

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

RESPONSE TO RECENT ARTICLES RELATING TO, INTER ALIA, THE COMPANY'S PROPOSED BUSINESS EXPANSION AND PROPOSED ACQUISITION OF HOTEL AROPA IN SEOUL, KOREA

The Board of Directors ("**Board**") of Datapulse Technology Limited (the "**Company**" or "**Datapulse**") refers to the articles posted by Professor Mak Yuen Teen ("**MYT**") on his website ("*Further Thoughts on the Datapulse EGM on March 14, 2019*", 12 March 2019, and "*Will Datapulse Shareholders Be Haunted by the Seoul Hotel*", 7 March 2019).

The Company will be convening an extraordinary general meeting ("**EGM**") on 14 March 2019 to seek shareholders' approval, *inter alia*, for the Proposed Business Expansion and the Proposed Acquisition, further details of which have been set out in the Circular to Shareholders dated 19 February 2019 (the "**Circular**"). All capitalised terms used herein shall have the meaning ascribed to them in the Circular.

As MYT has raised certain queries in connection with the resolutions to be tabled at the EGM, the Board would like to take this opportunity to address these queries.

Proposed Acquisition

Substance of the holding structure and clarity over terms and conditions

Holding Structure

The Board would like to clarify that, the Proposed Acquisition does not involve the acquisition or establishment of corporate restructuring REIT (as mentioned in the article dated 7 March 2019). A corporate restructuring REIT, as described by MYT, and the REF Trust used as part of our ownership structure, are different investment structures. As stated in paragraph 3.4 of the Circular, the Proposed Acquisition will be made through, *inter alia*:-

- (i) the establishment of a trust, namely the REF Trust, where the Trustee of the trust acquires the Hotel, and two wholly-owned subsidiaries of the Group, namely Datapulse Pte Ltd and Capikor Pte Ltd, are beneficiaries of such trust; and
- (ii) the incorporation of another wholly-owned subsidiary, RK One Hotel Management LLC (the "**ATA Purchaser**"), where the ATA Purchaser acquires, *inter alia*, the remaining assets related to the Hotel and its operations which are not acquired under the trust as aforesaid.

The beneficial ownership of the REF Trust is split between two wholly-owned subsidiaries of the Group, namely Datapulse Pte Ltd and Capikor Pte Ltd, in order to fulfil the relevant requirements under Korean Law. The directors of the companies in the holding structure of the REF Trust are representatives of the Company, who do not receive any director fees or any form of additional remuneration.

The Company has established the intermediate holding companies in the holding structure for business segregation purposes. The Company has adopted the REF Trust holding structure upon advice from its legal, financial and tax advisers, and further notes that similar REF Trust structures have been adopted by other companies listed on the SGX-ST that have also invested in hotels in Seoul.

Master Lease Agreement

The Master Lease Agreement to be entered into by the Trustee on behalf of the REF Trust with the ATA Purchaser will not have any material financial impact on the Group as a whole, given that the Group holds all the beneficiary interests in the REF Trust and the entirety of the shares in the ATA Purchaser.

Hotel Manager

In respect of the appointment of the Hotel Manager, unless and until Shareholders have approved the Proposed Business Expansion and Proposed Acquisition at the EGM, it is premature for the Company to comment on the process for sourcing, selection, evaluation of service providers including any proposed hotel manager to be appointed to manage the Hotel. The appointment of the hotel manager will be subject to a selection process to be managed by an independent consultant.

Others

In respect of the REF Trust holding structure, questions have also been raised in relation to agreements entered into between the trustee, service providers as well as related costs thereon. The REF Trust is a passive investment vehicle, which is fiscally efficient and costs relates to administrative costs which are more than offset by savings from an efficient fiscal structure.

Reasonableness of purchase price

The Company wishes to highlight that:

1. *Occupancy rates* – The article dated 7 March 2019 pointed to a Savills report published in May 2018 which reported on the increasing supply of hotels and rooms in South Korea.

However, JLL had published a report later in the year in November 2018 which stated that *“(d)ue to the recent change in market condition, the pipeline of new hotel developments has decreased significantly. The hotel supply growth in Seoul is expected to stabilise in the coming years at around 2% to 4% per annum. Coupled with strong demand resulting from an expected ongoing recovery in visitor arrivals, limited supply growth bodes well for the outlook of future trading performance”*¹.

¹ <http://www.ap.jll.com/asia-pacific/en-gb/research/985/seoul-south-korea-a-global-gateway-poised-for-hospitality-investment>.

In fact, the Company had also commissioned a study by a hospitality research consultancy company to evaluate the commercial viability of Seoul as a hotel investment market. The findings of this study are in line with the more recent report by JLL Hospitality.

2. *Net Property income (NPI) yield* - The article dated 7 March 2019 questioned the NPI yield and earnings multiple by reference to Hotel Aropa's historical financial performance.

The past NPI yield performance is not necessarily indicative of the future NPI yield, given that there may be improvements in the NPI yield performance arising from the possibility of changes to the occupancy rates, room rates and/or cost structure that may be brought about by, *inter alia*, a new owner, improvements to the Hotel, international branding and other value-added initiatives. The Proposed Acquisition is different from the acquisition of a property to be leased out immediately to a lessee, and where the existing management is retained and the business operated similarly to the past.

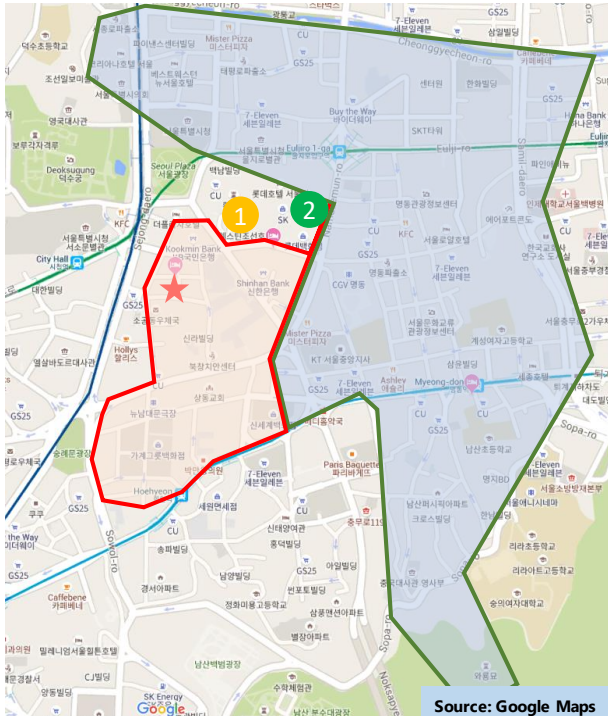
The Company wishes to reiterate that it has appointed CBRE Korea Co. Ltd., an international qualified valuer, to value Hotel Aropa and CBRE Korea Co. Ltd. has arrived at a valuation for the Hotel Aropa (both on a direct comparison approach and a discounted cashflow analysis approach) which is *higher than* the Purchase Consideration. Shareholders can refer to the Circular for further details of the valuation.

Location of Hotel Aropa

In respect of the comments made in the article dated 7 March 2019 on the location of Hotel Aropa, to better illustrate the location of Hotel Aropa, please refer to the map² on the following page. The area outlined in red is commonly known as the Namdaemun area and the area outlined in green is commonly known as the Myeongdong area. The red star is the location of Hotel Aropa. It is clear that Hotel Aropa is both "in the bustling shopping and tourist area of Myeongdong/Namdaemun" (as described in the announcement) and "near the Myeongdong district in the prime Namdaemun area" (as described in the Circular) and such descriptions were used to convey the central location of Hotel Aropa.

To elaborate, according to Naver Maps (a Korean map application), Hotel Aropa is approximately 0.5km from the famous Lotte Duty Free shop and approximately 0.3km from the landmark Westin Chosun Hotel.

² Retrieved from <https://www.google.com/maps/place/Myeong-dong,+Jung-gu,+Seoul,+South+Korea/@37.5615682,126.9733034,15z/data=!3m1!4b1!4m5!3m4!1s0x357ca2f11b3f14ab:0x3b436be085e38e0c!8m2!3d37.55998!4d126.9858296>



- Boundary of Namdaemun
- Road / Street adjacent to Myeongdong area (Google)
- Myeongdong area (Google)
- ★ Hotel Aropa
- ① Westin Chosun Hotel
- ② Lotte Duty Free

Proposed Business Expansion

Experience of Directors

In the article dated 7 March 2019, the knowledge of Mr Aw Cheok Huat (ACH) and Mr. Sin Boon Ann (SBA) in the area of business of investments in hotels and hospitality assets was brought into question.

As disclosed in paragraph 2.3 of the Circular, the Company does not intend to engage in the business of hotel management. The Company intends to engage in the business of investments in hotels and hospitality assets, which lies clearly within the experience of ACH and SBA.

In any event, the Company notes that ACH does have experience in hotel management, as disclosed in paragraph 2.7 of the Circular.

Conflict of Interest

In the article dated 7 March 2019, SBA's role as an independent director of another listed company, which is involved in hotel investment, was raised as a possible conflict of interest. It should be noted that the other company in which SBA is an independent director of, focuses on upscale hotels which is different from the type and scale of hotels and hospitality assets the Company at present intends to invest in.

The Company wishes to assure Shareholders that the Company has policies and procedures in place to identify and resolve conflict of interests. Specifically, the Company has a Policy on Directors' Conflicts of Interest which provide guidance to Directors in recognizing and handling conflicts of interest situations. The policy expressly sets out certain formal Board procedures and

communication channels to ensure that conflicts of interest are disclosed to the Board and addressed in a systematic manner.

Other staff

In the article dated 7 March 2019, the appointment and relevance of experienced hires prior to the approval of the Proposed Business Expansion was brought into question. In this regard, the Company notes that it already has a mandate approved by the Shareholders to engage in the real estate business in general. Additionally, there are no unusually onerous termination terms in their employment which are detrimental to the Company.

New IPT General Mandate

In view of the shareholding relationship and common directorships between the Company and ICP Ltd, a company which provides certain services in the hospitality sector, the Company will be seeking independent Shareholders' approval at the EGM for the New IPT General Mandate in relation to Hospitality-Related Transactions that may be rendered by the ICP Group to the Group from time to time.

It is not uncommon for such IPT general mandates to be obtained by other companies listed on the SGX-ST engaged in similar business. The New IPT General Mandate would enable the Group to (i) evaluate the services in the Hospitality-Related Transactions offered by the ICP Group together with similar services offered by independent third parties in respect of the Group's Hotels and Hospitality Assets; and (ii) subject to the guidelines and review procedures set out in paragraph 8.5 of this Circular, consider and obtain services in Hospitality-Related Transactions from the ICP Group.

To the extent that the Company may wish (if applicable) to consider engaging the services of ICP Ltd as hotel manager of the Hotel, the Company will apply, *inter alia*, the review and approval procedures under the New IPT General Mandate for the consideration of such engagement.

The Company in this announcement addresses issues raised in the aforesaid articles that may be deliberated at the forthcoming EGM. The Company is not in a position to comment on private investment decisions of major shareholders or any speculative conduct and decisions made or to be made by the past or present Directors of the Company.

BY ORDER OF THE BOARD

Lee Kam Seng
Interim Chief Executive Officer
14 March 2019

The Company has taken reasonable action to ensure that the information and data used in this announcement have been extracted from their respective sources in their proper form and context. However, the Company has not verified the accuracy of the information extracted and do not make any representation as to its accuracy. The Company has not obtained the specific consent of these sources for the inclusion of such information in this announcement.