

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

ACQUISITION OF WAYCO MANUFACTURING (M) SDN BHD

The board of directors (“**Board**”) of Datapulse Technology Limited (the “**Company**”) has received certain queries from the Singapore Exchange Securities Trading Limited (“**SGX**”) in relation to the Company’s acquisition (“**Acquisition**”) of Wayco Manufacturing (M) Sdn Bhd (the “**Target Company**”) from Way Company Pte. Ltd. (the “**Vendor**”) and reproduce below, such queries, and the Company’s responses thereto.

Shareholders may also wish to refer to the Company’s announcement of 15 December 2017 for further details of the Acquisition. All capitalised terms used in this announcement shall bear the same meanings ascribed to them in the said announcement.

SGX Queries:

1(a) Please provide the full description, date of valuation and valuation amount for each of the properties.

Property 1		
Lot No./Title No.: 12893/GRN60048, in the Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim	Address: No. 11, Jalan Dewani 3, Kawasan Perindustrian Dewani, 81100 Johor Bahru, Johor Darul Takzim	
Full Description	Date of Valuation	Valuation Amount (MYR\$)
Property 1 consists of a parcel of freehold industrial land, generally rectangular in shape with land area of 22,776.4 square feet. It has a frontage width of about 58.2 metres onto JalanDewani 3 and an average depth of 45.4 metres onto a water reserve line. Property 1 also has a double-storey detached factory. The factory has, amongst other things, packaging areas, offices and storage areas. It also has access to water, electricity supplies and telephone facilities. The factory was occupied at the time of the valuation.	4 December 2017	3,200,000.00

Property 2		
Lot No./Title No.: 1511/GRN 92310 in the Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim	Address: No. 12, Jalan Dewani 3, Kawasan Perindustrian Dewani, 81100 Johor Bahru, Johor Darul Takzim	
Full Description	Date of Valuation	Valuation Amount (MYR\$)
Property 2 consists of a parcel of freehold industrial land, generally trapezoidal in shape with land area of 1,985.5 square metres. It has a frontage width of about 48.5 metres onto JalanDewani 3 and an average depth of 59.4 metres. Property 2 also has a double-storey detached factory with a mezzanine floor. The factory has production areas, offices, changing rooms and toilets. It also has access to water, electricity supplies and telephone facilities. The factory was occupied at the time of the valuation.	4 December 2017	3,100,000.00

Property 3		
Lot No./Title No.: 66628/GRN233725, Mukim and District of Petaling, Selangor Darul Ehsan	Address: No. 10, JalanPuteri 7/11, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan	
Full Description	Date of Valuation	Valuation Amount (MYR\$)
<p>Property 3 is freehold property. The site of Property 3 is rectangular in shape, and has a titular land area of 1,302 square feet. It has a frontage of about 6.095 metres onto Jalan Puteri 7/11 and a depth of about 19.812 metres.</p> <p>Property 3 is a 1.5 storey intermediate terraced shop-office. The shop-office has access to water, electrical supply and telecommunication facilities. The shop-office also has tenants at the date of valuation.</p>	24 November 2017	1,000,000.00

1(b) Who is the independent valuer? Please provide the credentials of the valuer.

Property 1 and Property 2

The independent valuer for Property 1 and Property 2 is Burgess Rawson (JH) Sdn Bhd (Company Registration No.: 1168085-H) ("**Burgess Rawson, Malaysia**").

Property 1 and Property 2 are both located in Johore and Burgess Rawson Malaysia is a valuer based in Johore.

As stated on its website (<http://www.burgessrawson.com.my>) Burgess Rawson, Malaysia is affiliated to Burgess Rawson & Associates Pty Ltd of Australia and started in 1994 as a professional firm to provide services in property valuation, management, consultancy and real estate agency in Malaysia under licensing by the Board of Valuers, Appraisers and Estate Agents of Malaysia. As stated on its website (<http://www.burgessrawson.com.au>) Burgess Rawson & Associates Pty Ltd is an established agency based in Australia with a history of over 40 years.

Property 3

The independent valuer for Property 3 is Savills (Malaysia) Sdn Bhd. (Company Registration No.: 333510-P) ("**Savills Malaysia**").

Property 3 is located in Kuala Lumpur and Savills Malaysia is a valuer based in Kuala Lumpur.

As stated on its website (<http://www.savills.com.my>) Savills (Malaysia) is affiliated to Savills PLC, a global real estate services provider listed on the London Stock Exchange.

1(c) What is the valuation basis used?

Based on the information set out in the valuation reports:

Property 1 and Property 2

The comparison and cost methods of valuation are used to determine the market value of Property 1 and Property 2.

The comparison method is first used, in which the value of the site is determined through comparison with similar lands that were sold recently and those that are currently offered for sale in the vicinity. Thereafter, appropriate adjustments are made to reflect dissimilarities before the value of the site is finally ascertained.

This is followed by the cost method of valuation, in which the value of the land is added to the replacement cost of the building and other site improvements. This replacement cost is derived by estimating the reproduction cost of the same kind and design of the building based on current market prices for materials, labor, present construction techniques. Thereafter, there is deduction

of accrued depreciation due to use, disrepair, age, obsolesce through technology and market changes.

Property 3

The comparison method is used to determine the market value of Property 3.

The comparison method entails comparing Property 3 with similar properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, tenure and restrictions if any, and other relevant circumstances.

1(d) Why did the Company not appoint its own independent valuer?

Under the terms of the SPA, the Vendor agreed to bear the costs of valuation of the Properties and the Company was satisfied with the credentials of the two independent valuers chosen by the Vendor, hence the Company did not consider it necessary to appoint its own valuers.

Supplemental agreement to the SPA

We note that “any material adverse events or matters affecting or relating to the assets, liabilities and/or business of the Target Company 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 Proposed Acquisition and/or the terms upon which it agrees to do so, the Company shall have a right to require the Vendor to buy back 100% of the Target Company”.

1(e) Did the Company conduct proper due diligence prior to the acquisition?

The Company did not conduct extensive due diligence on the Target Company prior to the completion of the Acquisition, *inter alia*, as the CEO was a former employee of the Vendor and is familiar with the business and operations of the Target Company.

Moreover, as noted, under the supplemental agreement to the SPA, the Company has a right to require the Vendor to buy back 100% of the Target Company (“**Buyback**”) during the Buyback Period, *inter alia*, if there are material adverse events or matters affecting or relating to the assets, liabilities and/or business of the Target Company. This gives the Company an opportunity to further investigate and satisfy itself as to the assets, liabilities and business of the Target Company following the completion of the Acquisition.

1(f) How is the Board satisfied that the Vendor will be able to fulfil its obligation should the Company call on this right during the Buyback period?

In considering the Vendor’s ability to be able to fulfil its obligation under the Buyback, the Board has taken into consideration, *inter alia*, the following:

- (a) The Vendor is a company incorporated in Singapore with sizeable share capital; and
- (b) To the Board’s knowledge, the Vendor is a profitable company, and should have adequate assets (both from share capital and retained earnings) to be able to meet its obligations under the Buyback (if required); and

2. Please disclose whether there were any purchases of properties by the Target Company. If yes, please provide the following details:

To the Board’s knowledge, save for the Properties, the Target Company has not purchased other properties.

(a) Description of the property and rationale for the purchase(s);

Not applicable.

(b) Name of the vendor(s);

Not applicable.

(c) Purchase price and basis used in arriving at the purchase price;

Not applicable.

(d) Details of any valuation commissioned on the properties acquired; and

Not applicable.

(e) How were the purchases funded by the Target Company.

Not applicable.

3. Please provide the identity of the directors and ultimate shareholders of the Vendor and their background.

According to the Vendor:

(i) The sole and ultimate shareholder of the Vendor is Ang Kong Meng.

(ii) The directors of the Vendor are Ang Kong Meng and Ang Ai Chim.

(iii) Ang Kong Meng is a certified public accountant and an investor.

4. Have there been any changes to the shareholders of the Vendor or the shareholders of the Target Company during the past 12 months?

According to the Vendor, none.

5. What is the principal business of the Vendor? Are there any recurring transactions between the Target Company and the Vendor that are expected to continue after completion of the Proposed Acquisition?

According to the Vendor, the Vendor is principally engaged in import, export, distribution of cosmetics, hair care and homecare chemical products and the Vendor purchases products manufactured by the Target Company from time to time in the ordinary course of its business and such transactions are expected to be continue after completion of the Proposed Acquisition.

6. We note that Mr Kee Swee Ann was a former general manager of the Vendor from 2008 to 2010. Was he ever a shareholder of the Vendor or the Target Company.

Mr Kee was never at any time a shareholder of the Vendor or the Target Company.

7. May we know how much of the Target's sales are to the Vendor and how much of the Vendor's purchases are from the Target Company?

According to the Vendor, the sales figures of the Target Company to the Vendor, and the purchase figures of the Vendor from the Target Company are as follow:

Target Company's Sales to the Vendor			
Financial Year	Total Sales (MYR\$)	Sales to Vendor (MYR\$)	%
2014	3,387,940.24	3,033,818.35	89.55
2015	3,385,032.70	3,118,307.36	92.12
2016	4,113,195.62	3,403,912.44	82.76
Jan-Jun 2017	1,923,795.78	1,594,964.12	82.91

Purchases by Vendor from Target Company			
Financial Year	Total Purchases (S\$)	Purchase by Vendor from Target Company (S\$)	%
2014	1,358,225.00	1189,732.69	87.59
2015	1,428,408.35	1,125,954.33	78.83
2016	1,204,495.42	1,151,967.37	95.64
Jan-Jun 2017	591,982.99	521,914.22	88.16

8. **Can you also give us a breakdown of fixed assets of the Target Company as at 30 June 2017.**

Please refer to Annex A.

9. **We note that the Vendor is the main customer of the Target Company. At the same time, the Target Company is the main supplier of the Vendor. As stated in the Company's announcement of 15 December 2017, the Board had considered the "future earning's potential of the Target Company, inter alia, in view of certain intangible assets which it holds or owns, including trademarks, product formulations and distribution networks".**

- (a) **Please explain the Board's commercial rationale for acquisition given the reliance on the Vendor to market the Target Company's products.**

The Target Company's reliance on the Vendor to market the Target Company's products is a historical arrangement due, *inter alia*, to the fact that the Target Company used to be a wholly-owned subsidiary of the Vendor, and since the Vendor carries on the business of import and export and trading of goods. it was convenient for the Target Company to sell its products through its holding company.

Following the Acquisition, the Target Company intends to continue to sell its products to, and otherwise collaborate with the Vendor for the sale and distribution of its products, subject to mutual agreement between the parties on the terms and conditions for such sales.

Likewise, the Board understands that the Vendor may still intend to continue to purchase products from the Target Company, even though it is no longer its wholly-owned subsidiary, as the Hair Care Products and Household Products manufactured by the Target Company are based on proprietary product formulations or specifications, and the Vendor will need to be able to purchase such products from the Target Company in order to meet customers' demand for such products.

The Board notes that there is no exclusive distribution agreement or relationship between the Vendor and the Target Company and/or other restrictions that will preclude the Target Company from selling its products to other parties and/or directly to end-customers.

The Company may in due course explore other options for sales and marketing of the Target Company's products, including establishing its own sales and distribution channels, either through organic growth and/or through mergers and acquisitions. If this occurs, the Target Company's reliance on the Vendor as its main customer will reduce.

In addition, the Board does not preclude the possibility of the Group having a possible merger with or acquisition of the Vendor in future, assuming parties are able to come to an agreement on the terms of such merger or acquisition, and if this occurs, transactions between the Vendor and the Target Company will stay within the Group as inter-company transactions.

- (b) **What due diligence did the Company do to satisfy itself that the transactions between the Target Company and the Vendor were on arm's length commercial terms, given the Company had taken into account the profit and NTA of the Target Company in arriving at the purchase price for the Target Company.**

Please refer to the answer to question 1(e) above.

- (c) **Please provide details of these intangible assets and explain how they are instrumental to the future earnings potential of the Target Company.**

The intangible assets that the Target Company owns are mainly the product formulations or specifications for its products, which are unique or proprietary to the Target Company, and the trademarks set out in Annex B.

All of the trademarks set out in Annex B are registered and relate to the Hair Care Products and Household Products manufactured by the Target Company, including trademarks to well-known brands such as "Good Look".

10. **Is there agreement or understanding between the Company and the Vendor to repay any borrowings owing by the Target Company to the Vendor or to any related Company of the Vendor? If so, please provide the details.**

The Target Company currently owes approximately MYR\$375,000 to the Vendor and approximately MYR\$570,000 to a wholly owned subsidiary of the Vendor, Wayco Trading (M) Sdn Bhd (104836-U) ("**WT**"), and approximately MYR\$15,000 to Mr Ang, the sole shareholder and one of the directors of the Target Company. (collectively, "**Outstanding Borrowings**"). Save as aforementioned, there are no borrowings owing by the Target Company to the Vendor or to any related corporation of the Vendor. As of the date of this Announcement, there is no agreement or understanding on the repayment date of the Outstanding Borrowings.

BY ORDER OF THE BOARD

Lee Kam Seng
Chief Financial Officer and Company Secretary

28 December 2017

ANNEX A
BREAKDOWN OF FIXED ASSETS OF THE TARGET COMPANY AS AT 30 JUNE 2017

FIXED ASSETS	BOOK VALUE (MYR\$)
Air-Conditioner (ADM)	7,796.25
Electrical Installation	15,135.62
Factory Equipment (FAC)	16,274.78
Furniture & Fittings	750.00
Laboratory Equipment	0.00
Motor Vehicle (ADM)	21,675.00
Office Equipment (ADM)	15,933.04
Computer System	2,304.80
Plant & Machinery (FAC)	396,329.72
Renovation	9,741.31
Signboard (ADM)	0.00
Warehouse (Lot 1511) Equipment	478.12
Freehold Land(FAC) - Dewani	2,431,201.96
Freehold Land(Warehouse) - Lot 1511	2,132,688.49
Freehold Land-KI Shop Office	930,850.00
Factory Building(FAC) - Dewani	768,808.04
Building – Warehouse (Lot 1511)	1,067,311.51
Building - KI Shop Office	169,150.00
	7,986,428.64

**ANNEX B
LIST OF TRADEMARKS**

S/N	Description of Registered Trademarks
1.	Fondens
2.	Klaven
3.	Caberidge
4.	Recona
5.	Wesberg
6.	Xinwant
7.	Goodlook Leaf Logo
8.	Oxicare
9.	Hydrogena
10.	都乐 (with logo)
11.	Jusme
12.	DiDaDi
13.	Nu.G
14.	JiaFu
15.	GOODLOOK "Leaf" Logo
16.	Wellina
17.	Organicafe
18.	WAYCO
19.	SPORTCHAMP