

YINDA INFOCOMM LIMITED
(Company Registration No: 201506891C)
(Incorporated in the Republic of Singapore)

PROPOSED CONVERSION OF SHAREHOLDERS' LOANS INTO 20,833,333 NEW ORDINARY SHARES IN THE CAPITAL OF YINDA INFOCOMM LIMITED

1. INTRODUCTION

The Board of Directors ("**Board**" or "**Directors**") of Yinda Infocomm Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 8 November 2020 entered into a conditional debt conversion deed ("**Debt Conversion Deed**") with Yinda Pte. Ltd. ("**YPL**"), the Company's controlling shareholder.

2. TERMS OF THE PROPOSED DEBT CONVERSION

As at the date of this announcement, YPL has extended to the Company loans amounting to a total principal sum of S\$4,608,156 for working capital purposes. The loans are unsecured and bears an interest of 3.25% per annum. The total interests outstanding to date amounts to S\$209,279. Hence, the total amounts owing by the Company to YPL is S\$4,817,435 ("**Outstanding Amount**"). Of the total principal sum, S\$3,456,000 is repayable by December 2020 while the remaining S\$1,152,156 are repayable by May 2021.

Pursuant to the Debt Conversion Deed, YPL has agreed to convert an aggregate amount of S\$1,500,000 ("**Conversion Amount**") into 20,833,333 new ordinary shares in the capital of the Company ("**Debt Conversion Shares**"), fractional entitlements to be disregarded, at the issue price of S\$0.072 per Debt Conversion Share. ("**Proposed Debt Conversion**"). The Debt Conversion Shares are issued in partial repayment of the Outstanding Amount.

Pursuant to the terms of the Debt Conversion Deed, YPL has agreed to waive its rights to any further interest which accrue on the Conversion Amount from 8 November 2020.

Issue Price

The issue price of each Debt Conversion Share is at a 9.77% discount to the volume weighted average price of the Company's shares on 6 November 2020 of S\$0.0798, being the last full market day on which shares were traded prior to the signing of the Debt Conversion Deed.

The issue price for each Debt Conversion Share was arrived at after taking into consideration, *inter alia*, the prevailing market conditions, the recent share prices of the Company, the rationale for the Proposed Debt Conversion as set out in paragraph 5 below, YPL's undertaking to provide financial support for the Group when necessary and the amount of financial support provided by YPL to the Company to date, and was mutually agreed between the Company and YPL.

Debt Conversion Shares

The Debt Conversion Shares will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares, except that they will not rank for any dividend, right, allotment or other distributions the record date for which falls on or before the date of issue of the Debt Conversion Shares.

The Company has not imposed any moratorium on the Debt Conversion Shares.

Additional Listing Application

The Company will, through its Sponsor, make an application to the SGX-ST for the listing of and quotation for the Debt Conversion Shares on on the Catalist Board (“**Catalist**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). An announcement will be made in due course to notify the Shareholders when the listing and quotation notice is obtained.

3. CONDITIONS FOR THE PROPOSED DEBT CONVERSION

Completion of the Proposed Debt Conversion is conditional upon, *inter alia*, the fulfilment of the following conditions precedent:-

- (i) the receipt of the listing and quotation notice for the listing and quotation of the Debt Conversion Shares on Catalist and, not having been revoked or amended and, where such approval is subject to conditions, to the extent that any conditions for the listing of and quotation for the Debt Conversion Shares on Catalist are required to be fulfilled on or before the completion date for the Proposed Debt Conversion, they are so fulfilled;
- (ii) the approval of the shareholders of the Company (“**Shareholders**”) being obtained in respect of the Proposed Debt Conversion, including but not limited to the allotment and issue of the Debt Conversion Shares, and the same not having been withdrawn or revoked; and
- (iii) the allotment and issue of the Debt Conversion Shares being in compliance with the Securities and Futures Act, Chapter 289 in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore.

4. SHAREHOLDING INTEREST FOLLOWING PROPOSED DEBT CONVERSION

The details of the Proposed Debt Conversion and YPL's shareholding interest in the Company before and after the Proposed Debt Conversion are set out below:

Debt Conversion Amount (\$)	Before the Proposed Debt Conversion		Details of the Proposed Debt Conversion			After the Proposed Debt Conversion	
	Current number of Shares held	Shareholding percentage ⁽¹⁾	Number of Debt Conversion Shares to be issued in repayment	Number of Debt Conversion Shares as a percentage of the existing share capital of the Company ⁽¹⁾	Number of Debt Conversion Shares as a percentage of the enlarged share capital of the Company ⁽²⁾	Total number of Shares held	Total number of Shares held as a percentage of the enlarged share capital of the Company ⁽²⁾
1,500,000	44,437,180	19.49%	20,833,333	9.14%	8.37%	65,270,513	26.23%

Notes:

- (1) Based on the number of ordinary shares ("**Shares**") held by YPL divided by the existing 228,000,000 Shares before the Proposed Debt Conversion (adjusted for rounding).
- (2) Based on the number of Shares held divided by the enlarged 248,833,333 Shares in the Company after the completion of the Proposed Debt Conversion (adjusted for rounding).

5. RATIONALE FOR THE DEBT CONVERSION

Based on the latest audited financial statements of the Group for the financial year ended 31 May 2020, the Group and the Company incurred a net loss of S\$3.16 million and S\$5.13 million respectively. As at 31 May 2020, the Group's and the Company's current liabilities exceeded the current assets by \$237,000 and \$1,013,000 respectively. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's and the Company's operating environment and has impacted the Group's operations in Singapore, Philippines and Thailand as well as its financial performance, cash flows and liquidity in the last quarter of 2020.

While the Group had, on 16 October 2020 completed a subscription exercise which raised total net proceeds of approximately S\$3.8 million ("**Subscription Proceeds**"), the Board and Management has earmarked a majority of the Subscription Proceeds for new business opportunities to diversify the revenue streams of the Group and the remaining proceeds for working capital purposes. Hence, the Group has not utilised the Subscription Proceeds to repay the Outstanding Amounts.

The Proposed Debt Conversion, though only comprising partial repayment of the Outstanding Amount, will enable the Group to (i) improve its working capital position and net tangible assets value, (ii) reduce its indebtedness, gearing and loss per share, (iii) reduce the Outstanding Amount by the Conversion Amount which is to be repaid by December 2020 in view of the current financial and cash position of the Group, and (iv) allow the Group to focus its resources on stabilising its business activities and better financial position to enable it to continue as a going concern. In respect of the remaining Outstanding Amount that is repayable by December 2020, the Company is in discussions with YPL to extend the repayment date.

6. SHAREHOLDERS' APPROVAL REQUIRED FOR THE PROPOSED DEBT CONVERSION

YPL is wholly owned by Shanghai Yinda Science and Technology Industrial Co Ltd ("**Shanghai Yinda**"). Shanghai Yinda is in turn 68% held by Shanghai Yinda Technology Group Co Ltd ("**Shanghai Yinda Group**") and 32% held by Madam Song Xingyi ("**Madam Song**"), the Non-Independent, Non-Executive Chairman of the Company. Shanghai Yinda Group is in turn 52% held by Madam Song, 34% held by Mr Wang Hua and 14% held by Mr Wang Zhijun. Madam Song is the spouse of Mr Wang Zhijun and mother of Mr Wang Hua.

The allotment and issue of the Debt Conversion Shares pursuant to the Debt Conversion Deed require the approval of Shareholders under Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rules 804 and 805(1) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"), as YPL is an associate of Madam Song and the Debt Conversion Shares will not be issued pursuant to the general mandate granted by Shareholders during the annual general meeting held on 29 October 2020 ("**2020 AGM**").

In addition, Rule 812(1) of the Catalist Rules provide that an issue of shares must not be placed to corporations whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10% unless specific Shareholders' approval has been obtained.

As YPL is currently a controlling shareholder of the Company holding 19.49% of the total number of issued shares as at the date of this announcement and is an associate of Madam Song, the Proposed Debt Conversion constitutes an interested person transaction under Chapter 9 of the Catalist Rules. Pursuant to Rule 906 of the Catalist Rules, an issuer must obtain shareholders' approval for an interested person

transaction of a value equal to, or more than 5% of the Group's latest audited net tangible asset ("NTA") value.

The Conversion Amount represents approximately 416.67% of the audited NTA of the Group for FY2020 amounting to S\$360,000. As such, Shareholders' approval is required for the Proposed Debt Conversion at an extraordinary general meeting ("EGM") to be convened in accordance with Rule 906 of the Catalist Rules as the transaction has exceeded 5% of the Group's audited NTA for FY2020.

Pursuant to Rule 804 and Rule 919 of the Catalist Rules, YPL and its associates shall abstain from exercising their voting rights in respect of all existing issued shares in the capital of the Company owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the resolutions to approve the Proposed Debt Conversion and the issue and allotment of Debt Conversion Shares.

7. TOTAL AMOUNT OF INTERESTED PERSON TRANSACTIONS

The Company has obtained the Anhui IPT General Mandate and the Shanghai Yinda S&T IPT General Mandate (details of which are found in the Company's addendum to the Annual Report dated 14 October 2020) to conduct interested person transactions at the 2020 AGM. There were no interested person transactions conducted under the Anhui IPT General Mandate and the Shanghai Yinda S&T IPT General Mandate from 1 June 2020 up to the date of this announcement.

Save for the Proposed Debt Conversion, there are no interested person transactions, excluding transactions which are less than S\$100,000, entered into by the Group with YPL or any other interested persons for the current financial year ending 31 May 2021.

8. FINANCIAL EFFECTS OF THE PROPOSED DEBT CONVERSION

The table illustrating the financial effects of the Proposed Debt Conversion on (i) the net tangible asset per share of Group; (ii) the earnings per share of the Group; and (iii) the gearing ratio of the Group have been prepared based on the Group's latest audited consolidated financial statements for FY2020 and the following principle assumptions:

- (i) the financial effects on the Group's net tangible asset ("NTA") per Share and the gearing of the Group are computed based on the assumption that the Proposed Debt Conversion had been completed on 31 May 2020;
- (ii) the financial effect on the Group's the loss per Share ("LPS") is computed based on the assumption that the Proposed Debt Conversion had been completed on 1 June 2019; and
- (iii) the expenses incurred for the Proposed Debt Conversion are estimated to be approximately S\$50,000.

For the avoidance of doubt, these financial effects do not take into account (i) any other corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 June 2020.

8.1 NTA of the Group

Assuming the Proposed Debt Conversion had been completed on 31 May 2020, the financial effects of the Proposed Debt Conversion on the NTA per share of the Group as at 31 May 2020 are as follows:

Before the Proposed Debt Conversion (S\$)	After the Proposed Debt Conversion (S\$)
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NTA attributable to equity holders of the Company (S\$)	360,000	1,810,000
Number of shares	152,000,000	172,833,333
Effect of the Proposed Debt Conversion on the NTA per share (S\$ cents)	0.24	1.05

8.2 LPS of the Group

Assuming the Proposed Debt Conversion had been completed on 1 June 2019, the financial effects on the LPS of the Group for FY2020 are as follows:

	Before the Proposed Debt Conversion (S\$)	After the Proposed Debt Conversion (S\$)
Net loss attributable to equity holders of the Company (S\$)	(3,156,000)	(3,157,250) ^(a)
Number of shares	152,000,000	172,833,333
Effect of the Proposed Debt Conversion on the LPS (S\$ cents)	(2.08)	(1.83)

Note:

- (a) Net loss attributable to equity holders of the Company is computed after taking into consideration estimated expenses incurred for the proposed debt conversion of S\$50,000 and loan interest savings of S\$48,750.

8.3 Gearing of the Group

Assuming the Proposed Debt Conversion had been completed on 31 May 2020, the financial effects of the Proposed Debt Conversion on the gearing of the Group as at 31 May 2020 are as follows:

	Before the Proposed Debt Conversion (S\$)	After the Proposed Debt Conversion (S\$)
Total Borrowings (S\$) ⁽¹⁾	5,485,000	3,985,000
Net Borrowings (S\$) ⁽²⁾	5,059,000	3,609,000
Total liability and equity (S\$)	13,556,000	13,506,000
Gearing ⁽³⁾	0.40	0.30

Net gearing⁽⁴⁾

0.37

0.27

Notes:

- (1) Total borrowings is a summation of borrowings from financial institution, factoring and loan from YPL as at 31 May 2020.
- (2) Net Borrowings is total borrowings less cash and cash equivalents.
- (3) Gearing is computed using total borrowings divided by total liabilities and equity.
- (4) Net gearing is computed using net borrowings divided by total liabilities and equity.

9. AUDIT COMMITTEE STATEMENT

Pursuant to Rule 917(4)(a) of the Catalist Rules, a statement (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or (ii) that the audit committee is obtaining an opinion from an IFA before forming its view. Rule 921(4)(b)(i) of the Catalist Rules states that the opinion of an IFA is not required for an issue of Shares pursuant to Part IV of Chapter 8 of the Catalist Rules if the audit committee provides an opinion in the form required in Rule 917(4)(a) of the Catalist Rules.

In this regard, the Audit Committee of the Company, after taking into consideration the terms, rationale and financial effects of the Proposed Debt Conversion, is of the opinion that the Proposed Debt Conversion is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority Shareholders.

10. CIRCULAR AND EGM

The Company will be convening an EGM to seek Shareholders' approval for the Proposed Debt Conversion, and a circular containing, *inter alia*, the notice of the EGM and details of the Proposed Debt Conversion will be despatched to the Shareholders in due course.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Madam Song and YPL, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Debt Conversion, other than through their respective shareholdings (if any) in the Company.

12. CONFIRMATION BY DIRECTORS

The Proposed Debt Conversion will not result in any new cash proceeds for the Company. The Directors are of the opinion that after taking into consideration the present bank facilities available to the Group and the continued financial support from the holding company of YPL, the working capital available to the Group is sufficient to meet its present requirements.

13. DOCUMENTS FOR INSPECTION

A copy of the Debt Conversion Deed is available for inspection at the registered office of the Company at 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 during normal business hours for 3 months from the date of this announcement.

14. DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors 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, this announcement constitutes full and true disclosure of all material facts about the Proposed Debt Conversion, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

Shareholders and potential investors should note that the Proposed Debt Conversion is subject to the fulfilment of, *inter alia*, the conditions set out above, including the obtaining of the relevant regulatory approvals, and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial tax or other professional advisers. Further announcements will be made by the Company as and when appropriate.

BY ORDER OF THE BOARD

Mdm. Song Xingyi
Non-Executive and Non-Independent Chairman
9 November 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Ong Hwee Li (Tel +65 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.