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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)

(Stock code: 1656)

(Singapore stock code: I07.SI)

CONTINUING CONNECTED TRANSACTIONS

On 2 January 2020, the Company and Dirak Holding entered into the Master Supply Agreement for the sale of Product A from the Group to the Dirak Group and the sale of Product B from the Dirak Group to the Group. The term of the Master Supply Agreement is three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive).

Dirak Holding is a company principally engaged in developing and manufacturing of innovative engineering components broadly including hinges, locks, latches, fasteners and other industrial hardware with quick latching snap technology, for enclosure construction. As at the date of this announcement, Dirak Holding owns 50% of the shareholding interest in Dirak Asia, which is an indirect non-wholly owned subsidiary of the Company. Therefore, Dirak Holding is a connected person of the Company at the subsidiary level.

As Dirak Holding is a connected person of the Company at the subsidiary level and in light of the view of the Directors (including the independent non-executive Directors) as described under the paragraph headed "Confirmation from the Directors in relation to Continuing Connected Transactions" below, the transactions as contemplated under the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

MASTER SUPPLY AGREEMENT IN RELATION TO THE SALE AND PURCHASE OF THE PRODUCTS

On 2 January 2020, the Company and Dirak Holding entered into the Master Supply Agreement, in relation to the sale of Product A from the Group to the Dirak Group and the sale of Product B from the Dirak Group to the Group. The term of the Master Supply Agreement is three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive).

Principal terms of the Master Supply Agreement

The principal terms of the Master Supply Agreement are set out as follows:

Date:

1 January 2020

Parties:

- (1) The Company; and
- (2) Dirak Holding

Term:

The Master Supply Agreement shall be valid from 1 January 2020 up to and including 31 December 2022, or such other earlier date as the parties to the Master Supply Agreement may otherwise agree in writing. In any event, the term of the Master Supply Agreement shall not exceed 3 years.

Pricing policy:

The prices for the Products under the Master Supply Agreement are determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length commercial negotiations between relevant parties from time to time, taking into account the following factors:

- (i) The historical transaction amount for the supply of Product A and Product B between the Group and the Dirak Group;
- (ii) For Product A, reference will be made to the quotations that the Group provided to its other independent customers that require similar products. Based on the prices provided to other independent customers, the Group will be able to ensure that the purchase price of Product A payable by the Dirak Group to the Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those the Group offered to other independent third parties from time to time.
- (iii) For Product B, the Group will obtain quotation from at least two independent suppliers that supply similar products. Based on the fee quotations provided by other independent suppliers, the Group will be able to ensure that the purchase price of Product B payable by the Group to the Dirak Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those available from other independent suppliers.

Historical transaction amount

For the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019, the total transaction amount of Product A amounted to approximately S\$5,169,000, S\$5,648,000 and S\$4,682,000 respectively.

For the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019, the total transaction amount of Product B amounted to approximately S\$640,000, S\$694,000 and S\$530,000 respectively.

Proposed annual caps and basis

In respect of Product A, for the years ending 31 December 2020, 2021 and 2022, the total purchase price payable by the Dirak Group to the Group is not expected to exceed S\$8.0 million, S\$9.0 million and S\$10.0 million, respectively. In arriving at the annual caps for the sale of Product A, the Directors have taken into account (i) the expected changes in market price of Product A for the three years ending 31

December 2022; and (ii) the expected demand of Dirak Group for Product A for the three years ending 31 December 2022.

In respect of Product B, for the years ending 31 December 2020, 2021 and 2022, the total purchase price payable by the Group to the Dirak Group is not expected to exceed S\$1.2 million, S\$1.2 million and S\$1.2 million, respectively. In arriving at the annual caps for the purchase of Product B, the Directors have taken into account (i) the costs incurred by the Group for the purchase of Product B for the nine months ended 30 September 2019; and (ii) the expected prices and the Group's demand for Product B for the three years ending 31 December 2022.

Reasons for and benefits of entering into the Master Supply Agreement

We started our business relationship with the Dirak Group since 2001. Given the long-term relationship maintained between the Group and the Dirak Group, the Directors consider that the Group would achieve better and more efficient communication with the Dirak Group as to the Group's business needs as compared to other third parties. In addition, the long-term relationship between the Group and the Dirak Group in turn provides the Group with business and operational convenience. Hence, the Directors believe that entering into the Master Supply Agreement will bring synergies to the Group's operation.

In particular, regarding Product A, given that the manufacturing of hinges and locks is one of our core business, the Directors believe that Dirak Holdings, which is a company principally engaged in developing and manufacturing of innovative engineering components broadly including hinges, locks, latches, fasteners and other industrial hardware, has been purchasing Product A from the Group mainly because of its quality and reliability. Hence, the Directors are of the view that entering into the Master Supply Agreement will allow the Group to utilise its expertise and capacity in the manufacturing of Product A and generate revenue to the Group.

Regarding Product B, the Group is satisfied with the quality and timely delivery of Product B provided by the Dirak Group during the past years and the Directors consider that the supply terms of Product B offered by the Dirak Group to the Group are of normal commercial terms. Furthermore, given that the Dirak Group is one of the Group's largest supplier of Product B in terms of the Group's total purchase costs, the Directors are of the view that it will be in the interests of the Group and the Shareholders as a whole to continue transactions with the Dirak Group for the stable supply of Product B.

INFORMATION OF THE COMPANY

The Company is an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions.

INFORMATION OF THE PARTIES AND RELATIONSHIPS OF THE PARTIES

Dirak Holding is a private limited company incorporated in Germany and is owned as to 65% by Mr. Dieter Ramsauer, 25% by Mr. Michael Ramsauer and 10% by Mr. Lukas Ramsauer as at the date of this announcement. Dirak Holding is a company principally engaged in developing and manufacturing of innovative engineering components broadly including hinges, locks, latches, fasteners and other industrial hardware. Dirak Holding owns 50% shareholding interest in Dirak Asia, which is an indirect non-wholly owned subsidiary of the Company. Hence, Dirak Holding is a connected person of the Company at the subsidiary level.

IMPLICATIONS UNDER THE LISTING RULES

As Dirak is a connected person of the Company at the subsidiary level and in light of the view of the Directors (including the independent non-executive Directors) as described under the paragraph headed “Confirmation from the Directors in relation to Continuing Connected Transactions” below, the transaction as contemplated under the Master Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review and announcement requirements, but exempt from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) have reviewed the Continuing Connected Transactions set out above and are of the view that such Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Master Supply Agreement has been approved by the Board. Since Mr. Teo Cher Koon, the executive Director of the Company, being the connected person (as defined under the Listing Rules) of the Company, who owns 1% of the total issued shares in Dirak Asia, has material interest in the transactions contemplated thereunder, Mr. Teo has abstained from voting at the Board meeting to approve the Master Supply Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Company”	ISDN Holdings Limited, a company incorporated in Singapore with limited liability, the Shares of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Supply Agreement
“Dirak Holding”	Dirak Holding GmbH, a private limited company incorporated under the laws of Germany
“Dirak Asia”	Dirak Asia Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 30 September 1997 and an indirect non-wholly owned subsidiary of our Company
“Dirak Group”	Dirak Holding, together with its subsidiaries
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Supply Agreement”	the agreement dated 2 January 2020 and entered into between the Company and Dirak Holding for the sale of Product A from the Group to the Dirak Group and purchase of Product B from the Dirak Group to the Group
“Product A”	the hinges and locks products and the related knowhow being made in China (subject to revision to be agreed between the Company and Dirak Holding), as set out in the Master Supply Agreement, sold or to be sold by the Group to the Dirak Group
“Product B”	the hinges and locks products and the related knowhow being made in Germany (subject to revision to be agreed between the Company and Dirak Holding), as set out in the Master Supply Agreement, sold or to be sold by the Dirak Group to the Group
“Products”	Product A and Product B
“Shareholder(s)”	shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“S\$” or “SGD”	Singapore dollar(s), the lawful currency of Singapore

By order of the Board
ISDN HOLDINGS LIMITED
Mr. Teo Cher Koon
President and Managing Director

Hong Kong, 3 January 2020

As at the date of this announcement, the Board of the Company 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.