

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

BOARD'S RESPONSE TO MAK YUEN TEEN

The board of directors ("**Board**") of Datapulse Technology Limited (the "**Company**" or "**Datapulse**") refers to certain recent articles posted by Professor Mak Yuen Teen ("**MYT**") on his website <http://governanceforstakeholders.com> ("Nothing Good Looking About Datapulse's Diversification Plan", 10 April 2018, "Don't Let Datapulse Board Alarm You About Datapulse Becoming a Cash Company", 10 April 2018; "Why Removing the Datapulse board is so important", 11 April 2018; and "Datapulse Technology: Good hair, bad hair or no hair", 12 April 2018).

The Board notes that MYT has commented in such articles, *inter alia*, on the removal of the current Board, the trademarks and other aspects of the business of Wayco Manufacturing (M) Sdn Bhd ("**Wayco**"), the Company's diversification plan, and the Company's appointment of independent reviewer to carry out an internal controls review, and has come out in support of the appointment of the proposed new directors ("**Proposed New Directors**"), including Ms Ng Bie Tjin@ Djuniarti Intan ("**Ms Intan Ng**"), Mr Ng Boon Yew and Mr Koh Wee Seng, to the Board at the upcoming extraordinary general meeting of the Company to be held on 20 April 2018 ("**EGM**").

As a renowned and experienced commentator of corporate governance practices in Singapore, MYT will no doubt be familiar with the corporate disclosure policy under the listing rules, including Paragraph 25(c) of Appendix 7.1 of the Listing Manual, which requires each announcement to be *balanced and fair*, and to avoid omission of important unfavourable facts, or the *slighting* of such facts (emphasis is ours), and presumably holds himself to the same, if not higher, standards.

Removal of the current Board

Lian Beng

Amongst other reasons, MYT has cited Datapulse's questionable past transactions with Lian Beng Group Ltd ("**Lian Beng**"), where Mr Low Beng Tin ("**Mr Low**") is an independent director, and the circumstances surrounding Mr Low's appointment raising questions about his independence as reasons for MYT supporting the removal of Mr Low as chairman of the Board.

The transactions with Lian Beng which MYT has cited included a share placement to Lian Beng in 2015, and a joint venture with Lian Beng in Goldprime Realty Pte Ltd in 2016 which was subsequently disposed of to another listed company in 2017, where MYT questioned if the "Datapulse board" had carefully considered such sale transaction.

Whatever the merits (or otherwise) of such transaction, this was a transaction approved and undertaken before the current Board was appointed, and the Board fails to see how it can be relevant in considering the suitability or otherwise of the current Board, or at the least, it should have been clarified that it was the former board and management that was responsible for the transaction, and nothing to do with the current Board.

Also, the Board wishes to point that under the scope of the internal controls review commissioned by the Company ("**Internal Controls Review**"), the independent reviewer, Lee and Lee, is supposed to review the Company's internal policies, processes and procedures relating to the evaluation and approval of mergers and acquisitions, and conflicts of interest since the Company's Mainboard listing date of 23 November 2000, which means that the Company's previous transactions with Lian Beng will come under the review, and the Board will be adopting any recommendations on improvements to internal controls and corporate governance practices that will arise from such review.

Circumstances of appointment

As for the circumstances surrounding the appointment of Mr Low and some other members of the current Board, namely Mr Thomas Ng Der Sian and Mr Rainer Teo Jia Kai (“**Mr Rainer Teo**”), to the Board on 11 December 2018, whereby their appointment was approved by the then remaining executive directors after the en-masse resignation of the former independent directors, such issue will be part of the subject of the Internal Controls Review, and the current Board is committed to adopt and implement any recommendations on improvements to internal controls and corporate governance practices that will arise from such review.

However, MYT should be aware that this was a board process that occurred *prior to* the current Board’s appointment, and it would not be fair, in the humble opinion of the Board, to allow this to affect or cloud the issue or perception of independence of the existing independent Directors, or to judge, scrutinize, and conclude on the competence or ability of the entire current Board, based solely on such circumstances alone.

For instance, in discussing the merits of the Company’s diversification plan into investment business, MYT has dismissed Mr Rainer Teo as being “no Warren Buffet” and questioned his ability to help Datapulse become a superior investor.

The Board does not know what personal knowledge, or “research” MYT may have done to help him reach this conclusion, but if MYT has done his research, he should be aware that there are some publicly available information on various funds, and the sizes of their AUM (assets under management), including the fund(s) managed by Mr Rainer Teo’s company, and while the returns on such fund(s) managed may be more a matter for Mr Rainer Teo and his principal(s) to know, Mr Rainer Teo must presumably not be doing too badly since he is still holding on to his job?

On the question of independence of the existing Directors, one of the key considerations of independence would be the nature or extent of the relationship or connection between an independent Director and controlling shareholder(s), and to this, the Board wonders if MYT has applied the same yardstick in considering the independence of the existing Directors on the current Board, as he has to the Proposed New Directors, a topic to which we shall return to below.

Wayco

Amongst other reasons, MYT has cast doubt on the value of Wayco because he is doubtful of the value of the intangible assets of Wayco, including its trademarks.

Specifically, he has (i) queried the ownership of the trademarks for the “GoodLook Leaf” products manufactured by Wayco and (ii) whether the Board has been “fair and balanced” in its view of the future earnings potential that may be contributed from Wayco’s trademarks portfolio, pointing out that several of its trademarks are expiring or not in use.

Trademarks ownership

It has earlier been disclosed in the Circular dated 26 March 2018 (“**Circular**”) that Wayco is the registered proprietor of the Goodlook leaf trademarks in Malaysia expiring 2018/2020, Way Company Pte Ltd (“**Way Company**”) is the registered proprietor of the Goodlook & wave trademark in Singapore expiring 2027, and Way Trading (M) Sdn Bhd (“**Way Trading**”) is the registered proprietor of the Glorin trademark in Malaysia expiring 2018 (this has since been renewed to 2028, after the date of the Circular).

Information on the ownership of such trademarks can also be publicly accessed from websites of the relevant authorities in Singapore and Malaysia (links provided below), and the Board presumes that MYT, with his extensive research skills, should have been able to verify such information if he were minded to.

Goodlook “Leaf” and GOODLOOK “Leaf” trademarks in Malaysia

https://iponline.myipo.gov.my/ipo/main/search_tm.cfm?CFID=cfbf1086-ac14-470e-8023-3582f4bf2b60&CFTOKEN=0

https://ipodev1.myipo.gov.my/ipodev/search/MyISS/result_detail.cfm?strconcat=cGhpbS0yLTk4MDEzMjQ5LW15aXBvLTAAtMTI=&CFID=20437&CFTOKEN=37508676

https://ipodev1.myipo.gov.my/ipodev/search/MyISS/result_detail.cfm?strconcat=cGhpbS0yLTAwMDA5MTg2LW15aXBvLTAAtMTI=&CFID=20437&CFTOKEN=37508676

Goodlook & wave trademark in Singapore owned by Way Company

<https://www.ip2.sg/RPS/WP/CM/IPDetailsTMP.aspx?AppNbr=y%2fQmHdpvJ%2bekZjcFAqAF3VY0d715EyZPvFcURlXNzMY%3d>

Glorin trademark in Malaysia owned by Way Trading

https://ipodev1.myipo.gov.my/ipodev/search/MyISS/result_detail.cfm?strconcat=cGhpbS0yLTg3MDAwMDU2LW15aXBvLTAAtMTI=&CFID=20437&CFTOKEN=37508676

Value of trademarks portfolio

The Board would like to know if MYT has duly considered the following factors before jumping to conclude that the trademarks owned by Wayco may be of little or no value, and asking if the Board has been “fair and balanced” in its view of the future earnings potential that may be contributed from Wayco’s trademarks portfolio:

- (i) Expiring trademarks are perfectly capable of being renewed, basic legal knowledge which MYT should not be unaware of, and as evidenced from the recent renewal of the Glorin trademark by Way Trading as mentioned above.
- (ii) Just because trademarks are not currently in use by Wayco does not mean they are not capable of being used in future with a good business plan, or even if not, may be monetized by sale to third parties who may be interested in taking over the trademarks already registered/owned by Wayco (although, to be fair, MYT may not be expected to be aware of such practice, since he is not in the hair care industry).

As for the queries raised by MYT as to whether there may be licensing fees payable by Wayco, based on the accounts of Wayco reviewed by the Board prior to the execution of the sale and purchase agreement relating to the acquisition of Wayco (“**Wayco SPA**”) and as confirmed pursuant to the Company's further investigations into Wayco’s business post-acquisition, there are no historical or current licensing fees paid or payable by Wayco to any of Way Company, Way Trading, Wayco Research (UK) Ltd, The London Dispensary Co. Ltd. England or any other companies owned or controlled by Mr Ang Kong Meng and/or his associates, in line with Wayco being the manufacturing arm of the Wayco group of companies prior to its acquisition by the Company.

The Board wishes to reiterate that there is no change in the Company's understanding, obtained prior to the execution of the Wayco SPA, of Wayco's ownership of trademarks as disclosed in Appendix E of the Circular, and of Way Company's and Way Trading's ownership of trademarks in respect of products manufactured by Wayco for or on behalf of such companies respectively.

Diversification plan

MYT has repeatedly expressed his reservations about the Board’s proposed diversification plan, in particular questioning the value of Wayco and the prospects of the Company’s venture into the hair care market, mentioning, *inter alia*, that “the market is dominated by multi-national giants and the

numbers suggest that the brands that Datapulse will “own” will only contribute about S\$3.6 million in annual revenue by 2021, assuming that market shares remain constant”.

To the Board’s knowledge, MYT does not have known experience or expertise in the hair care business: how conclusive is it that the Wayco business is bad and will fail, as MYT seems to believe, and on what basis would he presume to forecast such conclusion? In particular:

- (i) The Board was, and is aware that the industry is dominated by multi-national players and the Wayco group of companies currently captures a small fraction of the market, but having done its homework (or due diligence) prior to the execution of the Wayco SPA, the Board understands this current performance and market share was achieved with minimal supervision on the part of the shareholders and directors of Wayco (Mr Ang Kong Meng runs his own professional accounting practice), or investment in marketing and promotional efforts or capital expenditure.
- (ii) The Board strongly believes that with the appropriate management expertise and resources to be deployed in the business, there is potential for Wayco to improve its business viability in view of the expected growth in the hair care market, a view which is supported by the findings from EY’s strategic review.
- (iii) While MYT is not incorrect in computing and stating that the market share of the Wayco group of companies ” will contribute about S\$3.6 million in annual revenue by 2021 “assuming that market shares remain constant”, he appears to have neglected part of the message which the Board has been sharing with Shareholders on its diversification plan and strategy, namely its intention to expand Wayco’s market share of the Malaysian market for its proprietary brand products.

As MYT himself has noted, the Wayco group of companies currently only has a minuscule share of the Malaysian hair care market, and he would have seen from the EY analysis that the projected growth and size of the Malaysian hair care in 2021, at RM 1.67 billion, is much larger than that of the Singapore market, at S\$230 million, but for some reason, he chooses not to consider this in his discussions on the potential of Wayco’s business.

The CEO, Mr Wilson Teng, recently reached out (by way of a letter) to Shareholders who may be keeping an open mind on the proposed business diversification, to share about the Board’s diversification plan and strategy (as also set out in the Circular), and Shareholders are urged to attend the EGM to raise any queries which they may have, and decide for themselves the merits (or otherwise) of the proposed business diversification.

Appointment of Proposed New Directors

Apart from his lack of trust in the current Board, which appears to be without any concrete basis but his opinion, MYT has never quite fully addressed why the Proposed New Directors should be accepted and/or the basis to recommend Shareholders to appoint the proposed new Board.

Intan Ng

MYT is supportive of Ms Intan Ng without mentioning if he has given due consideration to Ms Intan Ng’s competence and ability to manage the Company if she were to be elected, and her previous departure from the Company as Executive Director and Finance Director under apparently contentious circumstances, including having to issue an apology letter to a fellow director in 2014, well after the Company was listed, and not on a private matter but on matters related to the Company as she has repeatedly maintained, despite statutory records of the Company suggesting otherwise.

As MYT may be aware, Ms Intan Ng has in the recent days made several statements to the media, first suggesting that she intends to propose a payout of 32 Singapore cents per share to Shareholders, 20 Singapore cents in dividend and 12 Singapore cents through a capital reduction, and when it was pointed out by the current Board that her proposal may be potentially misleading and irresponsible, she changed her mind overnight, and announced to the media that, if appointed to the

Board, she intends to commit or adhere to a timeline to propose an interim dividend of 20 Singapore cents by 14 June 2018.

Leaving aside the way that Ms Intan Ng chooses to make decisions on such major corporate decisions, the current Board has raised certain issues on the implications for the Company and its business and Shareholders after the payout, assuming such payout were to be made.

As a Shareholder himself, the Board presumes that MYT will be interested to protect his investment in the Company beyond any initial payout which appears to be being hastily dangled as a carrot at the eleventh hour, to encourage Shareholders to vote in the new Board?

Ng Boon Yew

MYT has admitted to his long association with Mr Ng Boon Yew and speaks highly of him. He has, however, stopped short of what he is best at i.e. giving his professional views, and comments, on NBY's track record as Executive Chairman and controlling shareholder of Raffles Campus Pte Ltd ("**Raffles Campus**") which ran into multi-million losses since incorporation and has caused a Middle East fund to take a massive write off. The public records of Raffles Campus reveal this. He has also been conspicuously silent on the potential conflicts of interest which may be involved in Datapulse's investment in and subsequent disposal of Raffles Campus. While the current Board is not aware of the full details of the terms or the process for those transactions, the fact that Datapulse made a paltry gain of S\$100,000 on its investment of S\$2,000,000 in Raffles Campus and Mr Ng Boon Yew apparently managed to make a significantly higher gain of close to S\$2 million on his own personal investment of less than S\$2 million, in the same disposal to a third party, gives food for thought, and one would have thought that Mr Ng Boon Yew should come out to clarify and dispel any perception of potential conflicts of interest that may be involved.

Independent Directors

While MYT questions the independence of the current independent directors, he appears to have omitted, perhaps inadvertently, commenting on the independence of the proposed new independent directors even though potential issues relating to their close relationships and connections has been highlighted by the Company to Shareholders for their due consideration, since as early as 7 February 2018.

To refresh everyone's memory:

- (1) Mr Ng Boon Yew used to serve as an independent director of Datapulse for more than 10 years (from 3 September 2001 to 31 July 2013), during which term, Ms Intan Ng was also on the Board as Executive Director and Finance Director.

Under the 2012 Code of Corporate Governance, the independence of any director who has served for more than 9 years has to be subject to vigorous review, to address concerns that such long-serving directors may have developed too close a relationship or connection with existing management or shareholders of the company.

- (2) If appointed, Mr Koh Wee Seng and Ms Intan Ng will be concurrently serving together on the board of directors of Datapulse and Aspial Corporation Ltd ("**Aspial**"), and more importantly, having to take on differing roles in each of such companies (Mr Koh Wee Seng as Independent Director in the Company but chief executive officer of Aspial, and Ms Intan Ng as Executive or non-Executive Director of the Company but independent director of Aspial).

While the Board is not suggesting that it will happen, will Mr Koh Wee Seng feel beholden or obliged to Ms Intan Ng, in exercising his judgment as independent director of Datapulse, because he may need the support or understanding of Ms Intan Ng at his board on Aspial?

After all, as the episode on the Board's appointment of the independent reviewer to carry out the Internal Controls Review has shown, the perception of independence is equally, if not more important, than the substance of independence, and unlike the case of the relationship or connection between RHT Capital Pte Ltd and Mr Low Beng Tin (which was a historical

relationship or connection), the relationship or connection between Mr Koh Wee Seng and Ms Intan Ng is a current and subsisting one.

In view of the foregoing, apart from just hearing MYT's views, Shareholders should judge for themselves, the relative independence between Ms Intan Ng, Mr Ng Boon Yew and Mr Koh Wee Seng, as compared to Ms Ng Siew Hong, Mr Low, Mr Thomas Ng and Mr Rainer Teo.

Shareholders may also do well to remember that despite repeated attempts by the current Board to invite the Proposed New Directors to share with Shareholders their plans or ideas on what may be a sustainable strategic business plan to put the Company on the road to corporate recovery, none of the Proposed New Directors have done so to date.

Surely this cannot be for lack of competence or familiarity with the Company's business, given that the Proposed New Directors comprise two former long-serving directors and two other prominent businessmen? As for the 'feasibility study' which has been pointed out to is the prudent thing to do before embarking on a new business, if the Strategic Review conducted by EY does not, in MYT's view, count as a feasibility study, what would be the nature of the feasibility study that MYT would advise the new Board to commission, before deciding on the next course of action to put the Company on the road to corporate recovery, and did the former Board on which Ms Intan Ng served as Executive Director and Finance Director and Mr Ng Boon Yew served as independent Director commission such type of feasibility study before deciding to allow Datapulse to take on the investment in Raffles Campus? As MYT has correctly pointed out, it is important to have the right board in place and if minority shareholders do not trust the board, they should not invest in the company.

In this connection, the Board notes that MYT in one of his earlier articles mentioned that the "proposed slate of directors may also not necessarily be what is best for the company going forward" and made a rather cryptic comment about "some of these newly appointed directors relinquishing their positions rather quickly to make way for a fully functional and effective board.", if to be appointed.

Would MYT be then advocating that Shareholders jump from the frying pan into the fire, and would he be having the best interests of Shareholders and serious investors at heart if he were to do so?

EGM

Much hullabaloo, and much ink has been spilled, since the Company set on its path of selling off its property and winding down its existing business and (on the back on that), the current Board has come in, made the Wayco acquisition, and proposed the proposed business diversification as the way forward for the Company.

It is unfortunate that so much time and resources has been expended on the part of various stakeholders, including regulators, during this period but from another perspective, this may not be a bad thing if Shareholders are now armed with a clearer understanding of the plans which the current Board and proposed new Board has for the Company, and to exercise their votes judiciously to decide which plan to support, at the forthcoming EGM.

The Board also hopes that, assuming MYT chooses to attend the EGM in his capacity as Shareholder, he will walk the talk, and, as previously suggested by him to Shareholders, question both the current Directors and the Proposed New Directors, in order to assess their suitability and not vote blindly for any particular directors.

After all, given the important role played by directors, no one should get a free pass to the Board.

BY ORDER OF THE BOARD

Lee Kam Seng
Chief Financial Officer and Company Secretary

16 April 2018