

ISDN HOLDINGS LIMITED

PROPOSED ACQUISITION OF 61.2% OF THE EQUITY INTEREST IN THE CAPITAL OF TDS TECHNOLOGY (S) PTE LTD

1. INTRODUCTION

The Board of Directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**” or “**ISDN**”) is pleased to announce that its wholly-owned subsidiary, Motion Control Group Pte Ltd (the “**Purchaser**” or “**MCG**”), had on 2 June 2008 entered into a sale and purchase agreement (the “**Agreement**”) with Ong Bee Chew (“the **Vendor**”), to purchase 611,853 shares representing 61.2% of the issued and paid up share capital (the “**Sale Shares**”) of TDS Technology (S) Pte Ltd (“**TDS**”) from the Vendor (the “**Proposed Acquisition**”).

2. PURCHASE CONSIDERATION

The aggregate purchase consideration in respect of the Proposed Acquisition is S\$3,500,000 (the “**Purchase Consideration**”), based on the valuation of TDS as agreed between the parties, on a willing buyer and willing seller basis.

The consideration for the Sale Shares is to be satisfied in full by the allotment and issue of 5,593,800 shares in the capital of ISDN (the “**Consideration Shares**”).

Pursuant to the Agreement, the Vendor has provided a warranty to the Purchaser that the audited net profit after tax (the “**NPAT**”) of TDS for financial year ending 31 December 2008 immediately following the Completion Date (the “**Warranty Period**”) will amount to S\$1,000,000 (the “**Guaranteed Profit**”). In the event that the NPAT for the Warranty Period is less than the aforesaid amount of Guaranteed Profit, the shareholders as at 31 May 2008 have undertaken to MCG, to pay MCG in cash the difference between the Guaranteed Profit and the NPAT for the Warranty Period proportionate to their shareholdings in the Company as at 31 May 2008 within 1 month of the date of written demand by the Purchaser.

The Vendor has irrevocably and unconditionally undertaken to MCG not to sell, dispose of, transfer, and/or create encumbrance over the 5,593,800 shares in ISDN for a period of three months from the Completion Date of the Agreement.

3. CONDITIONS PRECEDENT

The Proposed Acquisition is subject to the following conditions precedent:-

- (a) the completion of legal and financial due diligence of TDS (the “**Due Diligence Investigation**”) to the satisfaction of MCG. TDS shall cause all of its Directors, officers, employees and lawyers and accountants to fully cooperate with MCG and/or MCG’s lawyers, accountants and other representatives in order that the Due Diligence Investigation may be efficiently conducted;
- (b) MCG obtaining such approval(s) in connection with this transaction from its board of Directors and/or shareholders as may be necessary;

- (c) approval in-principle being obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Consideration Shares on the Official List of the SGX-ST mainboard and not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST mainboard for a transaction of similar nature), to the extent that any conditions for the listing and quotation of the Consideration Shares on the Official List of the SGX-ST mainboard are required to be fulfilled on or before Completion, they are so fulfilled;
- (d) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to TDS and/or MCG;
- (e) all consents, approvals, and other authorizations of any governmental or regulatory body or agencies and third parties where required for this transaction having been obtained without any conditions unsatisfactory to MCG; and
- (f) completion of the Agreement.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

4.1 Relative Figures Computed on the Bases Set Out in Rule 1006 of the Listing Manual

For the purpose of Chapter 10 of the Listing Manual of the SGX-ST, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

(a)	Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.	Not Applicable
(b)	Rule 1006(b) The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits.	5.40%
(c)	Rule 1006(c) The aggregate value of the consideration given or received compared with the issuer’s market capitalisation as at 30 May 2008.	2.86%
(d)	Rule 1006(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	2.85%

The details of the pro-forma financial effects of the Proposed Acquisition for FY2007 are set out below. The pro-forma financial effects of the Proposed Acquisition are based on the audited consolidated financial statements of the Company for FY2007 and the unaudited consolidated financial statements of TDS for FY2007

4.2 Illustrative effects of the Proposed Acquisition on the EPS, NTA and Gearing of the Company

The financial effects of the Proposed Acquisition and the allotment and issue of the Consideration Shares on the Group are for illustrative purposes only. The pro forma financial effects in this section are based on the audited financial statements of the Group for financial year ended 31 December 2007. The financial effects of the Proposed Acquisition and the allotment and issue of the Consideration Shares have been prepared based on the following assumptions: -

- (a) for the purpose of computing the financial effects of the Proposed Acquisition and the allotment and issue of the Consideration Shares on the earnings of the Group, the Proposed Acquisition and the allotment and issue of the Consideration Shares is assumed to have been completed on 1 January 2007;
- (b) for the purpose of computing the financial effects of the Proposed Acquisition and the allotment and issue of the Consideration Shares on the NTA and gearing of the Group, the Proposed Acquisition and the allotment and issue of the Consideration Shares is assumed to have been completed on 31 December 2007;
- (c) the Consideration is satisfied by the allotment and issuance of the Consideration Shares at the issue price of S\$0.6257 each;
- (d) the Consideration Shares have been allotted pursuant to the Proposed Acquisition upon Completion; and
- (e) no outstanding options in the Company have been exercised.

	Before the Proposed Acquisition	After the Proposed Acquisition
<u>Earnings For year ended 31 December 2007</u>		
Consolidated profit after taxation and minority interests (S\$'000)	5,607	6,018
Basic EPS (S\$ cents)	3.21	3.34
Weighted Average Number of Shares	174,677,153	180,270,953
<u>Net Tangible Assets as at 31 December 2007</u>		
NTA (S\$'000)	35,271	38,333
Number of Shares	182,798,700	188,392,500
NTA per Share (S\$ cents)	19.29	20.35
<u>Gearing as at 31 December 2007</u>		

	Before the Proposed Acquisition	After the Proposed Acquisition
Total borrowings (S\$'000)	7,247	7,247
Shareholders' funds (S\$'000)	35,271	38,333
Gearing ratio (times)	0.21	0.19

5. BACKGROUND INFORMATION ON THE TDS GROUP

TDS is a private limited company incorporated in Singapore on 24 May 1996 with its registered office at 64 Sungai Kadut Loop Singapore 729493. As at the date of this announcement, TDS has a 49% owned associate, TDS (Thailand) Co. Ltd, (collectively known as the “**TDS Group**”).

TDS is engaged in the manufacture and distribution of a comprehensive range of advanced industrial control and factory automation products to various manufacturing industries, namely the factory automation and process industries.

6. RATIONALE OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company's strategy to deliver stable and sustainable profit returns to the Company. The acquisition of TDS is expected to benefit the Company by deepening the Company's presence in various industries and expand the Company's market share in the industrial control and factory automation market.

The Company also believes that the Proposed Acquisition is critical to the Company's vision to deepen and expand its markets to ensure long term growth and consistent shareholder value creation.

The Board of Directors was recently presented with an opportunity to acquire, at good value, a significant business which would provide the Company with a viable business and enhance the depth and breadth of the Company's motion control engineering solutions.

The Company is of the view that the Proposed Acquisition is an attractive entry point for taking over a stable business. The Proposed Acquisition will also be in line with the Company's strategy to broaden the spectrum of the Company's existing businesses.

7. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN THE PROPOSED DISPOSAL

None of the directors or controlling shareholders of ISDN or TDS have any interest, direct or indirect, in the Proposed Acquisition.

8. RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the

date hereof, and that there are no material facts the omission of which would make this announcement misleading.

The Vendor individually accepts full responsibility for the accuracy of the information given in this announcement in respect of the TDS Group and confirm, after making all reasonable enquiries that to the best of his knowledge and belief, the facts stated and opinions expressed in this announcement in respect of the TDS Group are accurate and fair in all material respects as at the date hereof, and that there are no material facts the omission of which would make this announcement misleading.

By Order of the Board

Gwendolyn Gn
Company Secretary
ISDN Holdings Limited
2 June 2008