

DATAPULSE TECHNOLOGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No: 198002677D)

**ENTRY INTO BINDING TERM SHEET IN RESPECT OF PROPOSED DISPOSAL OF 100% OF THE ENTIRE
ISSUED SHARE CAPITAL OF WAYCO MANUFACTURING (M) SDN BHD**

*The board of directors ("**Board**" or "**Directors**") of Datapulse Technology Limited ("**Company**") refers to the Company's circular to shareholders dated 26 March 2018 ("**Circular**"). All capitalized terms used herein which are not defined but which are defined in the Circular shall bear the same meanings ascribed thereto.*

1. INTRODUCTION

- 1.1 The Board wishes to announce that the Company has, on 15 November 2018, entered into a binding term sheet ("**Term Sheet**") with Way Company Pte. Ltd. ("**Purchaser**") in respect of the proposed sale of 100% of the shares ("**Wayco Shares**") of Wayco Manufacturing (M) Sdn Bhd ("**Wayco**") by the Company to the Purchaser for an aggregate cash consideration of S\$3,176,228 ("**Proposed Disposal**").
- 1.2 This announcement is also made in response to a request from Singapore Exchange Regulation Pte Ltd ("**SGX Regco**") for an update on the Company's deliberation in respect of the Buyback Undertaking (as defined below).

2. INFORMATION ON WAYCO ACQUISITION

- 2.1 The Company and the Purchaser had on 12 December 2017 entered into a share purchase agreement ("**SPA**") pursuant to which the Purchaser sold, and the Company acquired 1,000,000 ordinary shares in Wayco, representing 100% of the issued share capital in Wayco ("**Wayco Acquisition**"), for an effective aggregate purchase consideration of S\$3,433,760¹ ("**Original Purchase Consideration**").
- 2.2 Subsequently, the Company and the Purchaser entered into a supplemental agreement to the SPA dated 15 December 2017 pursuant to which the Company and the Purchaser agreed, *inter alia*, that the Company shall have the right to require the Purchaser to buy back 100% of Wayco at the same effective purchase consideration paid by the Company, within one year from the date of completion of the Wayco Acquisition, if the Company reasonably ascertains that there are any material adverse events or matters affecting or relating to the assets, liabilities and/or business of Wayco to such a material extent which, if it had been known to the Company as at the date of the SPA, would have reasonably affected the Company's decision to enter into the SPA and to complete the Wayco Acquisition and/or the terms upon which it agrees to do so ("**Buyback Undertaking**").

¹ Pursuant to the terms of the SPA, the Purchaser was obliged to pay an amount of RM200,000 to the Company, being the shortfall amount between the value of the real properties owned by Wayco as contemplated in the SPA of RM7.5 million and the value of the real properties owned by Wayco as assessed by the independent valuer ("**Shortfall Amount**"). After taking into consideration the payment of the Shortfall Amount by the Purchaser, the effective purchase consideration paid by the Company was S\$3,433,760, after deducting the S\$ equivalent of the Shortfall Amount from the original purchase consideration of S\$3.5 million.

3. RATIONALE FOR THE PROPOSED DISPOSAL

- 3.1. Based on the audited financial statements of the Company and its subsidiaries (“**Group**”) as at 31 July 2018, (a) the net loss of Wayco included in the Group’s results is S\$19,738² for the period between 1 December 2017 and 31 July 2018 and (b) the net asset value and net tangible asset value of Wayco is S\$2,327,987³.
- 3.2. The Company has carried out a strategic review of the Wayco Acquisition, taking into consideration, *inter alia*, the due diligence findings carried out by its external consultants and in house staff and the statutory audit of Wayco, and in view of Wayco’s financial performance for FY 2018 and near-term outlook for the haircare business, the Board is of the view that effecting a disposal of its entire interest in Wayco will be in the interests of the Company and shareholders as it will enable the Company to concentrate its focus and resources on developing and growing its other core businesses, including the investment business and the property business as approved by shareholders at the extraordinary general meetings respectively held on 20 April 2018 and 8 March 2013.
- 3.3. In the event the Purchaser were to dispute the Company’s assertion of its right to exercise the Buyback Undertaking, the Company may need to engage in legal proceedings to enforce such right, *inter alia*, by demonstrating that there are salient issues surfaced which can be considered as materially adverse events or matters and which, if they had been known to the Company as at the date of the SPA, would have reasonably affected the Company’s decision to enter into the SPA and to complete the Wayco Acquisition and/or the terms upon which it agrees to do so.
- 3.4. Accordingly, the Board is of the view that the Proposed Disposal, while requiring the Company to sell back Wayco to the Purchaser at a slight discount to the Original Purchase Consideration, will allow the Company to effect the disposal of Wayco more expeditiously, and avoid the Company being engaged in potentially protracted legal proceedings to enforce its right under the Buyback Undertaking, as compared to an exercise of its right under the Buyback Undertaking.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

- 4.1. Under the Term Sheet, a precursor to a definitive buyback agreement, the Company and the Purchaser (“**Parties**”) have agreed to certain principal terms relating to the Proposed Disposal including, *inter alia*, the following terms (“**Principal Terms**”):

- (a) Consideration

The consideration payable by the Purchaser to the Company for the Wayco Shares is S\$3,176,228 (“**Consideration**”). If the net tangible asset value of Wayco (“**Wayco NTA**”) as at the Review Date (as defined below) is at least RM5,910,361.95 and less than RM6,953,367, the Consideration payable by the Purchaser upon completion of the Proposed Disposal (“**Completion**”) shall be reduced by the amount representing the difference between (i) the Wayco NTA as at the Review Date and (ii) RM6,953,367.

² Equivalent to RM58,955, which has been rounded up to the nearest whole number based on an exchange rate of S\$1:RM0.3348

³ Equivalent to RM6,953,367, which has been rounded up to the nearest whole number based on an exchange rate of S\$1:RM0.3348

(b) Deposit

Upon the signing of the Term Sheet, the Purchaser shall pay to the Company a non-refundable deposit amounting to S\$158,811.40 (being 5% of the total consideration), which will be setoff against the Consideration payable by the Purchaser at Completion. On the date of Completion, the Purchaser shall, against the Company's compliance with its Completion deliverables and subject to the fulfilment of the conditions precedent, pay the balance of the Consideration to the Company on the date of Completion.

The deposit shall be refundable only if the Company fails to obtain at a general meeting the approval for all resolutions as may be connected to, or necessary or incidental to approve, implement or effect the sale and purchase of the Wayco Shares.

(c) Conditions Precedent

The Proposed Disposal is conditional upon:

- (i) the Company having obtained at a general meeting the approval for all resolutions as may be connected to, or necessary or incidental to approve, implement or effect the Proposed Disposal, and such approval not being withdrawn or becoming subject to any conditions on or before the date of Completion; and
- (ii) the Wayco NTA, as determined by the auditors of Wayco as at a date no more than 30 days before the date of Completion ("**Review Date**"), being no less than RM5,910,361.95 (being 85% of RM6,953,367).

By way of illustration, in the event that the Wayco NTA as at the Review Date is less than RM5,910,361.95, the Purchaser is entitled to not proceed with Completion.

(d) Completion Date

Completion shall take place no later than 120 days after the date of the entry into the Definitive Agreement (as defined below).

- 4.2. Under the Term Sheet, the Parties have agreed to use good faith to negotiate and enter into a definitive agreement for the Proposed Disposal on the terms of the Term Sheet ("**Definitive Agreement**") and have further agreed that subject to any variations agreed by the Parties in the Definitive Agreement, the Principal Terms of the Proposed Disposal shall be binding.
- 4.3. The Consideration represents 92.50% of the Original Purchase Consideration (assuming no adjustment is made to the Consideration as described in paragraph 4.1(a) above) and was arrived at after arms' length negotiations and on a willing-buyer willing-seller basis, *inter alia*, after taking into consideration the matters referred to in Section 3 above.
- 4.4. For the avoidance of doubt, the Proposed Disposal is subject to the Parties entering into the Definitive Agreement. It is currently contemplated that the Parties will conclude the negotiations and enter into the necessary Definitive Agreement within 30 business days from the date of the Term Sheet.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

The financial effects of the Proposed Disposal on the Group as set out below are based on the Group's audited financial statements for the year ended 31 July 2018 and the following assumptions: (i) the Proposed Disposal had been effected at the end of the financial year ended 31 July 2018 for the computation of the effect on the net tangible assets¹ ("NTA") per share; and (ii) the Proposed Disposal had been effected at the beginning of the financial year ended 31 July 2018 for the computation of the effect on the earnings per share ("EPS").

NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to equity holders of the Company (S\$'000)	81,165	82,043
Number of ordinary shares in issue ('000) (excluding treasury shares)	219,075	219,075
NTA per share (Singapore cents)	37.05	37.45

EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(loss) attributable to equity holders of the Company (S\$'000)	34,480	34,500
Weighted average number of ordinary shares in issue ('000) (excluding treasury shares)	219,075	219,075
EPS per share (Singapore cents)	15.74	15.75

Note:

¹ Net tangible assets equal to Shareholders' funds excluding intangible assets and liabilities.

6. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL OF THE SINGAPORE SECURITIES EXCHANGE TRADING LIMITED (“SGX-ST”)**

The relative figures for the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (“**Listing Manual**”) are set out below:

Bases of Calculation	Relative Figure
<p>Rule 1006(a)</p> <p>The net asset value¹ of Wayco as at 31 July 2018 is S\$2,327,987, compared with the Group's net asset value of S\$81,164,643 as at 31 July 2018.</p>	2.87%
<p>Rule 1006(b)</p> <p>The net loss attributable to Wayco, annualized over the period of 1 August 2017 to 31 July 2018 is S\$29,607⁴, compared with the Group's net profits for the period of 1 August 2017 to 31 July 2018 of S\$34,480,042.</p>	-0.09%
<p>Rule 1006(c)</p> <p>The aggregate value of the consideration received is S\$3,176,228, compared with the Company's market capitalization² of S\$58,054,834 based on the total number of issued shares excluding treasury shares.</p>	5.47%
<p>Rule 1006(d)</p> <p>The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue</p>	Not applicable as this is not an acquisition.
<p>Rule 1006(e)</p> <p>The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.</p>	Not applicable as this is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

⁴ Based on the audited financial statements of the Group as at 31 July 2018, the net loss of Wayco included in the Group's results is S\$19,738 for the period between 1 December 2017 and 31 July 2018.

Notes:

¹ Net assets value, as defined in Rule 1002(3), means total assets minus total liabilities.

²The Company's market capitalization is determined by multiplying the Company's issued ordinary shares of 219,074,844 (excluding treasury shares) and the weighted average price of the Company's shares of S\$0.265 on 14 November 2018, being the market day preceding the date of the Term Sheet on which shares of the Company was traded on the SGX-ST.

Rule 1007 of the Listing Manual provides that if any of the relative figures computed pursuant to Rule 1006 of the Listing Manual is a negative figure, Chapter 10 of the Listing Manual may be applicable to the transaction at the discretion of the Exchange and issuers should consult the Exchange. As the relative figure under Rule 1006(b) is a negative figure, the Company consulted SGX Regco on the applicability of Chapter 10 of the Listing Manual. Following such consultation, SGX Regco has advised that the Company should seek shareholders' approval for the Proposed Disposal, having regard to the following factors:

- (a) the Wayco Acquisition was completed without substantial due diligence;
- (b) Shareholders concerns over the events surrounding the Wayco Acquisition; and
- (c) the Consideration is less than the Original Purchase Consideration.

Accordingly, the Company will be seeking the approval of shareholders of the Company for the Proposed Disposal at an extraordinary general meeting ("EGM") to be convened, and a circular containing, *inter alia*, information on the Proposed Disposal will be despatched to Shareholders in due course.

7. USE OF PROCEEDS

Assuming no adjustment is made to the Consideration as described in paragraph 4.1(a) above, the Company expects to receive gross proceeds of S\$3,176,228 from the Proposed Disposal (excluding estimated transactional expenses to be incurred in connection with the Proposed Disposal) and the excess of the gross proceeds from the Proposed Disposal (excluding estimated transactional expenses to be incurred in connection with the Proposed Disposal) over the net asset value of Wayco as at 31 July 2018 (being S\$2,327,987) is approximately S\$848,241.

The Company intends to deploy the proceeds as general working capital for the requirements of the Group's businesses and operations and for the Group to undertake new investment opportunities that may arise in the future.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's Directors and controlling shareholders (other than in their respective capacities as a Director and/or shareholder of the Company) has any interest, direct or indirect, in the Proposed Disposal.

9. CAUTIONARY STATEMENT

Shareholders of the Company should note that there is no certainty or assurance that the Definitive Agreement in respect of the Proposed Disposal will be entered into, or that the Proposed Disposal will be completed. Accordingly, shareholders of the Company are advised to exercise caution when trading in the Shares of the Company. The Company will make the necessary announcements when there are further developments on the Proposed Disposal and

other matters contemplated by this announcement. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

10. DOCUMENTS FOR INSPECTION

A copy of the Term Sheet is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 150 Beach Road, The Gateway West Level 35 Singapore 189720 for 3 months from the date of the announcement.

BY ORDER OF THE BOARD

Lee Kam Seng
Interim Chief Executive Officer
15 November 2018