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ADOPTION OF ISDN HOLDINGS LIMITED SCRIP DIVIDEND SCHEME

1. INTRODUCTION

The board of directors (the “**Board**”) of ISDN Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce a scrip dividend scheme which will be called the ISDN Scrip Dividend Scheme (the “**Scrip Dividend Scheme**”).

*Unless otherwise stated, all terms used herein shall bear the meanings ascribed thereto in the Scrip Dividend Scheme statement (the “**Scrip Dividend Scheme Statement**”), a copy of which is set out in the Appendix to this announcement.*

2. RATIONALE AND PURPOSE OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme, if and when applied to any particular Dividend, will provide an opportunity for Shareholders to elect to receive Qualifying Dividends in the form of Shares, credited as fully paid-up instead of cash. As Shareholders will be given the choice of receiving such Dividend payment in cash or new Shares, Shareholders will thus have greater flexibility in meeting their investment objectives. It will also enable Shareholders to participate in the equity capital of the Company without incurring brokerage fees, stamp duty and other related costs.

The Company will also benefit from the participation by Shareholders in the Scrip Dividend Scheme as, to the extent that Shareholders elect to receive a Qualifying Dividend in the form of Shares, the cash which would otherwise be payable in respect of a Dividend may be retained in the Company to fund the growth of the Group, if required. The issue of Shares in lieu of cash Dividends under the Scrip Dividend Scheme will also enlarge the Company's share capital base and the retention of cash will strengthen its working capital position.

3. SUMMARY TERMS OF THE SCRIP DIVIDEND SCHEME

The following is a summary of the main terms of the Scrip Dividend Scheme, and should be read in conjunction with the full text of the Scrip Dividend Scheme Statement as set out in the Appendix to this announcement.

The Scrip Dividend Scheme provides Shareholders with the option to elect to receive new Shares in lieu of all or part only of the cash amount of a Dividend declared on their holding of Shares (after the deduction of applicable income tax, if any).

Under the present law in Singapore and Hong Kong, there are no brokerage, stamp duty or other transaction costs payable on the new Shares allotted and issued under the Scrip Dividend Scheme.

All Shareholders are eligible to participate in the Scrip Dividend Scheme, subject to the restrictions on Overseas Shareholders, more particularly described in the Scrip Dividend Scheme Statement, and except for other Shareholders or class of Shareholders as the Directors of the Company may in their absolute discretion decide.

Shareholders may elect to participate in respect of or all of their holding of Shares to which each

Notice of Election (for Singapore Shareholders)/ Election Form (for Hong Kong Shareholders) relates in respect of any Qualifying Dividend. Shareholders receiving more than one (1) Notice of Election/ Election Form may elect to participate in respect of their holding of Shares to which one (1) Notice of Election/ Election Form relates and elect not to participate in respect of their holding of Shares to which any other Notice of Election/ Election Form relates. For the avoidance of doubt, Shareholders may not make a permanent election to participate in respect of all their holding of Shares to which each Notice of Election/ Election Form relates for all Qualifying Dividends under the Scrip Dividend Scheme.

The Directors may, in their absolute discretion, determine that the Scrip Dividend Scheme will apply to any particular Dividend. An announcement will be made by the Company as soon as practicable following the determination by the Directors that the Scrip Dividend Scheme is to apply to a particular Dividend, and in any event, by no later than the next Market Day immediately following the Books Closure Date in respect of the particular Dividend. Unless the Directors have determined that the Scrip Dividend Scheme will apply to any particular Dividend, the Dividend concerned will be paid in cash to the Shareholders in the usual manner.

Shares allotted and issued under the Scrip Dividend Scheme will rank *pari passu* in all respects with the Shares then in issue save only as regards participation in the Qualifying Dividend which is the subject of the election (including the right to make any election pursuant to the Scrip Dividend Scheme) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the Qualifying Dividend which is the subject of the election, unless the Directors shall otherwise specify.

Shareholders participating in the Scrip Dividend Scheme will receive, at or about each Dividend payment date, (i) notification letters setting out, *inter alia*, the number of new Shares allotted to them (for Singapore Shareholders); and (ii) a physical share certificate for the number of shares allotted to them (for Hong Kong Shareholders) under the Scrip Dividend Scheme.

The Directors shall have full power to make such provisions as they think fit where the number of Shares in respect of any Qualifying Dividend becomes attributable in fractions, including provisions as to rounding, or whereby fractional entitlements are otherwise dealt with in such manner as they may deem fit in the interests of the Company and which are acceptable to the SGX-ST and the HKEX.

4. HOW TO PARTICIPATE

Participation in the Scrip Dividend Scheme is optional and not transferable.

For Singapore Shareholders:

Singapore Shareholders do not need to take any action if they wish to receive their entitlement to the Qualifying Dividend wholly in cash.

A Shareholder wishing to receive new Shares in respect of any Qualifying Dividend to which a Notice of Election received by him relates should complete the Notice of Election and return it to the Company at the address indicated on the Notice of Election or, if the Shareholder is a Depositor, to The Central Depository (Pte) Limited (“CDP”).

A Shareholder receiving more than one (1) Notice of Election and wishing to receive new Shares in respect of all of his entitlement to the Qualifying Dividend in respect of all or part of his holding of Shares must complete all Notices of Election received by him and return the completed and signed Notices of Election to the Company and/or CDP, as the case may be.

To be effective in respect of any Qualifying Dividend to which a Notice of Election relates, such duly completed Notice of Election must be received by the Company or, as the case may be, CDP, no later than the date to be specified by the Directors in respect of that Qualifying Dividend.

Singapore Shareholders will receive the Qualifying Dividend in cash if they fail to elect to

participate in the Scrip Dividend Scheme.

For Hong Kong Shareholders:

A Hong Kong Shareholder who elects to receive his Qualifying Dividend wholly in cash does not need to take any action.

A Hong Kong Shareholder who elects to receive an allotment of New Shares, or partly cash and partly new Shares, should use the Election Form. If a Hong Kong Shareholder has signed the Election Form but does not specify the number of Shares in respect of which he is entitled to receive new Shares under the Scrip Dividend Scheme, or if a Hong Kong Shareholder elects to receive new Shares in respect of a greater number of Shares than his registered holding on the Books Closure Date, he will be deemed to have chosen to receive new Shares in respect of all the Shares of which he was then registered as the holder.

Election Form should be completed in accordance with the instructions printed thereon and returned so that it is received by the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than the date to be specified by the Directors in respect of the Qualifying Dividend. Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Hong Kong Shareholder's Qualifying Dividend being paid wholly in the form of cash. No acknowledgment of receipt of the Election Form will be issued.

Hong Kong Shareholders will receive the Qualifying Dividend in cash if they fail to elect to participate in the Scrip Dividend Scheme.

5. NOTE TO SHAREHOLDERS

No known tax advantage for electing to participate in the Scrip Dividend Scheme

The Company takes no responsibility for the taxation liabilities of Shareholders who choose to participate in the Scrip Dividend Scheme or the tax consequences of any election made by the Shareholders. As individual circumstances and laws may vary considerably, specific tax advice should be obtained by Shareholders if they are in doubt or if they otherwise require. The Company accepts no responsibility for the correctness or accuracy of any information as to tax liability contained in the Scrip Dividend Scheme Statement set out in the Appendix to this announcement.

Participating Shareholders may receive odd lots

The Shares are currently traded in board lots of 100 Shares. A Shareholder who elects to receive new Shares in lieu of all or part of the cash amount of the Qualifying Dividend may receive such new Shares in odd lots. Shareholders who receive odd lots of new Shares and who wish to trade such odd lots on the SGX-ST should do so on the Unit Share Market of the SGX-ST, which allow trading of odd lots with a minimum of one (1) share.

The shares are currently traded in board lots of 2000 shares on the HKEX. Shareholders who receive odd lots of new shares and who wish to trade such odd lots on the HKEX should be aware the odd lots usually trade at a discount to the price of board lot.

Eligibility

All Shareholders are eligible to participate in the Scrip Dividend Scheme, subject to the restrictions on Overseas Shareholders, more particularly described in the Scrip Dividend Scheme Statement, and further subject to the requirement that such participation by the Shareholders will not result in a breach of any other restriction on such Shareholder's holding of Shares which may be imposed by any statute, law or regulation in force in Singapore and / or Hong Kong or any other relevant jurisdiction, as the case may be, or prescribed in the Constitution of the Company.

Overseas Shareholders

For practical reasons and to avoid any violation of securities laws applicable in countries outside Singapore or Hong Kong where Shareholders may have their registered addresses, the Scheme will not be offered to Overseas Shareholders, unless the Directors determine otherwise. No Overseas Shareholder shall have any claims whatsoever against the Company, the Company's share registrar, CDP or any of their respective agents as a result of the Scrip Dividend Scheme not being offered to such Overseas Shareholder.

Unless the Directors determine otherwise, Overseas Shareholders who receive or come to have in their possession the Scrip Dividend Scheme Statement and/or a Notice of Election/ Election Form may not treat the same as an invitation to them and are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Scrip Dividend Scheme as may be applicable to them.

For Singapore Shareholders

Overseas Shareholders who wish to be eligible to participate in the Scrip Dividend Scheme should provide an address in Singapore or Hong Kong for the services of the notices and documents by notifying the Company, or if the Overseas Shareholder is a Depositor, the CDP, not later than five (5) Market Days prior to the Books Closure Date. Depositors should note that all correspondence and notices will be sent to their last registered addresses with CDP.

For Hong Kong Shareholders

If any Hong Kong Shareholder with his/her registered address in a place outside Hong Kong is shown in the Hong Kong register of members of the Company on the Books Closure Date, the Company will make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange to consider whether to exclude such Shareholder from the Scrip Dividend Scheme. The Company may only exclude such Shareholder on the basis that, having made such enquiry, it would be necessary or expedient to do so on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

Obligations in relation to mandatory offer

For Singapore Shareholders:

Obligations under the Take-over Code

The attention of Shareholders is also drawn to Rule 14 of the Take-over Code. In particular, a Shareholder should note that he may be under an obligation to extend a mandatory take-over offer for the Company if:

- (a) he acquires, by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend, whether at one time or different times, shares which (together with shares held or acquired by him or persons acting in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) he, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights of the Company and he (or any person acting in concert with him) acquires in any period of six (6) months additional Shares carrying more than 1% of the voting rights of the Company by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend or otherwise.

For Hong Kong Shareholders:

Obligations under the Hong Kong Takeovers Code

The attention of Shareholders is also drawn to Rule 26 of the Hong Kong Takeovers Code. In particular, a Shareholder should note that he may be under an obligation to extend a mandatory offer for the Company if:

- (a) any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company;
- (b) two or more persons are acting in concert, and they collectively hold less than 30% of the voting rights of a company, and any one or more of them acquires voting rights and such acquisition has the effect of increasing their collective holding of voting rights to 30% or more of the voting rights of the company;
- (c) any person holds not less than 30%, but not more than 50%, of the voting rights of a company and that person acquires additional voting rights and such acquisition has the effect of increasing that person's holding of voting rights of the company by more than 2% from the lowest percentage holding of that person in the 12 month period ending on and inclusive of the date of the relevant acquisition; or
- (d) two or more persons are acting in concert, and they collectively hold not less than 30%, but not more than 50%, of the voting rights of a company, and any one or more of them acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Take-over Code or the Hong Kong Takeovers Code. Shareholders who are in doubt as to whether they would incur any obligation to make a mandatory offer under the Take-over Code or the Hong Kong Takeovers Code as a result of any acquisition of Shares through their participation in the Scrip Dividend Scheme are advised to consult their professional advisers and/or the Securities Industry Council of Singapore or the Securities and Futures Commission of Hong Kong at the earliest opportunity.

6. SHAREHOLDERS' APPROVAL FOR ISSUANCE OF NEW SHARES

Shareholders' approval for issue of new Shares

The Constitution allows Shareholders to elect to receive Dividends in the form of new Shares, credited as fully paid-up, partly or wholly in lieu of cash.

Pursuant to Rule 862(1) of the Listing Manual of the SGX-ST ("**Listing Manual**"), an announcement must be made by an issuer if it wishes to implement a scrip dividend scheme which enables shareholders to elect to receive shares in lieu of the cash amount of any dividend. The Listing Manual does not require the adoption of the Scrip Dividend Scheme to be approved by Shareholders.

The authority to allot and issue new Shares under the Scrip Dividend Scheme may be in the form of specific Shareholders' approval pursuant to Section 161 of the Act which will be subject to the Shareholders' approval in the general meeting or the Company may rely on a valid general mandate granted by the Shareholders to the Directors pursuant to Section 161 of the Act, Rule 806 of the Listing Manual and Rule 13.36(2) of the Listing Rules ("**General Mandate**").

For the avoidance of doubt, Shareholders' approval is not required for the adoption of the Scrip Dividend Scheme pursuant to the Listing Manual and the Listing Rules. In the event the Company proposes to seek specific Shareholders' approval to issue new Shares under the Scrip Dividend Scheme, or if there is no General Mandate in effect at the relevant time for the issuance of new Shares under the Scrip Dividend Scheme, the Company will prepare a circular in accordance with the relevant Listing Manual and the Listing Rules to seek specific Shareholders' approval.

Approval for the listing and quotation of new Shares on the SGX-ST

In compliance with Appendix 8.4.4 of the Listing Manual, the Company will from time to time submit an additional listing application to SGX-ST for the admission to the Official List of the SGX-ST of such new Shares as may be issued by the Company for the purposes of, in connection with or where contemplated by the Scrip Dividend Scheme, and for the listing and quotation of such new Shares on the Main Board of the SGX-ST, at such time(s) as may be appropriate and determined by the Company. It should be noted that the approval of the SGX-ST should not be taken as an indication of the merits of the Scrip Dividend Scheme, the new Shares, the Company and/or its subsidiaries. The Company will announce the outcome of any such application in accordance with the Listing Manual at the appropriate time.

It should be noted that the Company is unable to represent, warrant or give any assurance that the approval for the listing and quotation of new Shares will be granted by the SGX-ST. In such event that new Shares cannot be issued by the Company or listed and quoted on the SGX-ST, appropriate steps will be taken by the Company for the relevant Shareholders to receive the Dividends in cash.

Approval for the listing and permission to deal in the new Shares on the HKEX

Pursuant to Rule 13.26(1) of the Listing Rules, the Company will submit an application to the HKEX for the listing and permission to deal in the new Shares on the HKEX, at such time(s) as may be appropriate and determined by the Company.

It should be noted that the Company is unable to represent, warrant or give any assurance that the approval for the listing and permission to deal in the new Shares will be granted by the HKEX. In such event that new Shares cannot be issued by the Company or listed and dealt in on the HKEX, appropriate steps will be taken by the Company for the relevant Shareholders to receive the Dividends in cash.

By order of the Board
ISDN Holdings Limited

Gn Jong Yuh Gwendolyn
Joint Company Secretary
2 April 2019