

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

RESPONSE TO SGX QUERIES

The Board of Directors (“Directors” or the “Board”) of Datapulse Technology Limited (“Company” together with its subsidiaries, “Group”) has received certain queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 11 October 2018 in relation to the Company’s full year financial statements for the financial year ended 31 July 2018 and reproduce below, such queries, and the Company’s responses thereto.

Query 1:

Please explain the significant increase in “Other operating expenses”.

Response:

Operating expenses for FY2018 was \$1.7 million compared to \$0.3 million for FY2017, an increase of \$1.4 million. The increase was mainly due to:-

- (a) An increase in legal and professional costs of \$1.0 million in FY2018;
- (b) Lower exchange gains recognised in FY2018 of \$0.2 million;
- (c) Inclusion of operating expenses from the Group’s newly acquired subsidiary, Wayco Manufacturing (M) Sdn Bhd (“Wayco”) of \$0.1 million for FY2018; and
- (d) Rental of office and warehouse premises of \$0.1 million for FY2018.

Query 2:

We refer to the statement “During the year, the Group has changed its policy on subsequent measurement of its investment property from measurement at cost less accumulated depreciation and accumulated impairment losses to measurement at fair value, with changes in fair value recognized in profit and loss.”

What is the reason for and the financial effect of the change in accounting policy?

Response:

The Group acquired Wayco in December 2017. Wayco has adopted the fair value model as measurement for its investment property. The Group changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model as it believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these types of assets.

This change in accounting policy was applied retrospectively. The change in accounting policy in respect of investment property did not have a material impact on the Group’s financial statements for the current or prior period.

Query 3:

We refer to the statement “The Group recorded an impairment loss recognised on goodwill of \$1.1 million relating to its investment in Wayco.”

- (a) How was the impairment loss amount determined?
- (b) What were the reasons for impairment?

Response:

- (a) Goodwill recognised arising from the investment in Wayco was \$1.1 million. As Wayco is a distinct cash-generating unit (“CGU”), the goodwill recognised is subject to an impairment assessment as at 31 July 2018. The assessment was evaluated by estimating the recoverable amount of this CGU based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.
- (b) Based on the impairment assessment, the recoverable amount was lower than the carrying amount of the goodwill. This resulted in an impairment loss recognised on goodwill.

In addition, the Group would like to state that it had commissioned C H Williams Talhar & Wong Sdn Bhd to carry out valuation exercise for the 3 properties owned by Wayco. Based on the valuation reports, there was no impairment on the properties and the reports supported the book values of the properties as at 31 July 2018.

Query 4:

We refer to the statement “For FY2018, there was a deficit of \$5.2 million in cash from operating activities due mainly to redundancy payments made as a result of the scaling down of the Company’s operations.”

How are these redundancy payments reflected in the statement of profit or loss?

Response:

In the Statement of Profit or Loss, the redundancy payments were reflected under Discontinued Operations (Other expenses).

BY ORDER OF THE BOARD

Lee Kam Seng
Interim Chief Executive Officer
16 October 2018