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

UPDATE ON PROPOSED ACQUISITION OF NEW SUBSIDIARY

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1. INTRODUCTION

The Board of Directors ("**Board"**) of Datapulse Technology Limited (the "**Company**" and together with its subsidiaries the "**Group**") refers to the Company's announcement of 12 December 2017 ("**Earlier Announcement**") in relation to the proposed acquisition ("**Proposed Acquisition**") of 1,000,000 ordinary shares in the capital of Wayco Manufacturing (M) Sdn. Bhd (Company Registration No. 127010-M) ("**Target Company**") for a cash consideration of S$3,500,000 ("**Consideration**").

All capitalised terms used herein which are not defined but which are defined in the Earlier Announcement shall bear the same meanings ascribed thereto.

<u>Clarification in relation to condition precedent under the SPA</u>

Under the SPA, one of the conditions precedent provided for is that of 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 sale and purchase of the Sale Shares.

However, as mentioned in the Earlier Announcement, the relative figures of the Proposed Acquisition, computed pursuant to Rule 1006 of the SGX Listing Manual based on the audited consolidated financial statements of the Group for the financial year ended 31 July 2017 ("**FY 2017**") amount to less than 5%, and shareholders' approval is not required for the Proposed Acquisition pursuant to Rule 1010 of the SGX Listing Manual.

Accordingly, the Company does not intend to seek Shareholders' approval for the Proposed Acquisition, although it will in due course be seeking Shareholders' approval for the proposed diversification of the Company's core businesses to include, *inter alia*, manufacturing of hair care, cosmetics and other homecare chemical products, which is the business that the Target Company is engaged in.

<u>Further financial information relating to the Properties and the Target Company</u>

The aggregate net book value of the Properties as at 30 June 2017 based on the unaudited management accounts of the Target Company for the 6 months period ended 30 June 2017 is RM 3,958,745.

The net tangible asset value of the Target Company of RM7,626,248 as stated in the Earlier Announcement has been adjusted to take into account the estimated market value of the Properties of RM7,500,000 as contemplated under the SPA ("**SPA Properties Valuation**").

The price earnings ratio represented by the Consideration is approximately 32.9 times (S$3,500,000 divided by the annualized profits of approximately S$106,404 (based on the 6 months unaudited net profit after tax of RM 160,632 and assuming an exchange rate of RM1: S$0.3312)) and the price to book value represented by the Consideration and based on the Adjusted NTA Value (as defined below) is approximately 1.4 times (S$3,500,000 divided by S$2,525,813).

<u>Rationale for the amount of Consideration</u>

The Company agreed to the amount of S$3,500,000 as the Consideration to be paid for the Proposed Acquisition, *inter alia*, after taking into consideration the following:

(i) The adjusted net tangible asset value of the Target Company after taking into consideration the market value of the Properties.

In arriving at the amount of Consideration, the parties had assumed that the adjusted net tangible asset value of the Target Company, after taking into account the SPA Properties Valuation, would be RM7,626,248.

However, the parties had also agreed under the SPA to conduct an independent valuation on the Properties, and any difference between such independent valuation and the SPA Properties Valuation shall either be payable by the Company to the Vendor (if a surplus) or payable by the Vendor to the Company (if a shortfall), thereby ensuring that the Adjusted NTA Value takes into consideration a value for the Properties which is in line with the results of the Independent Valuation (as defined below).

(ii) Future earnings 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; and

(iii) Potential residual value of certain plant, machinery and equipment under the fixed assets of the Target Company which are almost fully depreciated.

<u>Update on Independent Valuation and Shortfall Amount to be paid by Vendor</u>

The Company has on 14 December 2017 received an independent valuation report ("**Independent Valuation**") procured by the Vendor, valuing the Properties at RM 7,300,000 ("**Independent Properties Valuation**").

Accordingly:

(i) The adjusted net tangible asset value of the Target Company as at 30 June 2017, adjusted for the Independent Properties will be RM 7,426,248 ("**Adjusted NTA Value**") or approximately of S$2,459,573 (assuming an exchange rate of RM1: 0.3312).

(ii) there is a shortfall ("**Shortfall Amount**") of RM 200,000 between the Independent Properties Valuation and the SPA Properties Valuation which, under the terms of the SPA, the Vendor is supposed to separately pay to the Company.

<u>Supplemental Agreement to the SPA</u>

The Company and the Vendor have on 15 December 2017 entered into a supplemental agreement to the SPA pursuant to which the Vendor has agreed and undertaken that during the Buyback Period (as defined below), 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 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, where the price of the buy back shall be the Consideration less the Shortfall Amount which the Vendor has paid to the Company for the Sale Shares ("**Buyback**").

"Buyback Period" means the period of one year from the date of completion of the Proposed Acquisition.

The Buyback will give the Company an opportunity to reconsider the viability of the Proposed Acquisition in the event of potential subsequent adverse findings about the Target Company and/or its business, given that the Company is currently new to the hair care, cosmetics and homecare chemical products industry which the Target Company is engaged in.

The Company will update Shareholders as and when there are further developments in relation to the Proposed Acquisition, including completion of the Proposed Acquisition.

BY ORDER OF THE BOARD
Lee Kam Seng
Chief Financial Officer and Company Secretary
15 December 2017