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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

ISDN Holdings and its subsidiaries (“**ISDN**” or the “**Group**”) wishes to announce the renewal of its longstanding commercial partnership with Dirak Holding. ISDN has enjoyed a long partnership with Dirak to provide for the manufacturing and sale of a broad set of innovative engineering components including hinges, locks, latches, fasteners and other industrial hardware with quick latching snap technology.

ISDN and Dirak previously entered into Master Supply Agreements on 2 January 2020 and 1 December 2021 regarding:

- The commercial manufacturing of a set of Product A produced by ISDN and sold to Dirak; and
- The commercial distribution of a different set of Product B produced by Dirak and sold by ISDN throughout Asia.

These commercial agreements allow ISDN to leverage its manufacturing experience to produce Product A for Dirak to sell to global markets; and provide ISDN with access to Product B to distribute to ISDN’s customers and markets across Asia.

The existing MSAs expire on 31 December 2022. Accordingly, on 6 December 2022, ISDN and Dirak Holding renewed their partnership by entering into a Renewal Supply Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

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 Chapter 14A.101 of the Listing Rules.

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

On 2 January 2020 and 1 December 2021, the Company and Dirak Holding entered into the Master Supply Agreements, 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 which shall expire on 31 December 2022. On 6 December 2022, the Company and Dirak Holding entered into the Renewal Supply Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

Principal terms of the Master Supply Agreement

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

Date:

1 January 2023

Parties:

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

Term:

The Renewal Supply Agreement shall be valid from 1 January 2023 up to and including 31 December 2025, or such other earlier date as the parties to the Renewal Supply Agreement may otherwise agree in writing. In any event, the term of the Renewal Supply Agreement shall not exceed 3 years.

Pricing policy:

The prices for the Products under the Renewal 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 year ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, the total transaction amount of Product A amounted to approximately S\$6,543,000, S\$9,549,000 and S\$7,606,000 respectively.

For the year ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, the total transaction amount of Product B amounted to approximately S\$866,000, S\$1,077,000 and S\$714,000 respectively.

Proposed annual caps and basis

In respect of Product A, for the years ending 31 December 2023, 2024 and 2025, the total purchase price payable by the Dirak Group to the Group is not expected to exceed S\$12.0 million, S\$13.0 million and S\$15.0 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 2025; and (ii) the expected demand of Dirak Group for Product A for the three years ending 31 December 2025.

In respect of Product B, for the years ending 31 December 2023, 2024 and 2025, 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 2022; (ii) the expected prices and the Group's demand for Product B for the three years ending 31 December 2025; (iii) the expected increase in the Group's production capacity for the three years ending 31 December 2025; and (iv) the expected increase in demand for Product B for the production requirements of the Group in anticipation of the expected increase of demand for the Group's products.

Reasons for and benefits of entering into the Supply Agreements

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 75% by Mr. Lukas Ramsauer and, 25% by Mr. Michael 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 Renewal 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 Chapter 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 Renewal 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 own 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 Renewal Supply Agreement.

DEFINITIONS

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

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| “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 or Dirak” | 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 Agreements or MSAs” | the agreement dated 2 January 2020 (supplemented by a letter agreement dated 1 December 2021) 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 |
| “Renewal Supply Agreement” | the renewal supply agreement dated 6 December 2022 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, 6 December 2022

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.