

DATAPULSE TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198002677D)

THE PROPOSED DISPOSAL OF THE PROPERTY AT 15A TAI SENG DRIVE SINGAPORE 535225 – GRANT OF OPTION TO PURCHASE

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Datapulse Technology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 26 July 2017, granted an option to purchase (the “**Option**”) to an independent third party purchaser (the “**Purchaser**”) for the sale of its property situated at 15A Tai Seng Drive Singapore 535225 (the “**Property**”) for an aggregate consideration of S\$53,500,000 (the “**Consideration**”) on the terms and subject to the conditions of the Option (the “**Proposed Disposal**”). The Option shall remain valid up to 4.00 p.m. on 9 August 2017.

As the relative figure computed under Rule 1006(c) of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) exceeds 20% (but does not exceed 100%), the Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual.

2. THE PROPOSED DISPOSAL AND SALIENT TERMS OF THE OPTION

2.1 Information on the Property

The Property is a leasehold property granted by the Jurong Town Corporation (“**JTC**”) with a 30-year lease tenure commencing from 16 August 1993 with a further term of 30 years. It is a six-storey industrial building comprising production and warehouse areas as well as ancillary offices, and has a gross floor area of approximately 15,174 square meters.

2.2 Consideration and Payment Terms

The Consideration shall be fully satisfied in cash and was arrived at after arms’ length negotiations and based on a willing-buyer willing-seller basis, having taking into account a valuation report dated 26 April 2016 issued by Cushman & Wakefield VHS Pte Ltd and commissioned by the Company (the “**Valuation Report**”). The Consideration of S\$53,500,000 has been arrived at after taking into account the balance lease period of 36 years and 1 month as at the date of the Option (whereas the valuation of S\$57,000,000 determined pursuant to the Valuation Report was for a balance lease period of 37 years and 4 months).

Under the Option, the Consideration shall be payable by the Purchaser to the Company as follows:

- (a) the sum of S\$535,000 (the “**Option Fee**”) (plus GST) shall be payable upon the grant of the Option by the Company;

- (b) the sum of S\$4,815,000 (the “**Balance Deposit**”) shall be payable upon exercise of the Option by the Purchaser; and
- (c) the balance of the Consideration, which is equivalent to 90% of the Consideration, shall be payable upon completion of the Proposed Disposal (“**Completion**”).

Under the terms of the Option, in the event that the Option is not exercised by the Purchaser, the Option Fee shall be forfeited to the Company.

2.3 Conditional Disposal

The Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent (the “**Conditions Precedent**”):

- (i) the approval of shareholders of the Company (“**Shareholders**”) being obtained for the Proposed Disposal;
- (ii) undertakings from Mr. Ng Cheow Chye, Ms. Huang Shuhui Cheryl and Mr. Si Yok Fong, who collectively hold approximately 26% of the issued share capital of the Company, to vote each of their entire shareholdings in favour of the Proposed Disposal at an extraordinary general meeting convened for the purposes thereof;
- (iii) the approval of the Purchaser’s head office being obtained by 15 August 2017;
- (iv) the written in-principle approval from JTC being obtained for the Proposed Disposal and the change of use of the Property (the “**JTC Approval**”); and
- (v) the Purchaser’s solicitors having received satisfactory replies to the usual legal requisitions and road and drainage interpretation plans sent to the various relevant government departments.

2.4 Completion

Completion of the Proposed Disposal is expected to take place on the latest of, *inter alia*:

- (i) 30 November 2017;
- (ii) the date falling two weeks from the date of the JTC Approval; or
- (iii) the date falling two weeks from the date of approval of the Shareholders for the Proposed Disposal,

(the “**Completion Date**”).

Vacant possession of the Property shall be delivered to the Purchaser on the Completion Date, failing which the Company shall pay the Purchaser liquidated damages of S\$6,451 per day provided always that vacant possession shall in any event be delivered no later than 31 December 2017.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal is in the best interests of the Company and its shareholders, as it will enable the Group to realise the value of the Property at a significant premium over its book value, and allow the Group to reallocate its resources to improve and optimise the utilisation of assets.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

4.1 Financial Effects

The *pro forma* financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not necessarily reflect the future actual financial position and results of the Group following Completion.

Purely for illustrative purposes only, based on the Group's audited consolidated financial statements for the financial year ended 31 July 2016 (being the most recently completed financial year), the *pro forma* financial effects of the Proposed Disposal are as follows:

(i) Net tangible assets ("NTA") per share

Assuming that the Proposed Disposal had been completed on 31 July 2016:

	Before the Proposed Disposal	After the Proposed Disposal *
NTA (S\$'000)	48,340	90,356
Number of issued shares excluding treasury shares ('000)	219,075	219,075
NTA per share (cents)	22.07	41.24

(ii) Earnings per share

Assuming that the Proposed Disposal had been completed on 1 August 2015:

	Before the Proposed Disposal	After the Proposed Disposal *
Profit after tax attributable to equity holders of the Company (S\$'000)	905	43,554
Weighted average number of shares ('000)	219,609	219,609
Earnings per share (cents)	0.41	19.83

* Taking into account the estimated expenses and tax.

4.2 Value of the Property

The Property is valued at S\$57,000,000 based on the Valuation Report, which took into consideration various commercial factors, including the location and building design of the Property. The Comparable Sales Method was adopted in formulating the valuation of the Property.

Based on the latest announced unaudited accounts of the Company for the nine-month financial period ended 30 April 2017:

- (i) the NTA value (and book value) of the Property is approximately S\$8,391,000;
- (ii) no net profits are attributable to the Property*;
- (iii) the excess of the proceeds from the Proposed Disposal over the book value of the Property is approximately S\$45,109,000; and
- (iv) the net gain on the Proposed Disposal is expected to be approximately S\$44,474,000.

** The Property does not generate any profits as it is used solely for the Group's manufacturing activities, and based on the latest announced consolidated financial results of the Group dated 8 June 2017, the Group made a net loss of approximately S\$1.352 million from operating activities during the financial period in question.*

4.3 Use of Proceeds

The Company expects to receive gross proceeds of S\$53,500,000 from the Proposed Disposal (excluding estimated transactional expenses to be incurred in connection with the Proposed Disposal).

The Company intends to deploy part of the proceeds from the Proposed Disposal to acquire a new premise to continue its existing business and operations. The remaining proceeds from the Proposed Disposal will be used as general working capital for the requirements of the Group's businesses and operations and for the Group to undertake new investment opportunities that may arise in the future.

5. REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL

5.1 Rule 1006 and Rule 1014 of the Listing Manual

The relative figures for the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out below:

Bases of calculation	Relative Figure
<p>Rule 1006(a)</p> <p>The net asset value⁽¹⁾ (“NAV”) of the Property of approximately S\$8,391,000 as at 30 April 2017, compared with the Group's NAV of S\$51,172,000 as at 30 April 2017⁽²⁾</p>	16.4%
<p>Rule 1006(b)</p> <p>The net profit⁽³⁾ attributable to the Property as at 30 April 2017, compared with the Group's net profit as at 30 April 2017</p>	Not applicable ⁽⁴⁾
<p>Rule 1006(c)</p> <p>The aggregate value of the Consideration received of S\$53,500,000, compared with the Company's market capitalisation⁽⁵⁾ of approximately S\$57,179,000 (based on the weighted average price of the Company's shares on the SGX-ST of S\$0.261 on 25 July 2017)</p>	93.6%
<p>Rule 1006(d)</p> <p>The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue</p>	Not applicable as this is not an acquisition
<p>Rule 1006(e)</p> <p>The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.</p>	Not applicable as this is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Notes:

- (1) Under Rule 1002(3)(a) of the Listing Manual, “net assets” means total assets less total liabilities.
- (2) Based on the latest announced unaudited NAV for the nine-month financial period ended 30 April 2017.
- (3) Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (4) The Property does not generate any profits as it is used solely for the Group's manufacturing activities, and based on the latest announced consolidated financial results of the Group dated 8 June 2017, the Group made a net loss of approximately S\$1.352 million from operating activities during the financial period in question.
- (5) Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the 219,074,844 Shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Option.

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20% (but does not exceed 100%), the Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual.

Accordingly, in the event that the Purchaser exercises the Option, the Company will be seeking the approval of Shareholders for the Proposed Disposal at an extraordinary general meeting (“**EGM**”) to be convened, pursuant to Rule 1014 of the Listing Manual, and a circular containing, *inter alia*, information on the Proposed Disposal will be despatched to Shareholders in due course.

5.2 Waiver from Rule 1019 of the Listing Manual

Notwithstanding the above, pursuant to Rule 1019(1) of the Listing Manual, the Company is required to obtain the approval of Shareholders at the time of grant of the Option.

As such, the Company had on 13 July 2017 submitted an application to the SGX-ST to seek its approval for a waiver of Rule 1019(1) of the Listing Manual to allow the Company to grant the Option to the Purchaser without prior approval from its Shareholders (the “**Waiver**”).

The SGX-ST had, on 21 July 2017, informed the Company that it had no objection to the Waiver, subject to the following conditions:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, and the conditions as required under Rule 107 of the Listing Manual; and
- (b) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the constitution of the Company.

The Company had sought the Waiver for the following reasons:

(i) No significant adverse impact to Shareholders

The Option is a customary document in the context of commercial property sale and purchase transactions, which is provided to a prospective purchaser prior to consummation of the actual transaction. This ensures that the seller’s interests in proceeding with the transfer of property will be safeguarded by way of receipt of an option fee or deposit from the purchaser.

The Company will nonetheless be required to seek the approval of Shareholders in respect of the Proposed Disposal in due course, pursuant to Rule 1014 of the Listing Manual. Accordingly, under the Option, it has been specifically provided that completion of the Proposed Disposal is subject to and conditional upon, *inter alia*, the approval of Shareholders being obtained, failing which the Company shall be at liberty to terminate and/or rescind the Proposed Disposal.

On the above basis, the Waiver will not be materially prejudicial to the interests of Shareholders, taking into account that Shareholders will still be provided with an opportunity to vote on the Proposed Disposal prior to Completion.

(ii) **Terms of the Option are favourable**

In comparison to the book value of the Property, the Consideration under the Option represents a significant gain on disposal.

Upon grant of the Option, the Purchaser will have to provide the Option Fee to the Company, which shall be forfeited to the Company in the event of non-exercise of the Option.

Accordingly, the Company is of the view that the salient terms of the Option are favourable, and it is in the interests of the Company to grant the Option to the Purchaser.

(iii) **Time is of the Essence**

Having to first convene an extraordinary general meeting to obtain the approval of Shareholders at the time of grant of the Option would likely result in considerable delay to the grant of the Option, and potentially jeopardise the Proposed Disposal.

In view that the terms of the Option are favourable, the Company intends to grant the Option as expeditiously as possible to secure the Purchaser's commitment to purchase the Property.

In light of the above grounds, the Waiver would be in the interests of the Company and the Shareholders.

The Company has complied with condition (b) of the Waiver, and will have complied with condition (a) of the Waiver pursuant to release of this announcement.

Pursuant to the SGX-ST's grant of the Waiver, the Company will convene the EGM as soon as possible (in the event that the Purchaser exercises the Option), but has granted the Option prior to the EGM being held.

6. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company (if any).

8. DOCUMENTS FOR INSPECTION

A copy of each of the Option and the Valuation Report is available for inspection during normal business hours at the Company's registered office for a period of three (3) months from the date of this announcement.

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements in relation to the Proposed Disposal as and when there are material developments.

10. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is in any event subject to the Purchaser's exercise of the Option and the Conditions Precedent, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Accordingly, Shareholders and potential investors are advised to read this announcement carefully and exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

BY ORDER OF THE BOARD

Lee Kam Seng
Chief Financial Officer and Company Secretary
31 July 2017