

ISDN HOLDINGS LIMITED

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ISDN HOLDINGS LIMITED

UPDATE ON ENERGY OPPORTUNITIES IN MYANMAR – FORMATION OF JOINT VENTURE FOR INVESTMENT IN AND OPERATION OF POWER PLANT

1. INTRODUCTION

1.1 Reference is made to :

- (a) the announcement of 22 May 2013 ("**22 May Announcement**") by ISDN Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") of the Joint Venture Agreement of 20 May 2013 ("**Mining JVA**") entered into by the Group with Tun Thwin Mining Co., Ltd ("**TTMCL**") for the proposed formation of a joint venture company ("**Mining JVCo**") to acquire concession rights held by TTMCL to a coal mine located in the Kalewa Township, Sagaing Region, in the Republic of the Union of Myanmar ("**Coal Mine**"); and
- (b) the announcement of 3 May 2013 ("**3 May Announcement**") by the Company of the non-legally binding Memorandum of Agreement of 1 May 2013 ("**Power Plant Memorandum**") entered into by the Group with TTMCL for the proposed formation of a joint venture company to invest, develop, construct and manage a coal-fired power plant ("**Power Plant**") located at the mouth of the Coal Mine.

Undefined capitalized terms used herein shall have the meanings ascribed to them in the 3 May Announcement.

1.2 The Company is pleased to announce that subsequent to the Power Plant Memorandum, ISDN Myanmar Power Pte Ltd ("**ISDN Myanmar Power**"), a wholly-owned subsidiary of the Company has entered into a joint venture agreement ("**Power Plant JVA**") on 30 May 2013 with TTMCL for the formation – in addition to Mining JVCo - of a joint venture company in Myanmar ("**Power JVCo**") to engage in the business of the investment, development, construction, operation and management of the Power Plant.

1.3 Like the proposed joint venture by the Group and TTMCL in relation to the Coal Mine, this proposed joint venture ("**Joint Venture**") between the Group and TTMCL in relation to the Power Plant marks another milestone in the Group's continuing efforts to seek energy opportunities in Myanmar as part of the Group's strategy to diversify into coal mining and power plant related businesses.

- 1.4 To the best of the knowledge of the Company, the planned capacity of the proposed Power Plant of 4 x 135 megawatts will be more than four times the capacity of the only operating coal-fired power plant in Myanmar which has a capacity of 2 x 60 megawatts.

2. INFORMATION ON TTMCL

- 2.1 As disclosed in the Company's announcements of 2 April 2013 ("**2 April Announcement**") and the 22 May Announcement, TTMCL is a Myanmar-based company engaged in the business of coal mining, processing and supply and is committed to being a first choice energy supplier. For further details on TTMCL please refer to the 2 April Announcement and 22 May Announcement on www.sgx.com.

3. PRINCIPAL TERMS OF THE JVA

- 3.1 **Establishment of Power JVCo** : TTMCL and ISDN Myanmar Power (the "**Parties**") will incorporate Power JVCo, which shall be 15% and 85% (the "**Agreed Proportion**") owned by TTMCL and ISDN Myanmar Power respectively (the "**Incorporation**").

- 3.2 **Development Fees** : TTMCL shall :

- (a) as soon as practicable after the establishment of Power JVCo, procure the entry by the Ministry of Electric Power ("**MOEP**") into memorandum of agreement ("**MOA**") between MOEP, Power JVCo, ISDN Myanmar Power and TTMCL for the grant of permit to Power JVCo to develop the Power Plant in consideration of a development fee to be agreed between Power JVCo and TTMCL; and
- (b) on or before the PPA Long Stop Date (as defined below), procure the entry by MOEP into a power purchase agreement ("**PPA**") between MOEP, Power JVCo, ISDN Myanmar Power and TTMCL in consideration of a development fee to be agreed between Power JVCo and TTMCL.

- 3.3 **Capitalisation**: Subject to the fulfillment or waiver of the Conditions Precedent (as defined below) :

- (a) after the signing of the MOA :
- (i) ISDN Myanmar Power shall contribute US\$800,000 as capital to Power JVCo ("**ISDN-MOA Capital Injection**");
- (ii) TTMCL shall contribute US\$141,180 as capital to Power JVCo ("**TTMCL-MOA Capital Injection**"); and
- (iii) ISDN Myanmar Power shall extend an interest free loan of US\$1,000,000 to Power JVCo, for use by Power JVCo for such purposes as ISDN Myanmar Power may approve ("**ISDN Loan**"); and
- (b) after the signing of the PPA :

- (i) ISDN Myanmar Power shall contribute US\$3,200,000 as capital to Power JVCo ("**ISDN-PPA Capital Injection**");
- (ii) the ISDN Loan owing by Power JVCo to ISDN Myanmar Power shall be capitalized and paid by Power JVCo to ISDN Myanmar Power by way of issuance of equity in Power JVCo to ISDN Myanmar Power ("**ISDN-PPA Loan Capital Injection**"); and
- (iii) TTMCL shall contribute US\$741,175 as capital to Power JVCo ("**TTMCL-PPA Capital Injection**").

For purposes hereof, the TTMCL-MOA Capital Injection and the TTMCL-PPA Capital Injection shall hereinafter be collectively referred to as the TTMCL Capital Injection, and the ISDN-MOA Capital Injection, ISDN-PPA Loan Capital Injection and the ISDN-PPA Capital Injection shall hereinafter be collectively referred to as the ISDN Capital Injection.

- 3.4 **Failure to sign PPA** : In the event that the PPA is not signed on or before the date falling 24 months after the date of the MOA ("**PPA Long Stop Date**"), the ISDN Loan shall be repayable by the Company to ISDN Myanmar Power.
- 3.5 **Conditions Precedent** : Save for the Incorporation, ISDN Myanmar Power's obligations under the Power Plant JVA (including but not limited to the ISDN Capital Injection) is conditional upon the following conditions ("**Conditions Precedent**") being fulfilled, or otherwise waived (in part or in whole) by ISDN Myanmar Power :
 - (a) execution of the MOA and Coal Agreement (as defined below);
 - (b) the results of the due diligence investigations conducted by ISDN Myanmar Power and/or its advisers on the exclusive concession to access and develop the Coal Mine being satisfactory to ISDN Myanmar Power; and
 - (c) all requirements under all relevant laws and the listing rules of the SGX-ST as deemed applicable by ISDN Myanmar Power to the Power Plant JVA, Incorporation, ISDN Capital Injection, TTMCL Capital Injection and/or transactions contemplated under this Agreement being complied with, and all consents or approvals of third parties (including approvals from the relevant boards of directors and shareholders (if needed) of the Company or ISDN Myanmar Power), or of government, regulatory body or competent authority (including the SGX-ST) as ISDN Myanmar Power deems necessary being obtained.
- 3.6 **Maintenance of the Agreed Proportion** : Upon the incorporation of the Power JVCo and at all times thereafter including upon completion of the ISDN Capital Injection and the TTMCL Capital Injection, the Agreed Proportion shall be maintained and ISDN Myanmar Power and TTMC shall take all steps as is necessary and in compliance with the laws and regulations of Myanmar to ensure that any capitalisation or issuance of new equity in the Power JVCo in connection with the ISDN Capital Injection and/or the TTMCL Capital Injection are effected in a manner that maintains the Agreed Proportion.
- 3.7 **Obligation of Parties** : Parties shall work towards ensuring an economically viable, long term, uninterrupted supply of coal produced from the Coal Mine to the Power Plant.

Under the Power Plant JVA, TTMCL undertakes is responsible for procuring the entry by the Ministry of Electric Power (“**MOEP**”) into memorandum of agreement (“**MOA**”) with Power JVCo, ISDN Myanmar Power and/or TTMCL for the grant of permit to Power JVCo to develop the Power Plant as well as the entry by MOEP into a power purchase agreement (“**PPA**”) with Power JVCo, ISDN Myanmar Power and/or TTMCL; and also for procuring the execution of a coal supply agreement (“**Coal Agreement**”) with Mining JVCo and to act as liaison and resolve all matters relating to Myanmar’s laws, regulations and government authorities.

Under the Power Plant JVA, ISDN Myanmar Power is responsible for all aspects concerning the investment, development, construction and management of the Power Plant.

4. FUNDING REQUIREMENTS

Under the Power Plant JVA, the Group’s initial planned capital contribution to the Joint Venture would be up to US\$5 million. Additional funding may be required from the Group in the form of shareholders’ loans or other means.

Depending on the quantum of capital contribution for the Joint Venture eventually required of the Group, the Group may leverage on financing from financial institutions or on internal resources including equity financing by way of a placement of new shares or rights issue of new shares, to fund such capital contribution.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and controlling Shareholder(s) and / or their associates has any interest, direct or indirect, in the transactions disclosed above or as contemplated under the Power Plant JVA.

The proposed Joint Venture with TTMCL is subject to the fulfilment of the Conditions Precedent; adequacy of funding and is also subject to compliance by the Group with the requirements of the Listing Manual.

In the circumstances, there is no assurance that the Joint Venture will proceed and accordingly, Shareholders ought to exercise caution when trading or dealing in their shares. Shareholders and potential investors should also seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

By Order of the Board

Teo Cher Koon
Managing Director and President
ISDN Holdings Limited

1 June 2013