

Issuer: ISDN Holdings Limited
Security: ISDN Holdings Limited

Meeting details:

Date: 26 April 2018

Time: 2:00 p.m.

Venue: 1 Robinson Road, #18-00 AIA Tower, Singapore 048542

Company Description

ISDN Holdings Limited provides integrated precision engineering and industrial computing solutions to manufacturers and original design manufacturers of products and equipment in Singapore, the People's Republic of China, Malaysia, and internationally. It designs, develops, produces, prototypes, procures, and assembles with systematic controls, testing, installation, and commissioning of motion control systems; provides hardware and industrial computing products, software, and automation solutions to companies in oil and gas, medical, water treatment, telecommunication, and semiconductor industries; and offers system integration services for industrial computing systems, as well as technical consultancy, training, and management services. The company also engages in assembling and manufacturing special purpose motors and gears; and trading and distribution of spares, components and motors. In addition, it develops, manufactures, and sells high-tech locks and hinges, modular aluminum structures, and conveyors for enclosure construction specializing in latching, hinging, and gasketing that are used in energy, machine construction, medical technology, sheet-metal fabrication, traffic technology and tunnel, engineering, and information technology (IT) infrastructure industries, as well as heating, ventilation, and air conditioning industry. Further, ISDN Holdings Limited offers engineering solutions to packaging, textile, robotic, aerospace, medical, IT and telecommunications, oil and gas, alternative energy, automotive, semiconductor, marine and offshore, and special-purpose machine tools industries. The company was founded in 1987 and is headquartered in Singapore. ISDN Holdings Limited is a subsidiary of Assetraise Holdings Limited. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=I07)

Q1. In the Corporate Profile (page 6 of the annual report), the group is described as an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions.

Over the years, the group has also diversified into renewable energy (primarily in developing hydropower plants in Indonesia), hydroponics farming and resource mining and trading.

In FY2017, the group once again diversified into the provision of Corporate Finance services with the investment in Emmett Capital (Private) Limited and entered into a strategic cooperation framework agreement with Comtec Solar Systems Group Limited for the development, design, construction and operation of solar power generation station projects. Then in January 2018, the group, through a new associated company, ventured into the research and development of blockchain technology and its related infrastructure.

From Note 29 (page 142 – Segment information), it can be seen that the Motion control segment still contributes 78% of total revenue and nearly 90% of segment profits.

- a) **What experience has the group/management gained from the earlier diversification efforts?**
- b) **What has been the group’s return from its diversification efforts (renewable energy, resource mining etc)?**
- c) **How much management time, energy and attention is still focused on growing the core business of motion control?**
- d) **Would the board consider it opportune to carry out a strategic review of the group’s diversification efforts?**
- e) **For the new ventures in corporate finance, solar power generation and blockchain technology, what are the resources/expertise in the group currently to successfully drive these new ventures?**
- f) **Is a diversification strategy that leverages the group’s successful motion control business likely to be more successful? Would the board consider exploring this?** For instance, the group can evaluate the entire value-chain of motion control and “diversify” further upstream and/or downstream.

Q2. The company was successfully listed on the Mainboard of The Stock Exchange (SEHK) on the 12th January 2017. As such, the company has to fully comply with the SEHK Listing Rules after the dual listing of the company on SEHK.

- a) **Can the board let shareholders know how much more onerous is the SEHK Listing Rules and if the additional requirements of the SEHK Listing Rules have made it more time consuming for the company?**

In addition, the listing expenses incurred were approximately S\$3.5 million in FY2016 and S\$1.1 million in FY2017. The SEHK listing is expected to “attract investors from the region which opens up another capital market for [the group] and provides [the group] with an excellent opportunity to further enhance our Group’s profile internationally” (page 6).

- b) **With the benefit of being listed on the SEHK for over a year, can the board update shareholders on some of the realised benefits?**
- c) **Specifically, has the SEHK listing helped the group to secure new business that it could not have done so without the listing?**

Q3. As disclosed in the Corporate Governance Report, Mr. Lim Siang Kai and Mr. Soh Beng Keng were each appointed to the board on 26 September 2005 (page 18).

Mr Lim Siang Kai is the chairman of the board, the chairman of the audit committee and risk management committee and a member of the remuneration and nominating committee. Mr. Soh Beng Keng is the chairman of the nominating committee, and a member of the remuneration committee and risk management committee.

Mr. Lim and Mr. Soh are each in their 12th year of service as directors on the board and Mr. Soh is seeking re-election at the company's Annual General Meeting on 26 April 2018.

Notwithstanding that the board is satisfied that Mr. Lim and Mr. Soh are independent in character and judgement, and that Mr. Tan Soon Lian was added to the board on 18 August 2017, Guideline 2.4 of the 2012 Code of Corporate Governance calls for the board to "take into account the need for progressive refreshing of the board".

- a) **Can the board disclose the deliberations it had on the progressive refreshing of the board?**
- b) **What are the near-term plans by the company to progressively refresh the board, in an orderly manner, to avoid losing institutional memory?**