

# ISDN HOLDINGS LIMITED

(Company Registration Number 200416788Z)  
(Incorporated in the Republic of Singapore)

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## RESPONSES TO QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2025

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The Board of Directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcements dated 28 March 2025 in relation to the Company’s annual report for the financial year ended 31 December 2024 and its annual general meeting to be held on 30 April 2025.

The Company would like to thank all shareholders for their active participation in the upcoming AGM by submitting their questions in advance.

The Company has consolidated the questions submitted by shareholders and have set out responses to the questions at Annex A of this announcement.

By Order of the Board  
**ISDN Holdings Limited**

Teo Cher Koon  
President and Managing Director  
25 April 2025

## Annex A

### Responses to Questions from Shareholders

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#### Query 1:

Bank borrowings declined in FY24 compared to FY23, but remained elevated compared to prior years. How are borrowings split between the automation and renewable energy business?

#### Company's Response:

ISDN looks to realise a good balance of present earnings while prudently re-invest in future growth. Bank borrowings today are attributed to our two key business segments as follows:

- Automation business: 39%
- Renewable energy business: 61%

The Renewable energy business generates durable, long-term, recurring cash earnings, and therefore can support higher leverage than the automation business. Both businesses continue to have good long-term strategic growth prospects.

Although overall borrowings declined in 2024, the mix of earnings supporting our borrowings has improved (more recurring earnings). Therefore, we feel comfortable that ISDN maintains a prudent and sustainable level of leverage today.

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#### Query 2:

Could the management please provide a summary of the key conversations with customers since the announcement of reciprocal tariffs by the US on 2 April (and subsequent tariff policy changes that followed) and how the company is responding or planning to respond to these conversations?

#### Company's Response:

ISDN does not have any significant customers or suppliers in the USA, and is **not impacted** directly by the US government's tariffs.

We are in continuous contract with our thousands of customers throughout Asia, and our findings to date are consistent with broad macro-economic indicators of sentiment: customers continue to do business but are cautious about the global economy.

This caution is offset by a positive need to grow "Asia for Asia" supply chains to manage the increased risk and volatility of trans-Pacific trade with the USA. We believe this shift should benefit ISDN going forward as supply chains decouple and customers focus on more local suppliers in China, Singapore, Malaysia, Vietnam and Taiwan where ISDN operates.

The US tariff policy developments remain volatile, and we believe ISDN's close contact with our many customers will continue to provide us good anticipatory insight around future developments.

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**Query 3:**

- 1) Based on data from various Annual Reports (AR), it seems to suggest that ISDN needs many subsidiaries and many employees for its business.

Number of subsidiaries	<p>The list stretches all the way from pg231 to pg246 in AR2024.</p> <p>Using 2 data points in the past - the list stretches from pg138 to pg153(AR2019) and stretches from pg86 to pg100(AR2015)</p>
No. of directorships of Managing Director / President	<p>Based on manual count, there is around 70 directorships (AR2024 pg12)</p> <p>Using 2 data points in the past, based on manual count, there is around 61 directorships (AR2019 pg10); around 47 directorships (AR2015 pg17)</p>
Number of employees	<p>1283</p> <p>Using 2 data points in the past, no. of employees: 881 (AR2019); over 800 (AR2016)</p>

In terms of financial performance, from SGX Stock Screener, the net profit margin (NPM) remains pretty weak, hovering below 5% for the past 5 years, average with the Return On Equity (ROE) > 10% in only 1 out of the last 5 years.

According to Google Search AI results, a low NPM can suggest a company is not having a strong competitive advantage while a low ROE may suggest that a company is not effectively using shareholder investment to generate profits.

ISDN's share price has been trading at a discount to book value for considerable time based on Google Search AI.

Instead of share buyback to enhance shareholder value especially when the share price is undervalued, ISDN has been offering the choice of scrip dividends. Minority shareholders' holdings are diluted when we opt for cash instead of participating in scrip.

- 1.1) Can management help shareholders understand: is it common for companies in the same line of business (e.g. motion control, automation) as ISDN to be manpower intensive and have so many subsidiaries? Is it the inherent nature of the business? Are there any governance concerns?
- 1.2) While ISDN has been growing our capability, are there plans to make it more operationally efficient e.g. generate more revenue / profit from lesser subsidiaries/manpower?

**Company's Response:**ISDN subsidiaries

ISDN is a broadly diversified solutions provider, offering products from more than 500 suppliers and serving over 10,000 customers across 6 major geographies in Asia with over 75 offices.

ISDN's ability to be "where you need us, with the products you need" is a key advantage for the Company compared to other multinational technology providers who have narrower product sets or fewer offices in Asia (and therefore, lower reach).

The scope of our products, geographies, and services requires a correspondingly large number of entities and headcount to operate in our geographies and product lines. We have a long-term, continuous commitment to rationalising our conglomerate structure where it makes sense, and have continuously pruned or consolidated smaller entities as business conditions change, while creating new lines of business where we see growth opportunities.

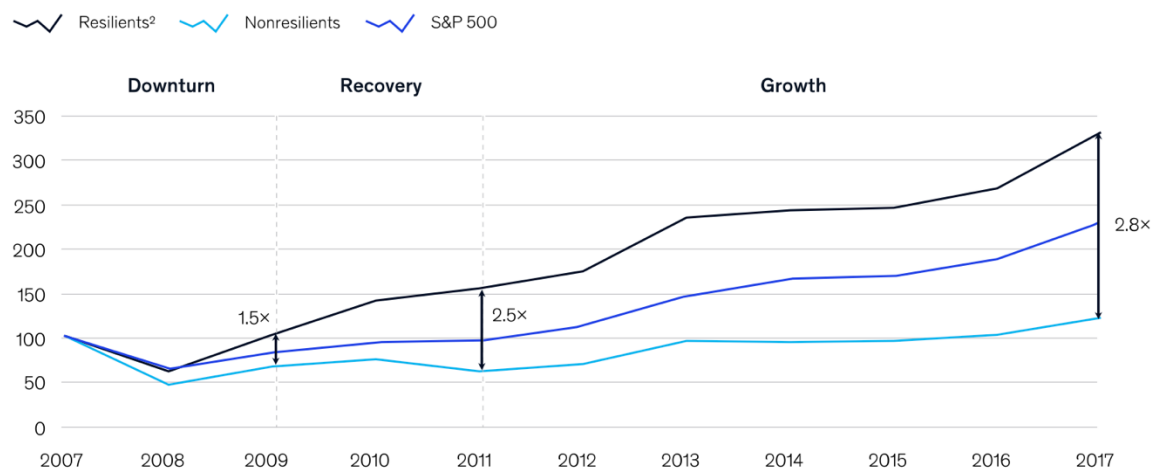
We note that it is common for public multinational conglomerates to have large organisational structures, and we are satisfied that our governance practices are appropriate and performant for the group. We note the frequent engagement of internal and external auditors for our business, the independence of our Board, and the dual-listed accountability for reporting and regulatory standards in both the SGX exchange in Singapore and the HKSE exchange in Hong Kong.

### ISDN NPM and ROE

The last 5 years have been turbulent for the global and Asia industry with successive shocks from COVID-19, followed by oversupply conditions in China, an 18-month downturn in the electronics and semiconductor industry, and tariff volatility presently.

The NPM for ISDN has been reduced through this period as we seek to balance current earnings with long-term shareholder value. ISDN seeks to generate solid, fundamental long-term earnings and long-term growth, and generally does not look to create short-term gain (for example, through steep layoffs or cost reductions) at the expense of long-term growth. Therefore, during industry downcycles ISDN will allow for lower cyclical margins, in order to ensure long-term margin strength.

**Total shareholder return (TSR) performance in TMT, indexed to 100<sup>1</sup>**



Note: The analysis includes non-financial services companies on Canadian, European, and US stock exchanges with revenue \$100 million in 2000 and 2007.

<sup>1</sup> Calculated as average of subsector median performance of 444 resilient and nonresilient companies across the TMT sector.

<sup>2</sup> Resilient companies are defined as those in the top quintile of their sector by TSR.

Source: CPAAnalytics; McKinsey analysis

We view this as a strategic advantage because ISDN is able to keep advancing our business capabilities and growth during times when competitors are slashing costs and terminating growth projects. We note that McKinsey & Co. <sup>1</sup> have studied the advantage of maintaining investment discipline during downcycles, and demonstrated clear benefits to leaning into downcycles (see chart below):

We have endeavoured to be consistent in sharing all of these principles and directions with shareholders in our earnings and investor relations engagements over the past 5 years, and we are grateful to shareholders for your continued trust in our disciplined approach to growth.

<sup>1</sup> McKinsey & Company: [Resilience in TMT: Winning in downturns](#)

#### ISDN productivity

Productivity and efficiency is core to ISDN's business as an automation solutions vendor. We generally do not look to make sudden changes to our efficiency as this is not possible with a healthy, well-diversified business. Rather, we look to keep pushing productivity over time.

We note, for example, that although ISDN's headcount has not grown significantly, the scope of our capabilities has grown significantly. We are now helping customers not just with basic mechanical automation, but also with systems design and integration, software, cloud and IoT services. We have expanded from China and Singapore into Vietnam, Malaysia and Taiwan. This has been accomplished with very small change in headcount, because of the productivity gains we have made in our business.

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#### **Query 4:**

**The previous Independent Director (ID)s has served more than 18 years and ISDN has welcomed new IDs.**

**Does the current Board have plans to look into:**

**1.1) shares trading below book value, especially in view of recent discussions on enhancing shareholder value?**

**1.2) reviewing the capital allocation strategy like dividend payout ratio, conducting share buybacks, evaluation of the scrip dividends scheme?**

**1.3) more proactively in addressing any potential shareholder concerns like founder's remuneration, before these are even raised by shareholders (AGM Q&A Query 11&12) and discussed on public investment forums**

**1.4) whether there are any potential issues with the practice of high number of subsidiaries over many years, including preventing similar occurrences of AR2021 pg196 (Provision of legal compensation cost)**

**1.5) follow through on the plans to unlock shareholders return, especially considering that it's not been an easy journey for long term shareholders who have stayed with the company through the constant delays for more than 10 years - ISDN started its foray into the mini-hydropower plant business in Indonesia around 2012-2013.**

#### **Company's Response:**

##### Part 1: Book value

The Board acknowledges that the Company's shares are traded below book value. We believe this is reflective of the volatility in overall market conditions in Singapore as there are many companies trading below book value today. We note that:

(a) ISDN remains focused on generating superior long-term value and we have a 5-year track record of long-term equity growth. As noted in a separate question above, we remain confident in the growth prospects for ISDN, and we have been disciplined in investing through the extended recent downturn in order to strengthen long-term growth prospects.

(b) We believe the price-to-book provides investors with some reassurance around the downside protection in ISDN shares, as the value is well-backed by book value.

##### Part 2: Capital allocation

We note above in Query 3 that ISDN monitors its capital allocation and investment levels actively, seeking to provide an optimal balance between short-term earnings and long-term growth.

This evaluation includes both capital allocation and dividend (including scrip) structure.

### Part 3: Remuneration

The Board maintains active and independent oversight of executive remuneration, including that of the founder and other key management personnel. The Remuneration Committee, comprised of independent directors, oversees this process with due diligence, ensuring that remuneration is performance-linked, fair, and aligned with shareholders' interests, including benchmarking remuneration with the assistance of 3<sup>rd</sup> party independent advisers.

### Part 4: Subsidiaries

Kindly refer to the response on this topic in Query 3 above.

### Part 5: Hydropower

We are grateful to shareholders for your long-term support for the hydropower business.

However, we believe the commercialisation of 3 hydropower plants in 2023 demonstrate the crystallisation of solid returns from these long-term projects, with clear, cash-rich, recurring earnings already being realised from the hydropower business.

ISDN's additional hydropower investments therefore benefit from: (a) the proven return we have demonstrated on our investment in the 3 operating plants; (b) the expertise and productivity gain we have accumulated from our first 3 projects; and (c) increased customer confidence in ISDN's capability to deliver projects.