 million and increase in receivables from service concession arrangements of S\$1.6 million. This was partially offset by net interest payment of S\$1.9 million and income tax paid of S\$4.3 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$6.7 million.

For FY2022, net cash generated from operating activities before changes in working capital amounted to S\$29.4 million. Cash generated from working capital of S\$6.0 million mainly due to decrease in trade and other receivables of S\$16.1 million, increase of trade and other payables of S\$2.6 million; partially offset by increase in receivables from service concession arrangements of S\$7.6 million and increase in inventories of S\$5.1 million. This was partially offset by net interest payment of S\$2.9 million and income tax paid of S\$9.5 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$23.0 million.

Changes in Cash Flow from Investing Activities

For 2H2022, net cash used in investing activities of S\$1.0 million was primarily attributed to purchase of property, plant and equipment of S\$1.0 million.

For FY2022, net cash used in investing activities of S\$2.0 million was primarily attributed to the purchase of property, plant and equipment of S\$2.3 million; partially offset by the dividends received from an associate of S\$0.3 million.

Changes in Cash Flow from Financing Activities

For 2H2022, net cash used in financing activities amounted to S\$23.8 million was primarily attributed to dividends paid to NCI and equity holders of the Company of S\$10.1 million and S\$6.4 million respectively, net repayment of bank borrowings (inclusive of trust receipts) of S\$6.0 million and repayment of lease liabilities (inclusive of interest) of S\$1.3 million.

For FY2022, net cash used in financing activities amounted to S\$25.0 million was primarily attributed to dividends paid to NCI and equity holders of the Company of S\$11.0 million and S\$6.4 million respectively, net repayment of bank borrowings (inclusive of trust receipts) of S\$5.0 million and repayment of lease liabilities (inclusive of interest) of S\$2.5 million.

As at 31 December 2022, the Group maintained a healthy cash and cash equivalents balance of S\$54.1 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.

F. Management Discussion and Analysis (cont'd)**LIQUIDITY AND FINANCIAL RESOURCES**

During FY2022, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2022, cash and bank balances amounted to approximately S\$56.6 million decreased by approximately 8.3% as compared from S\$61.7 million as at 31 December 2021. The quick ratio of the Group was approximately 1.1 times (31 December 2021: 1.2 times).

As at 31 December 2022, the Group has long and short-term bank borrowings of approximately S\$33.9 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$23.8 million (31 December 2021: S\$27.4 million) while the bank borrowings due after one year amounted to approximately S\$10.1 million (31 December 2021: S\$12.8 million).

As at 31 December 2022, the weighted average effective interest rates on bank borrowings is 4.5% (31 December 2021: 3.1%) 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. Other than the above, the Group does not have fixed rate bank borrowings as at 31 December 2022 and 31 December 2021. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2021: S\$0.4 million), the Group's total borrowings amounted to S\$34.1 million (31 December 2021: S\$40.5 million).

GEARING RATIO

During FY2022, the gearing ratio of the Group was about 17.2% (31 December 2021: 20.5%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total Shareholders' equity (excluding NCI).

The decrease in gearing ratio was mainly due to the decrease in bank borrowings.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the FY2022. 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 FY2022, 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 the PRC 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 FY2022, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During FY2022, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$2,282,000 (2021: S\$6,842,000).

F. Management Discussion and Analysis (cont'd)**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, there were 1,124 (2021: 1,052) 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.

The Company adopted ISDN share option scheme 2016 (“**ISDN ESOS 2016**”) and ISDN performance share plan (“**ISDN PSP**”) as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

On 2 November 2022, the ISDN ESOS 2016 was terminated with immediate effect as certain terms of the ISDN ESOS 2016 would be inconsistent with the SEHK Listing Rules with effect from 1 January 2023.

The ISDN PSP 2012 had expired and lapsed on 16 February 2022. On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022. 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 FY2022.

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 FY2022.

Charge on the Group's Assets

As at 31 December 2022, the Group's bank deposits, service concession receivable, net book value of property, plant and equipment and land use rights of approximately S\$2.4 million, S\$77.0 million, S\$19.6 million and S\$1.1 million, respectively (31 December 2021: S\$2.7 million, S\$69.4 million, S\$21.7 million and S\$1.2 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 FY2022 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 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per ordinary share for FY2022. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Friday, 28 April 2023 (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 Friday, 25 August 2023 to the Shareholders whose names shall appear on the register of members of the Company on Friday, 7 July 2023.

F. Management Discussion and Analysis (cont'd)

PROPOSED FINAL DIVIDEND (cont'd)

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 Tuesday, 18 July 2023. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Friday, 25 August 2023.

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 Tuesday, 25 April 2023 to Friday, 28 April 2023 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 Monday, 24 April 2023.

For Singapore Shareholders

The share transfer books and the Singapore Principal Share Register will be closed at 5:00 p.m. on Tuesday, 25 April 2023 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 Monday, 24 April 2023 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 Saturday, 8 July 2023 to Tuesday, 11 July 2023, 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 Friday, 7 July 2023.

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 Friday, 7 July 2023. 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 Friday, 7 July 2023 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

1. Review

The condensed consolidated statement of financial position of the Group as at 31 December 2022 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 2022 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 FY2021 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 (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)	0.80 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)	1.45 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 25 August 2023 to the Shareholders whose names shall appear on the register of members of the Company on 7 July 2023.

(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 7 July 2023.

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 (Cont'd)

9. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

There has been no material usage till the date of this announcement after the last annual report published on 28 March 2022. The Company will make further announcement(s) when the remaining net proceeds from the Second Placement 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 December 2020. 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 1 July 2022, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") capitalised a sum of USD2,000,000 being part of the existing loan owned by Excel Best Industries (Suzhou) Co., Ltd ("**Excel Best**") to be applied towards MCG's additional capital injection ("**Capitalisation of Loan**") in Excel Best. The increase of share capital has been completed on 18 July 2022. Following the completion of the capitalisation of loan, the registered share capital of Excel Best increased from USD4,000,000 to USD6,000,000, representing 100% of the total registered capital of Excel Best.

On 11 July 2022, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") incorporated a 70% owned subsidiary in the PRC to be known as ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") with a registered capital of RMB10,000,000. ISDN Nanjing is principally engaged in the business of wholesale of computer hardware, software and auxiliary equipment, retail of computer software, hardware, auxiliary equipment, and information system.

On 18 July 2022, the Company's indirect wholly-owned subsidiary, AR Technologies Pte. Ltd. ("**AR Technologies**") changed its company name to AR Robotics and Automation Pte. Ltd..

On 24 August 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") had made a capital injection of RMB1,700,000 (equivalent to S\$348,000) in a wholly-owned subsidiary, Bei Cheng Information Technology (Tianjin) Co., Ltd. ("**Bei Cheng Tianjin**") for working capital purpose (the "**BC First Capital Injection**").

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (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 30 August 2022, the Company's indirect wholly-owned subsidiary ISDN Software, had made a capital injection of RMB1,450,000 (equivalent to S\$297,000) in a 70%-owned subsidiary, ISDN Nanjing for working capital purpose (the "**Nanjing First Capital Injection**").

On 5 September 2022, the Company's indirect wholly-owned subsidiary, ISDN Advance Manufacturing Pte. Ltd. changed its company name to ISDN Advanced Manufacturing Pte. Ltd..

On 19 September 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng had made a capital injection of RMB1,500,000 (equivalent to S\$307,000) in a wholly-owned subsidiary, Bei Cheng Tianjin for working capital purpose (the "**BC Second Capital Injection**").

On 28 September 2022, the Company's indirect wholly-owned subsidiary ISDN Software, had made a capital injection of RMB1,000,000 (equivalent to S\$202,000) in a 70%-owned subsidiary, ISDN Nanjing for working capital purpose (the "**Nanjing Second Capital Injection**"). Upon the completion of the Nanjing Second Capital Injection, the total paid-up share capital of ISDN Nanjing will be RMB2,450,000 (equivalent to approximately S\$499,000).

On 22 November 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng had made a capital injection of RMB1,500,000 (equivalent to S\$287,000) in a wholly-owned subsidiary, Bei Cheng Tianjin for working capital purpose (the "**BC Third Capital Injection**").

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	63	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

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (Cont'd)

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 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 FY2022, 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 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 FY2022.

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 FY2022 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 FY2022 have been agreed by the independent auditor, Moore Stephens LLP, to the amounts set out in the Group’s draft consolidated financial statements for FY2022 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.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (Cont'd)

18. Publication of Financial Information

The annual results announcement for the financial year ended 31 December 2022 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 FY2022 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, 24 February 2023

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.