

**TOTM TECHNOLOGIES LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 201506891C)

**PROPOSED DISPOSAL OF SHAREHOLDING INTERESTS IN YINDA TECHNOLOGY SINGAPORE PTE. LTD. AND YINDA TECHNOLOGY (THAILAND) CO., LTD.**

**– RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”)**

**INTRODUCTION**

The board of directors (the “**Board**”) of TOTM Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 10 December 2021 in relation to the Proposed Disposal (the “**Announcement**”).

*Unless otherwise defined herein, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the Announcement.*

**RESPONSES TO QUERIES FROM THE SGX-ST**

The Company had on 13 December 2021 received the following queries from the SGX-ST, and sets out its responses below:

S/No.	Query from the SGX-ST	Response from the Company
1.	<p>For the purposes of the Proposed Disposal, the Company has commissioned Cushman &amp; Wakefield VHS Pte. Ltd. as an independent valuer (the “<b>Independent Valuer</b>”) to assess and determine the market value of 100.00% equity interests in the capital of the Target Companies as at 30 September 2021 for the Proposed Disposal. The indicative market value of 100% equity interest in the capital of the Target Companies as at 30 September 2021 is S\$nil.</p> <p>(a) What are the valuation methods engaged by the Independent Valuer to arrive at the market value of S\$nil for the Target Companies?</p> <p>(b) What were the key factors or assumptions considered by the Independent Valuer in arriving at the valuation?</p> <p>(c) YTS is in the business of providing installation and implementation of telecommunication related products and services. YTT is in the business of providing telecommunication network services. Are there contracts and</p>	<p>(a) For the indicative valuation, the Independent Valuer has considered three (3) valuation approaches (being the cost / asset approach, income approach and market approach) and has adopted the cost / asset approach for the valuation of 100% equity interest in the capital of Target Companies. Cost / asset approach is selected as there is no reliable information nor feasible future business plan that may suggest the ability to generate future income. Income approach is not adopted as the Target Companies are not expected to generate future economic benefits in the foreseeable future. Market approach is not selected as there is no single company that is comparable in size, business and operations of the Target Companies. In addition, even if comparable companies are selected as reference, the volatilities from multiples of comparable companies make it difficult to conclude a reliable amount for valuation by adopting the result from a single market multiple.</p>

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	<p>projects which are ongoing? Did the Independent Valuer take into account potential working capital inflows arising from these projects? What are the board's views as to whether there are any value ascribed to these projects?</p>	<p>(b) Key factors / assumptions considered in arriving at the valuation includes, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> <li>(i) the Target Companies are expected to be sold on a combined basis as a package to a single buyer, therefore the positive market value of YTT has been offset by the negative value of YTS;</li> <li>(ii) the Target Companies are presently loss making;</li> <li>(iii) there is no visibility of feasible future plan that suggest the ability of the Target Companies to generate future income; and</li> <li>(iv) barring any unforeseen circumstances on factors that may affect the result of operations, business and financials of the Target Companies including but not limited to unexpected change in regulatory requirements, potential claims and disputes on defective works, credit default risk and condition of COVID-19.</li> </ul> <p>(c) There are open purchase orders or contracts with customers and that are pending execution and completion as of the valuation date for both YTS and YTT of about S\$3.1 million and THB109 million (approximately S\$4.4 million) respectively. These have been included in the Independent Valuer's considerations for the Market Values of YTS and YTT. Based on the discussion with the management of the Target Companies, the Management of the Company and the Board are of the view that the Target Companies are not expected to be profitable, after taking into consideration that these contracted projects are generally having lower margins due to market competition to get bigger projects, and the costs required to execute the projects such as staff salary and rental which are fixed cost. YTS and YTT had been incurring negative earnings before income tax ("EBIT") for FY2020, FY2021 and financial period</p>

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		<p>ended 30 September 2021 and is expected to continue to incur negative EBIT in the foreseeable future which indicates that the contracts are not expected to contribute significant value to the Target Companies.</p>
2.	<p>Yinda Technology Singapore (YTS) recorded a loss of S\$2,136,829 for FY2021 and has a net liability value of S\$3,017,640 as at 31 May 2021. Yinda Technology Thailand (YTT) recorded a loss of THB14,941,346 (approximately S\$654,000) for FY2021 and has a net asset value of THB39,081,566 (approximately S\$1,592,000) as at 31 May 2021. What are the key assets of YTS and YTT? Did the board and management consider stripping out the assets of the Target Companies and disposing them separately?</p>	<p>For YTS, key assets are mainly contract assets of S\$1.4 million, trade and other receivables of S\$0.7 million and inventories of S\$0.6 million as at 31 May 2021.</p> <p>For YTT, key assets are mainly contract assets of THB60.0 million (approximately S\$2.5 million) and trade and other receivables of THB7.8 million (approximately S\$0.3 million) as at 31 May 2021.</p> <p>Having considered the nature of the assets which are operating assets linked directly with the business, it would be more meaningful for the Company to find a buyer to purchase the Target Companies as a whole, including taking over the operating liabilities.</p> <p>Please refer to paragraph 4.5 of the Announcement and the responses below, where the Company elaborated on the considerations for the Proposed Disposal as a packaged sale instead of an individual asset sale.</p>
3.	<p>Who suggested / introduced the buyer to the Company for the Proposed Disposal?</p>	<p>There is no introducer for the Proposed Disposal. Mdm. Song Xingyi, the Non-executive and Non-independent Director of the Company is also a director and the ultimate shareholder of YPL. Following a strategic review of the business operations by the Board during the financial year, the Board was considering the divestment of the Telecommunications Business in view of the challenging business landscape and the loss making positions of the business. The Management of the Company subsequently approached YPL in October 2021 to seek its interest in acquiring YTS and YTT which eventually led to the consummation of the SPA relating to the Proposed Disposal. As Shanghai Yinda Group, the parent company of YPL is in the information technology, telecommunications and related business industry, the Management of the Company had approached YPL in consideration of YPL's familiarity with the telecommunications industry.</p>

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4.	<p>The Proposed Disposal is in line with the Company's diversification into the business of development and provision of identity management biometric technology solutions earlier in April 2021 and the intention to reduce the Group's reliance on the Telecommunications Business.</p> <p>(a) How long was the Company's process in looking for a buyer for the Proposed Disposal? What efforts did the Company put in to secure buyers for the Target Companies?</p> <p>(b) How many other offers did the Company secure? What are the Board's views as to whether the current Proposed Disposal to YPL is the best offer available and in the best interests of the Company and the minority shareholders?</p>	<p>(a) A detailed explanation on the rationale for the Proposed Disposal has been elaborated in paragraph 4.5 of the Announcement. Pursuant to the analysis made by the Management as disclosed thereunder, and with the current focus of the Company on the Biometrics Business, the Management decided to approach YPL due to its familiarity with the Telecommunications Business and also having considered that the Management would not need to expend additional costs or resources for a formal process to look for a buyer for the Proposed Disposal should YPL agree to the Proposed Disposal on terms agreed upon between YPL and the Company.</p> <p>(b) As mentioned in the response to Query 3 above, in early October 2021, the Management of the Company approached YPL on its interest in acquiring the Target Companies given that the Board was considering the divestment of the Telecommunications Business. Thereafter, YPL confirmed its interest in acquiring the Target Companies.</p> <p>As mentioned in paragraph 4.5 of the Announcement, a unique and compelling term of the Proposed Disposal was that it allowed the Company to novate to YPL an outstanding aggregate amount owed under the Existing Shareholder's Loans by the Target Companies, to be set-off against S\$3,235,166 of the Existing YPL Loan (with the remaining of the Existing YPL Loan set off by the Consideration).</p> <p>On the other hand, if the Company was to sell the Target Companies to third parties on a standalone or combined basis, the consideration is unlikely to be sufficient to repay the full amount of the Existing YPL Loan as the net liability value of YTS was approximately S\$3.0 million and the net asset value of YTT was approximately S\$1.6 million as at 31 May 2021, with a net negative value on a combined basis. At the same time, it is also unlikely that the majority of the Existing Shareholder's Loans of</p>

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		<p>approximately S\$4.2 million will be recoverable due to the Target Companies' financial situation.</p> <p>Therefore, the Board and Management did not reach out to any third party as it deemed the offer from YPL to be favourable to the Group and the Board viewed the Proposed Disposal to YPL to be in the best interests of the Company and the minority shareholders under current circumstances.</p>
5.	<p>The Proposed Disposal is an avenue for the Company to reduce its ongoing operational costs in relation to the Telecommunications Business and exit from its investment in the Target Companies, so that more resources can be deployed to focus on growing and developing its portfolio within the Biometrics Business which has proven to be more profitable. Please elaborate on the financial impact of ongoing operational costs and the level of operations in relation to the Telecommunications Business if the Proposed Disposal is not carried out.</p>	<p>As at date of the valuation (30 September 2021), representing 4 months of results covering the financial period from 1 June 2021 to 30 September 2021, YTS incurred total expenses of up to S\$1.0 million and suffered losses of S\$0.1 million while YTT incurred total expenses of THB21.8 million (approximately S\$0.9 million) and suffered losses of THB8.3 million (approximately S\$0.3 million). On a pro forma basis, assuming the extrapolation to 12 months, the combined cost and losses of both companies are S\$5.7 million and S\$1.2 million respectively. Hence, it is in the best interest of the Group to complete the Proposed Disposal expeditiously.</p>

#### **FURTHER ANNOUNCEMENTS**

The Company will make the appropriate announcements as and when there are material developments on the Proposed Disposal.

#### **CAUTIONARY STATEMENT**

Shareholders should note that the Proposed Disposal remain subject to, amongst others, the fulfilment of the conditions precedent under the SPA. There is no certainty or assurance that the conditions precedent for the Proposed Disposal can be fulfilled or that the Proposed Disposal will be undertaken at all. Shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their Shares or securities of the Company.

#### **BY ORDER OF THE BOARD**

Mr. Pierre Prunier  
Chief Executive Officer and Executive Director  
15 December 2021

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange 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 Ms. Charmian Lim (telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*