

DATAPULSE TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No: 198002677D)

RESPONSE TO SGX QUERIES

The Board of Directors ("**Board**") of Datapulse Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**") has received certain queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 April 2023 in relation of the Company's unaudited financial results for the six months ended 31 January 2023 ("**1H2023 Financial Statements**") and reproduce below, such queries, and the Company's responses thereto.

Query 1:

The Group reported an increase in its long-term receivables under its non-current assets from S\$6,167,000 as at 31 July 2022 to S\$6,257,000 as at 31 January 2023.

At page 13, it disclosed that: *"Long-term receivables relate to shareholder loans provided to two investee companies in which the Group has a 15% interest and 5% interest respectively. The long-term receivables are interest free, except for the amount of \$1,373,000 (31 July 2022: \$1,283,000) which bears an interest of 3.85% (31 July 2022: 3.85%) per annum."*

With regard to these long-term receivables, please provide:

1. The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts;
2. Aging of the long-term receivables;
3. The Group's plans to recover these long-term receivables; and
4. The Board's assessment on the recoverability of these long-term receivables.

Response:

1. The loans are extended to special purpose vehicle companies ("SPVs") which hold the Group's hotel investments. Such loans are quasi capital in nature. It is part of the capital funding strategy of the Company to limit the amount of equity and provide loans for the remaining requirements. This is so that funds generated in the future can be repatriated back to the holding company instead of having to go through the route of dividends or return of capital. Similarly, loans are provided on a pro rata basis and on the same terms by the other shareholders who are majority third party partners.

For the Group's 15% investment in Travelodge Myeongdong Euljiro, the majority 85% interest in the hotel was held by the majority partner, a public listed company in Malaysia.

As at 31 January 2023, the total loan extended to Travelodge Myeongdong Euljiro was S\$1,373,000 (31 July 2022: S\$1,283,000).

For the Group's 5% investment in Travelodge Harbourfront Singapore, the majority 95% partners are held by subsidiaries managed by an independent privately-owned real estate investment advisor and by a privately-held alternative investment firm.

As at 31 January 2023, the total loan extended to Travelodge Harbourfront Singapore was S\$4,884,000 (31 July 2022: S\$4,884,000).

- The loans were progressively made to the SPVs from the date of their formation for the reason explained above. The aging is therefore not meaningful. Such loans will be repaid out of the excess funds generated primarily out of the profits of the SPVs or when the Company divests the investments.
- Please refer to point 2 above.
- As at last valuation by a third-party property valuer in 2022, the value of the properties are higher than the corresponding combined value of the shareholder loans and loans from banks. As such, no impairment is required for any of the shareholder loans.

Query 2:

The Group reported trade and other payables of S\$558,000 as at 31 January 2023. At page 14, it provided that:

13. Trade and other payables

	Group		Company	
	31.1.2023	31.7.2022	31.1.2023	31.7.2022
	\$'000	\$'000	\$'000	\$'000
Trade payables	75	71	-	-
Accrued operating expenses	361	434	100	132
Amounts due to subsidiaries (non-trade)	-	-	27	27
Interest payables	2	3	2	3
Other payables	120	127	18	42
	558	635	147	204

The trade payables are unsecured, interest-free and has a credit term of 30 days (31 July 2022: 30 days).

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

In this regard:

- Please provide details regarding the aging and nature of these trade and other payables of S\$558,000, and address whether the counterparties are related parties.
- Please provide the reason(s) for the trade and other payables amounting to S\$558,000, when the Group recorded cash and cash equivalents of S\$11,157,000 as at 31 January 2023.

Response:

- Trade Payables consist of ordinary payables to third-party vendors in respect of expenses incurred for the operation of the Group which are based on ordinary trade terms, in the normal course of business.

Accrued Operating Expenses consist of expenses that the Group has incurred such as payroll related expenses, professional fees, management fees, utilities and property taxes for which invoices have not been received. Included in the Accrued Operating Expenses is an amount of S\$24,000 due to a creditor in which a director of the Company has an interest in.

Other Payables consist of payables to non-trade creditors for liabilities incurred. Included in the Other Payables is an amount of S\$35,000 due to a creditor in which a director of the Company has an interest in.

- The Group settles its payables on a regular basis as and when they fall due.

Query 3:

Please explain the decrease in the Group's cash and cash equivalents from S\$27,519,000 as at 31 January 2022 to S\$11,157,000 as at 31 January 2023.

Response:

The decrease in the Group's cash and cash equivalents amounting to approximately S\$16.4 million is mainly due to the following:

	S\$'million
Repayment of bank loans	(20.5)
Proceeds from disposal of quoted investments	3.2
Proceeds from rights issue of warrants	0.9
Net cash generated from hotel operations	0.5
Others (mainly Group's operating expenses)	(0.5)
	<u>(16.4)</u>

Query 4:

We refer to the following at page 15:

"Use of proceeds raised from private placement"

The net placement proceeds from the issuance of shares to Lian Beng Group Ltd during the financial year ended 2015 of \$7.3 million are intended to be used for property related businesses, of which \$4.9 million had been utilised for capital expenditure incurred for Travelodge Myeongdong City Hall ("TLMC") as at 31 January 2023 and 31 July 2022.

Use of proceeds raised from rights issue of warrants

The Company raised net proceeds amounting to \$926,000 from the subscription of the rights issue of warrants for the Group's general working capital. As at 31 January 2023, \$293,000 (31 July 2022: \$Nil) had been utilised for operating expenses such as payroll, professional fees, stock exchange listing fees and others. For the proceeds arising from the exercise of warrants, up to \$5.5 million will be allocated to position for growth and the amount that exceeds \$5.5 million will be utilised for the Group's general working capital. As at 31 January 2023, 51,568 warrants (31 July 2022: Nil) had been exercised. The proceeds arising from the exercise of these warrants of approximately \$5,000 (31 July 2022: \$Nil) has not been utilised."

Please elaborate and provide details on the Group's plans to utilise (1) the remaining amount of proceeds of S\$2.4 million raised from the private placement conducted in 2015; and (2) the remaining amount of proceeds of S\$633,000 raised from the rights issue of warrants.

Response:

- (1) As mentioned in the Company's announcement on 29 April 2015, the proceeds raised from the private placement conducted in 2015 are intended to be used for property related businesses. The Company intends to use the remaining proceeds of S\$2.4 million raised from the private placement for capital expenditure of TLMC and, by combining with the exercise of warrants, invest in hospitality assets as and when opportunity arises.

- (2) As mentioned in the Company's Offer Information Statement dated 31 October 2022, the Company intends to use the net proceeds raised from the subscription of the rights issue of warrants to strengthen the Group's general working capital. The Company intends to use the remaining proceeds of S\$633,000 raised from the rights issue of warrants for future operating expenses such as payroll, professional fees, stock exchange listing fees and other day to day expenses of the Group.

BY ORDER OF THE BOARD

Lau Yin Whai
Company Secretary
18 April 2023