



Securities Investors Association (Singapore)

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Meeting details:

Date: 16 November 2018

Time: 2.30 p.m.

Venue: Metropolitan YMCA Singapore, The Vine Ballroom Level 2, 60 Stevens Road, Singapore 257854



1. In the Chairman's statement, it was disclosed that management has "*formally engaged the vendor [of Wayco Manufacturing (M) Sdn Bhd ("Wayco")] to resolve issues that surfaced*".

- (i) Would the board help shareholders understand the specific issues that have been raised with the vendor?**
- (ii) Can the company also provide shareholders with better clarity on the management of the day-to-day operations of Wayco? Please update shareholders on the details of the senior management team driving the haircare business.**
- (iii) Please help shareholders understand the key value drivers of the haircare business. What are the core competencies that the group can leverage on to create long term sustainable shareholder value from the haircare business?**
- (iv) Given that acquisition was completed on 15 December 2017, when would the board be making a decision on the company's right to require the vendor to buyback Wayco? Has the board initiated this discussion with the vendor?**

2. On 3 October 2018, the company announced that it would be seeking an expansion of the property business mandate to include hotels and hospitality assets as an asset for acquisition or investment.

This follows the appointment of Mr. Aw Cheok Huat as a non-independent non-executive director on 15 August 2018. Mr. Aw was subsequently appointed as the chairman of the board with effect from 27 August 2018.

- (i) Given that there have been changes to the management team and the board of directors, can the company help shareholders understand the deliberations it has had on the proposed diversification to include hotels and hospitality assets? Who was the "driving force" in this proposed diversification?**
- (ii) What was the level of due diligence carried out by the company and by the independent directors at the proposed diversification mandate?**
- (iii) Can the board elaborate further on the company's diversification efforts? Was there a formal and systematic approach to the company's diversification efforts? Did the board/management review the group's core competencies and assessed how it could leverage on the group's strength to generate long term sustainable shareholder value?**
- (iv) Can the board help shareholders understand if there was unanimous support on the board by all the directors to diversify into hotels and hospitality assets?**

In the announcement, the following was also stated:

*In this respect, the Company notes that ICP Ltd (“ICP”, and together with its subsidiaries, the “ICP Group”), a company in which Mr Aw Cheok Huat, the Non-Independent Chairman and a substantial shareholder of the Company, is the non-independent and non-executive chairman and a controlling shareholder, is currently also engaged in the hotel and hospitality sector. In particular, ICP owns a hotel in Kuala Lumpur previously known as Geo Hotel which was rebranded to Travelodge Central Market (“TLCM”). The Company also notes that ICP had on 1 October 2018 announced that, except for the investment in TLCM, the ICP Group’s focus is on third party hotel management and there are no current plans for the ICP Group to enter into capital-intensive acquisitions. The Company does not contemplate providing hotel or hospitality management services as part of the Proposed Expansion of Property Business Mandate, and will engage third party service providers to provide hotel or hospitality management services in respect of the hotels or hospitality assets which it owns or has an interest in. Instead, the focus of the Group will be on the investment of Property Related Assets (including hotels or hospitality assets should shareholders approve the Proposed Expansion of Proposed Property Business Mandate) through which the Group expects to receive property income and capital appreciation.
(Source: Company announcement dated 3 October 2018)*

The group has total equity of \$81.2 million as at 31 July 2018.

- (v) Can the company help shareholders understand why it “does not contemplate providing hotel or hospitality management services”? Was this evaluated by the board or was this act of omission due to the possible conflict of interests with the chairman who is the controlling shareholder of ICP?**
- (vi) Has the board reviewed if the group has the financial resources to go into an “asset-heavy” business model? If so, what scale could be achieved and would the group be able to enjoy economies of scale?**
- (vii) What is the board’s projected return on investment for the proposed diversification into hotels and hospitality assets?**

3. On 23 February 2018, SGX-ST issued a Notice of Compliance to the company requiring the company to appoint independent professional(s) to undertake an independent review of such matters as set out in the Notice of Compliance.

On 16 September 2018, the company posted an executive summary of the Internal Controls Review report and have stated that the audit committee and the board have “*adopted all the recommendations on improvements to internal controls and corporate governance practices set out in the Final Report*”.

- (i) Would the board help shareholders understand the changes and improvements that have been made to the group’s internal controls and**

corporate governance practices? Please list out all the changes and elaborate in greater detail how the board monitors the level of compliance.

(ii) Would the board explain in greater detail how it works with its compliance advisor? When would the company consult its compliance advisor?

The company has also stated that the “internal audit function is outsourced to external audit professionals from an international accounting firm” (page 24).

(iii) Would the company disclose the identity of the accounting firm that carries out the (outsourced) internal audit for the group? Please also help shareholders understand the experience and the qualification of the team members of the internal audit function.

(iv) Would the audit committee confirm that the outsourced internal audit function is independent of the activities it audits?

A copy of the questions for the Annual Report for the financial year ended 31 July 2017 and 31 July 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Datapulse%20Technology%20Ltd>

The company's response could be found here: -----