

## **ISDN HOLDINGS LIMITED**

(Company Registration Number: 200416788Z)

(Incorporated in the Republic of Singapore)

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## **CAPITAL INVESTMENT BY EXCEL BEST INDUSTRIES (SUZHOU) CO. LTD. AND SUZHOU PDC CO. LTD. FOR CONSTRUCTION OF ISDN HIGH-TECH INDUSTRIAL PARK AT WUJIANG ECONOMIC DEVELOPMENT ZONE**

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### **1. INTRODUCTION**

The Board of Directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**”) is pleased to announce that the Company is proposing to invest approximately S\$ 40,000,000 in the construction of ISDN High-Tech Industrial Park (“**Proposed Project**”) at Wujiang District, People’s Republic of China (“**PRC**”). The Company proposes to make the said investment through its two wholly owned subsidiaries in Wujiang District, PRC, namely:

- a) Excel Best Industries (Suzhou) Co. Ltd. (“**Excel Best**”); and
- b) Suzhou PDC Co. Ltd. (“**Suzhou PDC**”)

(Excel Best and Suzhou jointly referred to as “**the Subsidiaries**”)

### **2. BACKGROUND INFORMATION ON THE PROPOSED PROJECT**

The Company, its subsidiaries and associated companies (jointly referred to as “**the Group**”) has seen robust growth in China and consequently, there is a need for more warehousing and office space to supplement its business operations in China. Most of the Group’s subsidiaries and joint ventures in China are located in Suzhou District and they are currently spread over 6 different locations. Consolidation of these operations at one location will enhance effective management and control of the business of the Group in China. In addition, rising costs of rental in Suzhou have been observed over the years and from a long term perspective there will be net rental savings by occupying the Group’s own properties.

With the combined land area of about 56,000 sqm, the Group plans to construct ISDN High Tech Industrial Park with a total Gross Floor Area of about 111,966.49 sqm upon completion. The Proposed Project will consist of the following:-

#### **Blocks 1 and 2**

#### **Research & Development (“R&D”) Buildings**

Also known as Centre of Excellence, which will be used for engineering R&D and education to our employees and customers. Beyond that, it will also be providing training and courses on team building, business and communication skills to enrich our employees and business partners, so that they will be able to understand and serve multi-national customers better. Eventually we will open the Centre of Excellence to the public who are interested in our education programs.

**Blocks 3, 4, 5, 8 and 9****Workshops and factories**

These will include production and assembly facilities.

**Blocks 6 and 7****Dormitories**

These dormitories will be occupied by employees.

We may also potentially house our strategic partners' offices and operations. The Group has plans to lease the excess capacity from the Proposed Project to third parties, which will increase the profitability of the Group resulting in an additional revenue stream

**3. PROPOSED CAPITAL INVESTMENT BY EXCEL BEST**

On 5 January 2007, the Company announced that its wholly owned subsidiary, Motion Control Group Pte Ltd, had entered into a Sale and Purchase Agreement with Agva Singapore Pte Ltd, a wholly owned subsidiary of Agva Corporation Limited, to acquire the entire equity interest of Excel Best, incorporated in Wujiang City, Jiangsu Province, the People's Republic of China on 30 December 2003 for the purposes of housing existing operations of the Group in China as well as future expansion.

The said announcement also stated that Excel Best had remained dormant since its incorporation in 2003. Motion Control Group paid Agva Singapore Pte Ltd RMB 8,309,000 for Excel Best.

Thereafter, on 29 June 2007, the Company announced that it had obtained all necessary approvals from the relevant authorities in the PRC for (i) the transfer of the equity interest in Excel Best to Motion Control Group and (ii) any consequential amendments to Excel Best's constitutional documents.

As per the legal due diligence exercise conducted by GFE Law Office, PRC on the business and operations of Excel Best, Excel Best has obtained all the necessary approvals from the relevant authorities in the PRC for the construction of the Proposed Project.

**4. PROPOSED CAPITAL INVESTMENT BY SUZHOU PDC**

On 19 September 2007, the Company announced that its wholly owned subsidiary, Motion Control Group Pte Ltd, had incorporated a company known as Suzhou PDC Co. Ltd and had made an investment of US\$720,000 in Suzhou PDC Co. Ltd for the purpose of the Company's land investment in China.

As per the legal due diligence exercise conducted by GFE Law Office, PRC on the business and operations of Suzhou PDC, GFE Law Office is of the opinion that Suzhou PDC is approved to proceed with the construction of the Proposed Project, according to requirements contained in relevant laws and regulations of PRC.

## 5. RATIONALE OF THE PROPOSED PROJECT

With the Proposed Project, the Company seeks to centralise the operations and enhance management and control of its activities in the PRC.

In addition, rising costs of rental in Suzhou have been observed over the years. There will be greater rental savings in years to come after the Group occupies the completed buildings.

Lastly, the Group has plans to lease the excess capacity from the Proposed Project to third parties, which will increase the profitability of the Group.

## 6. CONSIDERATION

Currently, the total estimated cost of the Proposed Project is approximately S\$ 40,000,000. About 50% will be financed partly by way of loans from financial institutions and the remaining 50% by internal sources of funds of the Group.

## 7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

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

Under Chapter 10 of the Listing Manual, where a listed company or its subsidiaries enter into a transaction to acquire or dispose of assets, and the transaction is not in its ordinary course of business or of a revenue nature, then such transaction may require Shareholders' approval and/or an immediate announcement depending on the size of the relative figures (the "**Relative Figures**") computed on the following bases:

- (a) the net asset value of the assets to be disposed of, compared with the net asset value of the group;
- (b) the net profits attributable to the assets acquired or disposed of, compared with those of the group;
- (c) the aggregate value of the consideration given or received, compared with the market capitalisation of the listed company; or
- (d) the equity securities issued by the listed company as consideration for the acquisition, compared with the equity capital previously in issue.

No Shareholders' approval or announcement is required where the Relative Figures amount to 5% or less and the consideration is in cash or unquoted securities.

Where any of the Relative Figures exceeds 5% but does not exceed 20%, the transaction has to be announced as soon as possible after the terms have been agreed.

Listing Rule 1013 and Listing Rule 1014 of the Listing Manual stipulate that where any of the Relative Figures exceeds 20%, the transaction has to be announced immediately after the terms have been agreed and such transaction must be made conditional on approval by shareholders at a general meeting and a circular containing prescribed details must be sent to all shareholders.

The relative figures for the Acquisition computed on the applicable bases set out in Listing Rule 1006 of the Listing Manual are as set out below:

(a)	Rule 1006(a) The net asset value of the assets to be disposed of compared with the group's net asset value.	Not Applicable
(b)	Rule 1006(b) The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.  The decrease in net profits attributable to the assets acquired is estimated to be S\$131,000.	-2.1%
(c)	Rule 1006(c) The aggregate value of the consideration given or received compared with the issuer's market capitalisation as at 26 September 2008 at S\$0.55 per share for closing price.  The aggregate value of the consideration given refers to the total estimated cost of the Proposed Project of approximately S\$40,000,000.	36.0%
(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.	Not Applicable

As the applicable relative figure computed under Rule 1006(c) exceeds 20%, the Proposed Acquisition is classified as a "major transaction" as defined in Chapter 10 of the Listing Manual and therefore requires the approval of Shareholders.

## 7.2 Illustrative Effects of the Proposed Acquisition on the Share Capital, Earnings per Share, Net Tangible Assets and Gearing of the Company

The financial effects of the Proposed Project on the Group are for illustrative purposes only. The pro forma financial effects in this section are based on the unaudited financial statements of the Group for financial period ended 30 June 2008. The financial effects of the Proposed Project have been prepared based on the following assumptions: -

- (a) for the purpose of computing the financial effects of the Proposed Project on the earnings of the Group, the Proposed Project has been assumed to have been completed and depreciation and rental savings have commenced on 1 January 2008; and
- (b) for the purpose of computing the financial effects of the Proposed Project on the NTA and gearing of the Group, the Proposed Project is assumed to have been completed and the S\$20,000,000 bank loan financing has been drawn down in full on 30 June 2008;

The pro forma financial effects below may not be meaningful as the company intends to lease the remaining premises which are not owner occupied to third parties which will contribute rental income to the Group. The Group will

commence working on the leases once approval is received from the shareholders for the Proposed Project.

(i) **Share Capital**

The pro forma financial effects of the Proposed Project on the earnings per Share of the Group are as follows: -

	<b>Number of Shares</b>	<b>S\$'000</b>
Issued and paid-up share capital before the Proposed Acquisition	196,174,500	30,089
Add: - Consideration Shares	NIL	NIL
Enlarged issued and paid-up share capital after the Proposed Project	196,174,500	30,089

(ii) **Earnings per Share**

The pro forma financial effects of the Proposed Project on the earnings per Share of the Group are as follows: -

	<b>Before the Proposed Project</b>	<b>After the Proposed Project</b>
Net profit attributable to Shareholders(S\$'000)	4,380	4,273
Weighted Average Number of Shares	195,580,020	195,580,020
Earnings per Share (cents)	2.24	2.18

(iii) **Net Tangible Assets**

The pro forma financial effects of the Proposed Project on the NTA of the Group are as follows: -

	<b>Before the Proposed Project</b>	<b>After the Proposed Project</b>
NTA of the Group (S\$'000)	44,365	44,258
Number of Shares	196,174,500	196,174,500
NTA per Share (cents)	22.62	22.56

(iv) **Gearing**

The pro forma financial effects of the Proposed Project on the gearing of the Group are as follows:

	<b>Before the Proposed Project</b>	<b>After the Proposed Project</b>
Borrowings of the Group	8,172	28,172
Shareholders' funds (S\$'000)	44,365	44,258
Gearing (times)	0.18	0.64

For illustrative purposes only, we note that:-

- (a) the Proposed Project would have no impact on the issued and paid-up share capital of the Group;
- (b) the Proposed Project would have reduced the earnings per share of the Group for the period ended 30 June 2008 from 2.24 cents to 2.18 cents;
- (c) the Proposed Project would have reduced the NTA per share of Company as at 30 June 2008 from 22.62 cents to 22.56 cents; and
- (d) the Proposed Project would have increased the gearing the Group as at 30 June 2008 from 0.18 times to 0.64 times

**8. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN THE PROPOSED ACQUISITION**

None of the directors or controlling shareholders of the Company or Excel Best or Suzhou PDC has any interest, whether direct or indirect, in the Proposed Project.

**9. CIRCULAR TO SHAREHOLDERS**

A circular to the shareholders (the "**Circular**"), together with notice of the EGM, will be despatched to the shareholders of the Company in due course. The Circular will contain, *inter alia*, details of the Proposed Project.

**10. 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.

By Order of the Board

**Teo Cher Koon**  
**Managing Director and President**  
**ISDN Holdings Limited**

03 October 2008