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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)

OVERSEAS REGULATORY ANNOUNCEMENT

PRESS RELEASE

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached announcement which has been published by ISDN Holdings Limited (the “**Company**”) on the website of the Singapore Exchange Securities Trading Limited on 8 August 2023.

By Order of the Board
ISDN HOLDINGS LIMITED
Teo Cher Koon
President and Managing Director

Hong Kong, 8 August 2023

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



ISDN reports sequential improvement in 1H2023, and cautious emergence from cycle trough

Profit to shareholders up +29% sequentially although still down year-on-year. The Group grew sequentially on a constant-currency basis, despite significant impact from several semiconductor customers in cyclical downturn.

- ISDN saw fundamental sequential growth return in China in 1H2023, up +4.3% from 2H2022 and up +1.3% YoY. On a constant currency basis, China half-year revenues were up +7.8% sequentially and up +12.5% YoY.
- ISDN's Southeast Asia revenue excluding renewable energy declined -26.5% sequentially in 1H2023, significantly impacted by several semiconductor customers in cyclical downturn. Excluding these several semiconductor customers, Southeast Asia declined -9.9% sequentially in line with regional industrial activity.
- ISDN's renewable energy business continued to commercialise positively, with Anggoci and Sisira hydropower plants receiving commercial operation approvals in June 2023.
- Overall profitability for the Group improved sequentially, with PAT improving +30.4% and Profit Attributable to Shareholders improving +29.0% compared to 2H2022.
- While overall half-yearly revenue and profit after tax are down -11.3% and -43.8% year-on-year respectively, the Group remains focused on managing sequential business momentum as it is more relevant for navigating through a trough-and-recovery phase of the economic cycle.
- ISDN remains confident in its growth strategy and long-term growth fundamentals: (a) benefiting from the multi-year growth in industrial automation in Asia; and (b) benefiting from cycle-resilient growth in its clean energy business.

Singapore, 8 August 2023 – ISDN Holdings Limited (“ISDN” or the “Group”), a leading industrial automation firm in Asia, today announced its financial results for the six months ended 30 June 2023 (“1H2023”).

Financial summary

S\$'000	1H2022	1H2023	YoY change	2H2022	1H2023	Seq. change
Revenue	190,707	169,154	-11.3%	180,072	169,154	-6.1%
Gross profit	54,078	44,327	-18.0%	51,810	44,327	-14.4%
Gross profit margin (%)	28.4%	26.2%	-2.2ppt	28.8%	26.2%	-2.6ppt
Operating expenses ^a	34,373	31,412	-8.6%	33,466	31,412	-6.1%
Profit before tax	20,713	13,346	-35.6%	11,314	13,346	+18.0%
Profit after tax	16,133	9,061	-43.8%	6,946	9,061	+30.4%
Profit attributable to shareholders	11,070	4,580	-58.6%	3,550	4,580	+29.0%
Net profit margin ^b (%)	8.5%	5.4%	-3.1ppt	3.9%	5.4%	+1.5ppt

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

Emerging recovery in China business

ISDN saw a return to growth in China business in 1H2023, with the RMB-denominated sales in China up 12.5% compared to 2H2022. The Group believes this performance is consistent with China's overall industrial automation market performance, which saw mild improvement in 1H2023¹.

Within the China market, the Group continues to see momentum consistent with the overall Chinese economy, with steady growth in non-cyclical sectors such as medical and consumables, offset by weakness in cyclical sectors such as semiconductors and electronics.

While the Group is pleased to have seen evidence of an emerging recovery in China in 1H2023, it remains cautious as China's Manufacturing PMI continues to indicate slight pessimism in manufacturing outlook. Accordingly, ISDN continues to control operating expenses carefully in China as it awaits clearer evidence of growth traction in China.

ISDN believes that long-term fundamentals remain solid in China as structural changes, especially strengthening of policy guidance, will support the growth of advanced domestic manufacturing and industrial automation in China.²

Cyclical impact in Southeast Asia

Outside of China, the Group's Southeast Asia business excluding renewable energy declined -26.5% sequentially in 1H2023 over 2H2022. Southeast Asia was significantly impacted by cyclical impact from several semiconductor industry customers, and the Group notes that:

- Excluding the several semiconductor customers, revenue declined 9.9% sequentially in Southeast Asia; and
- The Group does not believe it has lost long-term business from these several customers, but rather is seeing a falloff in orders caused by the deep semiconductor industry downcycle currently underway.

ISDN believes the weakness in its Southeast Asia business is cyclical, and consistent with the 1H2023 slowdown that manufacturing and industrial businesses have seen in the region.

The Group continues to see positive growth prospects in Southeast Asia as the region continues to benefit from both:

- The "China+1"³ expansion of the global supply chain into Southeast Asia; and
- The need for Southeast Asia's industry to keep implementing industrial automation to sustain the region's manufacturing competitiveness over time.

¹ Source: J.P. Morgan research with data from MIR databank, 1 August 2023

² [China to boost support for high-end manufacturing - Premier Li](#)

³ China+1 is a popular term referring to the post COVID-19 pandemic shift in the global supply chain towards diversifying production outside of the PRC (see for example http://en.wikipedia.org/wiki/China_Plus_One)

Growing recurring earnings from clean energy

ISDN's hydropower plant, Lau Biang 1, commenced commercial operations on 31 December 2022 and a total of S\$3.0 million was billed in 1H2023. The Group received and recorded a total of S\$1.1 million and S\$1.2 million in revenue and finance lease income under operating income, respectively in 1H2023.

The Group also secured the commercial operation approval for the 2 additional plants, Anggoci and Sisira, on 15 June 2023. This expands the Group's total capacity by 14.6MW to reach 24.6MW from the three hydropower plants.

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

CEO remarks

Reflecting on ISDN's strategic position and performance in 1H2023, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that "we continue to look towards a pivotal year for ISDN as our 'two engines' of industrial automation and clean energy should begin generating solid growth together as the cycle recovers. The engines are primed, with good long-term fundamentals in automation and good progress in our clean energy business, especially with the commercial operation approval for our 2 additional hydropower plants, Anggoci and Sisira.

We're pleased to have seen the China business return to sequential growth on an RMB-currency basis, but we do not wish to be overconfident in a recovery. Instead, we will maintain a vigilant stance on expenses as we continue to drive sales execution in a volatile market. At some point in the next 12 months the semiconductor industry should emerge from its sharp downturn and also provide a recovery boost to ISDN.

We expect near-term volatility will continue to persist, but we remain confident of our long-term core growth fundamentals because our competitive position is strong and Asia must continue to grow its use of industrial automation over time to stay competitive.

We're pleased that while our industrial automation business navigates the global economic cycle, our clean energy business has continued to deliver steady commercial results. Lau Biang 1 is already contributing recurring earnings for the Group, and Anggoci and Sisira have now received commercial approval to operate and begin also contributing high-quality recurring earnings for ISDN and our shareholders.

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

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