**DIGILIFE TECHNOLOGIES LIMITED**
Company Registration No.: 199304568R
(Incorporated in the Republic of Singapore)

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**RESPONSE TO SIAS QUERIES**

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The Board of Directors (the "**Board**") of Digilife Technologies Limited (the "**Company**" together with its subsidiaries, the "**Group**") were informed of certain queries raised by Securities Investors Association (Singapore) (the "**SIAS**") on 19 April 2024 in respect of the Company's Annual Report for financial year 2023 announced on 12 April 2024. The Board would like to take the opportunity to address these queries as follows:

1. **<u>SIAS's Question 1</u>**

As announced by the Company on 20 February 2024, the Group, through PT Selular Global Net (SGN), opted not to participate in the distribution agreement renewal process of the telecom operator, XL Axiata. Consequently, the telecom distribution agreement between SGN and XL Axiata will not be renewed after its expiration on 29 February 2024.

The group ceased to be a distributor for XL Axiata, after the transition period ended on 31 March 2024. The group made the decision due to the less favourable terms offered by XL Axiata and the perceived risks of disruption to this legacy model.

**(i) Given that XL Axiata contributed 19% of the group's revenue in 2023, will SGN need to deploy its resources to other businesses or potentially downsize a significant portion of its existing workforce?**

**Company's Response:**

Telecom operator contracts operate on the principle that resources are deployed according to the guidelines set by the operator. The workforce directly involved in the XL Axiata was absorbed by themselves (i.e. XL Axiata). Those indirectly involved in the XL Axiata were either released or engaged in other business areas depending on the business requirements of the Group.

**(ii) What is the estimated financial impact due to the non-renewal, including potential costs related to early termination penalties (if any), severance packages, and impairment of fixed assets? Has the group recognised any provision in the financial statements for the year ended 31 December 2023?**

**Company's Response:**

As per the company's announcement on 20 February 2024, the distribution business of XL Axiata ceased operations in the financial year 2024. Consequently, no provisions were accounted for in the financial statement for the year ending 2023.

The Non-Renewal will result in a reduction in the overall revenue and profitability of the Group during the financial year of 2024. However, the revenue reduction will be accompanied by a corresponding reduction in associated costs as the XL distribution area is transitioned.

There were no significant costs incurred by the Company related to early termination penalties, severance packages, or impairment of fixed assets.

**(iii) How much working capital is expected to be freed up?**

**Company's Response:**

Approximately S$2.5 million working capital has been released from the Company's inventory and trade receivables due to the non-renewal of XL Axiata distribution business.

**(iv) Considering that the group remains as the authorised distributor for PT Telekomunikasi Selular (Telkomsel) and PT Indosat, what strategies are being explored to improve operational efficiency and maximise value creation in collaboration with these key partners? Who is spearheading the initiatives to transform the group's telecom business?**

**Company's Response:**

As announced by the Company from time to time, the distribution business remains a competitive and challenging business due to stiff competition, declining margins and the emergence of new digital distribution channels. Our strategy to enhance operational efficiency and maximize value creation with our current telecom partners in Indonesia revolves around streamlining and optimising our existing distribution processes through dedicated & focused team, thorough review process, resource allocation, harnessing technology to increase the efficiency of our inventory and sales management processes.

As part of our efforts to build long-term and effective partnerships with our partners, our local teams at every area wise distribution channels (**"Cluster Level"**) actively coordinates with our existing business partners on a day-to-day basis to discuss and refine existing market strategies to meet key performance indicators (KPIs) set by the Telco operators to maximize our profit margins. This is facilitated through our dedicated individual business heads working directly with the respective telco operators, and an overall business head located in Indonesia. The local team is guided by the management team and its Board on strategic directions for the Group.

**(v) Nevertheless, can the board also provide insight into the potential risks posed by the disruption of the entire distribution business, which has been categorised as a "legacy model"?**

**Company's Response:**

The distribution business is considered as a 'legacy model' as the traditional methods of distribution have been disrupted by the emergence of digital and chain of stores (modern distribution channels) and are categorized and handled separately by the separate designated teams of the Telco operators. These modern distribution channels are not significant part of Company's distribution business. Considering the rise and evolution in the modern distribution channels, the Company is finding new ways in digitization the business and be competitive to keep up the market share. Moving forward, the Group remains committed to leveraging technology to augment its distribution channels further. This includes a concerted effort to explore and integrate modern distribution networks, capitalizing on innovative solutions to enhance efficiency and reach within the market.

2. **<u>SIAS's Question 2</u>**

As disclosed in the annual report, the company has shifted its focus from telecom/information communications and technology (ICT) to emerging construction material technologies. Management has indicated that it is currently in the process of developing plans to execute this strategy.

The new strategic direction aims to capitalise on the expansive real estate market in India, leveraging the parent group's "extensive experience and strong brand equity in India".

**(i) Can the board and the management team help shareholders better understand their experience and track record in the construction/material segment?**

**Company's Response:**

The Company has been strategizing for the last few years to identify new areas of expansion. Accordingly, it has identified emerging construction material technologies as one of the growing areas of business particularly in developing markets like India. However, considering that the new construction technology market is specialized and requires huge capital investments, the Company is working cautiously to make sure that it has the necessary capabilities and finances before venturing into this market. Therefore, at this time there are no concrete plans or projects which the Company has in hand to commit to this Industry.

**(ii) Does the group have the financial resources to invest in early-stage companies and/or emerging technologies, considering the high likelihood of failure in such ventures?**

**Company's Response:**

The Board is currently in discussions, carefully weighing the potential risks and rewards associated with new business opportunities, with the primary focus on acting in the best interest of shareholders. The Company will announce as and when it has any material and firm information on such developments to its shareholders.

**(iii) Has the board set a limit on the amount it would be investing in this proposed new business?**

**Company's Response:**

As mentioned, the Board is currently in discussions and conducting feasibility studies, to weigh the potential risks and rewards prior to pursing any new business opportunities.

**(iv) What is the board's approach to structuring any potential deals to safeguard the company's interest while sharing risks with the vendors/promoters?**

**Company's Response:**

Please refer response to question (ii) and (iii) above.

**(v) Will the board seek shareholders' approval for any diversification into new businesses that could significantly alter the group's risk profile?**

**Company's Response:**

The Board has followed the applicable laws and listing rules and will accordingly seek shareholders' approval as and when necessary to remain in compliance with the applicable rules and regulations.

3. **<u>SIAS's Question 3</u>**

As noted in the corporate governance report, the company does not have a dividend policy. The board in considering dividend payments will take into account factors such as the company's earning, financial condition, capital requirements, business expansion plans and cash flow.

No dividend has been declared for FY2023 as the group intends to conserve cash for future investments. The company last declared a capital reduction of $0.729 per share in 2016.

Cash flows generated from operating activities have been positive for the past three years and the group has maintained a strong net cash position for several years.

**(i) Has the board calculated the company's cost of capital?**

**Company's Response:**

Over the past decade, the company has not raised equity funds, and the current loan of the Group carries an interest rate ranging between 8% and 11% in its operating markets of India and Indonesia.

**(ii) Is the group consistently achieving returns that exceed the cost of capital after adjusting for risk?**

**Company's Response:**

Over the last few half-yearly results as announced by the Company, the Company is consistently maintaining a profit after accounting for the interest payable arising from the Company's outstanding borrowings. Earnings per share has also been disclosed in the various financial results announced by the Company.

**(iii) Separately, did the board strategise on the optimal capital structure to support the group's businesses?**

**Company's Response:**

The Company has been strategizing to venture into new business areas. Once the business direction is confirmed, the Company will work on an optimal capital structure according to the requirement at that time. Currently, remaining profitable amidst a challenging business environment is the main focus for the Company.

**(iv) What deliberations did the directors have on paying out a dividend to shareholders in FY2023?**

**Company's Response:**

Based on the current size of profits for FY2023, the Board viewed that it would not be meaningful to pay dividends.

**(v) Does the board share the view that a company can effectively balance generate value for shareholders through dividends while also funding new business initiatives in a sustainable manner?**

**Company's Response:**

The Board and Management are indeed aligned with the view that a company can effectively balance generating value for shareholders through dividends while simultaneously funding new business initiatives in a sustainable manner. However, considering the size of the Company and the limited fund pool, the balance is difficult to achieve at this juncture. Notwithstanding, the Company is working hard towards improving and refining its business, such that it will be able to consistently generate value for its shareholders.

**BY ORDER OF THE BOARD**

**Chada Anitha Reddy**
Executive Director & Chairperson
Digilife Technologies Limited

28 April 2024

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*This announcement has reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the* ***"Sponsor"****). It 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 document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Mr. Shervyn Essex, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg*