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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

On 15 February 2008, 28 January 2014, 1 September 2016 and 27 December 2018, Maxon Suzhou and Maxon Shanghai, each a 50%-owned subsidiary of the Company, entered into the Service Agreements with Maxon Motor in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou and Maxon Shanghai. The Service Agreements shall expire on 31 December 2021. On 27 December 2021, Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan, a 50%-owned subsidiary of the Company, entered into the Renewal Service Agreement with Maxon Motor to renew the Service Agreements for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

On 27 December 2018, Maxon Suzhou, Maxon Shanghai and Maxon SEA, each a 50%-owned subsidiary of the Company entered into the License Agreement for the purchase of the Relevant Products by the Group from Maxon Motor on and subject to the terms and conditions of the Supply Agreements which shall expire on 31 December 2021. On 27 December 2021, Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan, each a 50%-owned subsidiary of the Company, entered into the Renewal Supply Agreements with Maxon Motor for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

Maxon Motor is a company principally engaged in the manufacture and sale of drivers and motors in Switzerland. Maxon Motor is an associate of Interelectric, which owns 50% of the shareholding interest in Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan, each a 50%-owned subsidiary of the Company, as at the date of this announcement. Therefore, Maxon Motor is a connected person of the Company at the subsidiary level.

As Maxon Motor 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 Renewal Service Agreement and the Renewal Supply Agreements 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.

As the Continuing Connected Transactions are transactions of revenue nature in the ordinary course of business of the Group under Chapter 14.04(1)(g) of the Listing Rules, the Continuing Connected Transactions do not constitute transactions of the Company for the purpose of Chapter 14 of the Listing Rules and are exempt from the requirements of Chapter 14 of the Listing Rules.

(1) RENEWAL OF SERVICE AGREEMENTS IN RELATION TO THE PROVISION OF INFORMATION TECHNOLOGY SERVICES

On 15 February 2008, 28 January 2014, 1 September 2016 and 27 December 2018, Maxon Suzhou and Maxon Shanghai, each a 50%-owned subsidiary of the Company, entered into the Service Agreements with Maxon Motor in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou and Maxon Shanghai. The Service Agreements shall expire on 31 December 2021. On 27 December 2021, Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan, a 50%-owned subsidiary of the Company, entered into the Renewal Service Agreement with Maxon Motor to renew the Service Agreements for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

Principal terms of the Renewal Service Agreement

The principal terms of the Renewal Service Agreement are set out as follows:

Date:

1 January 2022

Parties:

- (a) Maxon Suzhou
- (b) Maxon Shanghai
- (c) Maxon SEA
- (d) Maxon Taiwan; and
- (e) Maxon Motor

Term:

The Renewal Service Agreement shall be valid from 1 January 2022 up to and including 31 December 2024, or such other earlier date as the parties to the Renewal Service Agreement may otherwise agree in writing.

Pricing:

The service fees payable to Maxon Motor by the parties shall be no less favourable than those charged against independent third parties of Maxon Motor from time to time. The Group will obtain quotation from not less than three independent suppliers that provide similar services. Based on the fee quotes provided by other independent suppliers, the Group will be able to ensure that the service fee payable to Maxon Motor by the parties represent the prevailing market price and on normal commercial terms.

Historical transaction amount

For the years ended 31 December 2020 and the eleven months ended 30 November 2021, the total service fee paid and payable by the Group to Maxon Motor amounted to approximately S\$191,000 and S\$271,000 respectively.

Proposed annual caps and basis

For the years ending 31 December 2022, 2023 and 2024, the total service fees payable by the Group to Maxon Motor are not expected to exceed S\$426,000, S\$605,000 and S\$859,000, respectively. In arriving at the annual caps, the Directors have considered the historical transaction amount in relation to the provision of information technology services by Maxon Motor and any potential upgrades to the information technology system of Maxon Motor.

Reasons for and benefits of entering into the Renewal Service Agreement

In view of the Group's long-term business relationship with Maxon Motor and given that Maxon Motor is one of the largest suppliers of the Group in terms of the Group's total purchase costs, the Directors consider that the entering into the Renewal Service Agreement in relation to the provision of information technology services is necessary to facilitate efficient ordering of engineering components from Maxon Motor and to maintain the stability and continuity of the procurement activities of the Group.

(2) SUPPLY AGREEMENTS IN RELATION TO PURCHASE OF THE RELEVANT PRODUCTS

On 27 December 2018, Maxon Suzhou, Maxon Shanghai and Maxon SEA, each a 50%-owned subsidiary of the Company entered into the License Agreement for the purchase of the Relevant Products by the Group from Maxon Motor on and subject to the terms and conditions of the Supply Agreements which shall expire on 31 December 2021. On 27 December 2021, Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan, each a 50%-owned subsidiary of the Company, entered into the Renewal Supply Agreements with Maxon Motor for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

Principal terms of the Renewal Supply Agreements

The principal terms of the Renewal Supply Agreements are set out as follows:

Date:

1 January 2022

Parties:

- (a) Maxon Suzhou
- (b) Maxon Shanghai
- (c) Maxon Taiwan
- (d) Maxon SEA; and
- (e) Maxon Motor

Term:

The Supply Agreements shall be valid from 1 January 2022 up to and including 31 December 2024, or such earlier date as the parties to the Renewal Supply Agreements may otherwise agree in writing.

Pricing:

The price charged by Maxon Motor is based on the price list of Maxon Motor offered to all its non-end users customers (whether independent or otherwise) and valid from time to time. The Group has the discretion to determine the resale prices of the supplied products. For large quantities, prices shall be agreed separately by Maxon Motor and the Group provided always that the prices so agreed by Maxon Motor and the Group shall be no less favourable than those available to independent third party of Maxon Motor when such independent third party makes similar large quantity purchases.

Purchase quantity:

The Group Companies agreed to purchase the quantity of the Relevant Products per calendar year as agreed upon during the budgeting phase of the preceding year. The quantity of the Relevant Products may be adjusted within a rolling forecasting during the calendar year if there are appropriate reasons.

Territory:

The Group is authorised to sell products within Singapore, Malaysia, Thailand, Hong Kong, Taiwan, Indonesia, Philippines, Vietnam and the PRC. The Group has undertaken not to actively acquire customers for supplied products or establish any branch or maintain any storage place outside of the Group's designated geographical area. Maxon Motor is not permitted to sell its products to the Group's competitors or competing businesses within the designated geographical area. Maxon Motor is also required to pass on all inquiries of potential customers in the designated geographic area to the Group, unless the direct support is requested of, or direct orders are placed with, Maxon Motor.

Credit term:

The credit terms granted to the parties are ranging from 30 days to 60 days.

Warranty and product return:

Maxon Motor warrants that the products are free from defects in material and workmanship and that it has obtained product liability insurance. Maxon Motor further agrees to replace, repair or refund the reduced value of any defective products within the warranty period of 12 months, on the condition that its products were not used incorrectly or altered.

Limitation of liabilities:

Maxon Motor's liabilities for defects in a particular Product are limited to 5% of the total payments made by the Group to Maxon Motor for that Product during the preceding six months. In case of direct claims by third parties against Maxon Motor, the Group has to indemnify Maxon Motor to the extent that the claim exceeds the agreed maximum thresholds for warranty or liability.

Termination:

The Renewal Supply Agreements can be terminated by either party to such Supply Agreement at any time by giving six months' prior written notice to the end of a calendar month.

Logistics and delivery:

The Group shall bear the transportation costs and risk of the products being damaged during transit.

Historical transaction amount

For the years ended 31 December 2020 and the eleven months ended 30 November 2021, the total purchase amounts paid and payable by the Group to Maxon Motor amounted to approximately S\$56,959,000 and S\$67,801,000 respectively.

Proposed annual caps and basis

For the years ending 31 December 2022, 2023 and 2024, the total purchase amounts payable by the Group to Maxon Motor are not expected to exceed S\$96,595,000, S\$120,744,000 and S\$144,893,000, respectively. In arriving at the annual caps, the Directors have considered: (i) the historical transaction amount; (ii) the year-on-year growth rate of approximately 26.1% for the increase in the purchases by our Group from Maxon Motor for the year ended 31 December 2019, and the year-on-year growth rate of approximately 18.6% for the same for the year ended 31 December 2020; (iii) the market acceptability of the diverse and quality of the Products supplied by Maxon Motor from Switzerland and; and (iv) the terms agreed by Maxon Motor and the Group.

Reasons for and benefits of entering into the Supply Agreements

In view of the Group's long-term business relationship with Maxon Motor and given that Maxon Motor is one of the largest suppliers of the Group in terms of the Group's total purchase costs, the Directors consider that the entering into the Supply Agreements in relation to the distribution of Products is necessary to maintain the stability and continuity of the business development and operational activities (especially procurement activities) of the Group.

PARTIES AND RELATIONSHIPS OF THE PARTIES

Maxon Motor is a company principally engaged in the manufacture and sale of drivers and motors in Switzerland. Maxon Motor is an associate of Interelectric, which owns 50% of the shareholding interest in Maxon Suzhou, Maxon Shanghai, Maxon Taiwan and Maxon SEA, each a 50%-owned subsidiary of the Company, as at the date of this announcement. Therefore, Maxon Motor is a connected person of the Company at the subsidiary level.

The Company is an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. Maxon Suzhou is principally engaged in the provision of motion control solutions in PRC. Maxon Shanghai is principally engaged in the provision of motion control solutions in PRC. Maxon Taiwan principally engaged in the provision of motion control solutions in Taiwan. Maxon SEA is principally engaged in the provision of motion control solutions in the south-east Asia.

IMPLICATIONS UNDER THE LISTING RULES

As Maxon Motor 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 Renewal Service Agreement and the Renewal Supply Agreements constitute continuing connected transactions of 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.

As the Continuing Connected Transactions are transactions of revenue nature in the ordinary course of business of the Group under Chapter 14.04(1)(g) of the Listing Rules, the Continuing Connected Transactions do not constitute transactions of the Company for the purpose of Chapter 14 of the Listing Rules and are exempt from the requirements of Chapter 14 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 Service Agreement and the Renewal Supply Agreements have been approved by the Board. Since no Director has material interest in the transactions contemplated thereunder, none of the Directors has abstained from voting at the Board meeting to approve the Renewal Service Agreement and the Renewal Supply Agreements.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“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 Renewal Service Agreement and the Renewal Supply Agreements
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interelectric”	Interelectric AG, who holds 50% equity interests in Maxon Suzhou, Maxon Shanghai and Maxon SEA, and is a substantial shareholder of each of Maxon Suzhou, Maxon Shanghai and Maxon SEA
“Licence Agreement”	the Licence Agreement entered into by the Group and Maxon Motor on 21 October 2016 (supplemented by a letter agreement dated 21 October 2016) which, among others, provides the Group with exclusive supply of servo motors, gears, encoders and electronic control system fitting to such servo motors in Singapore, Malaysia, Thailand, Hong Kong, Indonesia, Philippines and Vietnam
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maxon Group”	Interelectric, together with all companies in respect of which Interelectric owns, directly and/or indirectly, a shareholding of fifty percent (50%) or more
“Maxon Motor”	maxon motor AG is an associate of Interelectric, which holds 50% equity interests in Maxon Suzhou, Maxon Shanghai and Maxon SEA, and a connected person of the Company at the subsidiary level
“Maxon SEA”	maxon motor SEA Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act (Cap. 50) on 21 December 2018 and an indirect 50%-owned subsidiary of the Company
“Maxon Shanghai”	Maxon Electronic Machine International Trade (Shanghai) Co., Ltd.* (麥柯勝電機國際貿易(上海)有限公司), an enterprise jointly invested by foreign investors established under the laws of the PRC and an indirect 50%-owned subsidiary of the Company
“Maxon Suzhou”	maxon motor (Suzhou) Co., Ltd (蘇州鈞和伺服科技有限公司) (formerly known as Suzhou Servo Dynamics Co., Ltd. (蘇州鈞和伺服科技有限公司)), an enterprise jointly invested by foreign investors established under the laws of the PRC and an indirect 50%-owned subsidiary of the Company
“Maxon Taiwan”	maxon motor (Taiwan) Co., Ltd, (台灣麥柯昇精密電機股份有限公司), a company incorporated in Taiwan with limited liability on 13 September 2007 and an indirect 50%-owned subsidiary of the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Relevant Product(s)” or “Product(s)”	all products marketed by the Maxon Group (including without limitation servo motors, gears, encoders and electronic control system fitting to such servo motors) except for such products that had not been supplied by Maxon Motor, Maxon Suzhou, Maxon Shanghai, Maxon SEA and/or their affiliates to the Maxon Group
“Renewal Service Agreement”	the service agreement dated 1 January 2022 entered into between Maxon Suzhou and Maxon Motor in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou
“Renewal Supply Agreements”	the three supply agreements dated 1 January 2022 entered into between Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Motor in relation to the purchase of the Relevant Products by Maxon Suzhou, Maxon Shanghai and Maxon SEA from Maxon Motor
“Service Agreements”	the two service agreements entered into between Maxon Suzhou and Maxon Motor on 15 February 2008 and 28 January 2014, respectively (supplemented by a letter agreement dated 1 September 2016), in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou

“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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supply Agreements”	agreements for the transactions for the supply of the Relevant Products pursuant to the terms of the Licence Agreement and other ancillary agreements entered into between Maxon Motor, Maxon Suzhou and Maxon Shanghai in relation to the distribution of the Relevant Products
“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, 28 December 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive directors of the Company; Mr. Toh Hsiang-Wen Keith as non-executive director of the Company; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive directors of the Company.