

LETTER DATED 8 JULY 2016

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Powermatic Data Systems Limited (**Company**), you should immediately forward this Letter, the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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POWERMATIC DATA SYSTEMS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198900414E)

LETTER TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

IMPORTANT DATES AND TIMES:

Last Date and Time for Lodgement of Proxy Forms	:	23 July 2016 at 11.00 a.m.
Date and Time of Annual General Meeting	:	25 July 2016 at 11.00 a.m.
Place of Annual General Meeting	:	8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095

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DEFINITIONS

For the purpose of this Letter, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

Act	: The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
AGM	: The annual general meeting of the Company to be held on 25 July 2016, notice of which is given on page 82 of the Annual Report 2016
Approval Date	: The date of the forthcoming AGM at which the renewal of the Share Buy-Back Mandate is approved
CDP	: The Central Depository (Pte) Limited
Code	: The Singapore Code on Take-overs and Mergers
Company	: Powermatic Data Systems Limited
Directors	: The directors of the Company as at the date of this Letter
EPS	: Earnings per Share
Group	: The Company and its subsidiaries
Latest Practicable Date	: The latest practicable date prior to the printing of this Letter, being 17 June 2016
Letter	: This letter to Shareholders dated 8 July 2016 in relation to the Proposed Renewal of the Share Buy-Back Mandate
Listing Manual	: SGX-ST Listing Manual
Listing Rules	: The listing rules of the SGX-ST set out in the Listing Manual
Market Day	: A day on which the SGX-ST is open for securities trading
NTA	: Net tangible assets
per cent or %	: Per centum or percentage
S\$ and cents	: Singapore dollars and cents, respectively
Securities and Futures Act	: Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
SGX-ST	: Singapore Exchange Securities Trading Limited
Shareholders	: The registered holders of the Shares, except where the registered holder is CDP, the term Shareholders shall, in relation to such Shares, mean the persons whose securities accounts maintained with CDP, are credited with the Shares

Shares	: Ordinary shares in the capital of the Company
Share Buy-Back	: The buy-back of Shares by the Company in accordance with the terms set out in this Letter as well as the Act and the Listing Manual
Share Buy-Back Mandate	: The general mandate given by Shareholders to authorise the Directors to effect Share Buy-Backs
Share Consolidation	: The share consolidation exercise which was completed on 20 August 2015 to consolidate every five (5) existing Shares into one (1) consolidated Share
Share Options	: Outstanding share options granted pursuant to the Powermatic Data Systems Employees' Share Option Scheme 2013
SIC	: Securities Industry Council
Substantial Shareholder	: A person who has an interest of not less than 5% of the issued voting shares of the Company

The terms **Depositor** and **Depository Register** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, Securities and Futures Act or the Listing Manual, or any statutory modification thereof and not otherwise defined in this Letter shall have the same meaning assigned to it under the Act, Securities and Futures Act or the Listing Manual, or any modification thereof, as the case may be.

Any reference to a time of day in this Letter is made by reference to Singapore time unless otherwise stated.

POWERMATIC DATA SYSTEMS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198900414E)

Directors:

Chen Mun (CEO/Chairman)
Ang Bee Yan, Katherine (Executive Director)
Yee Lat Shing, Tom (Independent Director)
Tan Chao Hsiung, David (Independent Director)
Lye Kin Mun (Independent Director)

Registered Office:

9 Harrison Road
#05-01
Singapore 369651

8 July 2016

To: The Shareholders of Powermatic Data Systems Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

The Directors have proposed that the Share Buy-Back Mandate be renewed at the AGM to be held on 25 July 2016 and that Shareholders' approval be sought.

The purpose of this Letter is to provide Shareholders with information relating to the proposed renewal of the Share Buy-Back Mandate to be tabled at the AGM.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 Introduction

At the annual general meeting of the Company convened on 25 July 2014, Shareholders had approved the adoption of the Share Buy-Back Mandate. The Share Buy-Back Mandate was renewed at the annual general meeting of the Company convened on 24 July 2015, and will expire on the date of the forthcoming AGM. Accordingly, the Directors propose that the Share Buy-Back Mandate be renewed at the forthcoming AGM.

2.2 Authority and Limits

The authority and limitations placed on the Share Buy-Backs under the Share Buy-Back Mandate, if renewed at the forthcoming AGM, are summarised as follows:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the Approval Date (excluding any treasury shares which may be held by the Company from time to time).

For illustrative purposes only, on the basis of 34,819,356 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, not more than 3,481,935 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

In the event that any of the Share Options that have vested are exercised during the period between the Latest Practicable Date and the date of the AGM, only those new Shares that are allotted and issued by the Approval Date pursuant to the exercise of such vested Share Options will be taken into account for the purposes of determining the total number of Shares as at the Approval Date.

(b) Duration of authority

Under the Share Buy-Back Mandate, Share Buy-Backs may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in general meeting; or
- (iii) the date on which Share Buy-Backs are carried out to the full extent mandated.

(c) Manner of Share Buy-Backs

Share Buy-Backs may be made by way of:

- (i) an on-market purchase (**On-Market Purchase**) transacted through the SGX-ST or on another stock exchange on which the Shares are listed (as defined in Section 76E of the Act); and/or
- (ii) an off-market purchase (**Off-Market Purchase**) effected pursuant to an equal access scheme (as defined in Section 76C of the Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Rules.

Under the Act, an Off-market Purchase effected in accordance with an equal access scheme must satisfy all of the following conditions:

- (i) the offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
 - (bb) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

In addition, the Listing Rules provide that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which contain at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Buy-Back;
- (iv) the consequences, if any, of Share Buy-Backs that will arise under the Code or other applicable takeover rules;
- (v) whether the Share Buy-Backs, if made, could affect the listing of the Shares on the SGX-ST;

- (vi) details of any Share Buy-Backs made by the Company in the previous 12 months (whether by way of On-Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
 - (vii) whether the Shares purchased will be cancelled or kept as treasury shares.
- (d) Maximum purchase price
- The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buy-Back shall be determined by the Directors, but in any event, shall not exceed the maximum price (**Maximum Price**), which:
- (i) in the case of an On-Market Purchase, shall mean the price per Share based on not more than 5% above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded immediately preceding the day of the On-Market Purchase and deemed to be adjusted for any corporate action occurring after such 5-Market Day period; and
 - (ii) in the case of an Off-Market Purchase, shall mean the price per Share based on not more than 20% above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded immediately preceding the day on which the Company makes an announcement of an offer under an equal access scheme.

2.3 Rationale

The rationale for renewing the Share Buy-Back Mandate is to allow the Company to have the flexibility to undertake Share Buy-Backs at any time, subject to market conditions, during the period when the Share Buy-Back Mandate is in force. The Directors believe that Share Buy-Backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements in an expedient and cost-efficient manner. Share Buy-Backs will allow the Directors to have greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA per Share of the Company and the Group. The Directors also believe that Share Buy-Backs will help mitigate against short term market volatility and offset the effects of short term speculation.

The Directors will only engage in Share Buy-Backs when they believe that it would benefit the Company and Shareholders, taking into consideration factors such as the amount of surplus cash available and the prevailing market conditions. In addition, the Directors do not intend to engage in Share Buy-Backs to such extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, the orderly trading of the Shares, or result in the Company being de-listed from the SGX-ST.

3. STATUS OF PURCHASED SHARES

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company in accordance with the Act) will be automatically de-listed by the SGX-ST and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised below:

(a) Maximum holdings

The number of shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other rights

The treasury shares shall be treated as having no voting rights and shall not be entitled to any dividend or other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up). However, an allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed if the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, **usage**). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

4. SOURCE OF FUNDS

The Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act permits any purchase or acquisition of shares to be made out of the company's capital or profits so long as the company is solvent. For this purpose, a company is solvent if at the date of the payment, the following conditions are satisfied:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if —
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Buy-Back Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buy-Back Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

5. FINANCIAL EFFECTS

The financial effects on the Company and the Group arising from Share Buy-Backs made pursuant to the Share Buy-back Mandate will depend on, *inter alia*, the number of Shares purchased or acquired, the price paid for such Shares and the manner in which the purchase or acquisition is funded.

Where the consideration paid by the Company for a Share Buy-Back is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for a Share Buy-Back is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The financial effects on the Company and the Group set out in this section are based on the audited accounts of the Company and the Group for the financial year ended 31 March 2016 and the assumptions set out below:

(a) Exercise in full of the Share Buy-Back Mandate

For illustrative purposes only, on the basis of 34,819,356 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, the exercise in full of the Share Buy-Back Mandate will result in the purchase or acquisition of 3,481,935 Shares, representing 10% of the Shares in issue as at that date.

(b) Maximum price to be paid for Share Buy-Backs

For illustrative purposes only, in the case of an On-Market Purchase by the Company and assuming that the Company purchases or acquires 3,481,935 Shares at the Maximum Price of S\$1.043 per Share (being 5% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,481,935 Shares is approximately S\$3.632 million.

For illustrative purposes only, in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 3,481,935 Shares at the Maximum Price of S\$1.192 per Share (being 20% above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,481,935 Shares is approximately S\$4.150 million.

For illustrative purposes only, based on the audited accounts of the Company and the Group for the financial year ended 31 March 2016 and the assumptions set out above, and assuming the Share Buy-Backs are funded solely from capital, the financial effects of the Share Buy-Backs pursuant to the Share Buy-Back Mandate on the audited accounts of the Company and the Group for the financial year ended 31 March 2016 as if the Share Buy-Back Mandate had been effective on 1 April 2015 are as follows:

(a) On-Market Purchases made entirely out of capital and cancelled

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 March 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	47,158	43,526	40,741	37,109
NTA	47,091	43,459	40,727	37,095
Current Assets	24,808	21,176	9,717	6,083
Current Liabilities	4,783	4,783	580	580
Working Capital	20,025	16,393	9,137	5,505
Total Borrowings	–	–	–	–
Net profit/(loss)	2,832	2,832	1,689	1,689
Treasury Shares	(720)	(720)	(720)	(720)
Number of Shares	34,778	31,296	34,778	31,296
Financial Ratios				
NTA per Share (cents)	135.40	138.86	117.11	118.53
Gearing (%)	NA	NA	NA	NA
Current Ratio (times)	5	4	17	10
EPS (cents)	8.14	9.05	4.86	5.40

(b) On-Market Purchases made entirely out of capital and held as treasury shares

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 March 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	47,158	43,526	40,741	37,109
NTA	47,091	43,459	40,727	37,095
Current Assets	24,808	21,176	9,717	6,085
Current Liabilities	4,783	4,783	580	580
Working Capital	20,025	16,393	9,137	5,505
Total Borrowings	–	–	–	–
Net profit/(loss)	2,832	2,832	1,689	1,689
Treasury Shares	(720)	(4,352)	(720)	(4,352)
Number of Shares	34,778	31,296	34,778	31,296
Financial Ratios				
NTA per Share (cents)	135.40	138.86	117.11	118.53
Gearing (%)	NA	NA	NA	NA
Current Ratio (times)	5	4	17	10
EPS (cents)	8.14	9.05	4.86	5.40

(c) **Off-Market Purchases made entirely out of capital and cancelled**

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 March 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	47,158	43,008	40,741	36,591
NTA	47,091	42,941	40,727	36,577
Current Assets	24,808	20,658	9,717	5,567
Current Liabilities	4,783	4,783	580	580
Working Capital	20,025	15,875	9,137	4,987
Total Borrowings	–	–	–	–
Net profit/(loss)	2,832	2,832	1,689	1,689
Treasury Shares	(720)	(720)	(720)	(720)
Number of Shares	34,778	31,296	34,778	31,296
Financial Ratios				
NTA per Share (cents)	135.40	137.21	117.11	116.87
Gearing (%)	NA	NA	NA	NA
Current Ratio (times)	5	4	17	10
EPS (cents)	8.14	9.05	4.86	540

(d) **Off-Market Purchases made entirely out of capital and held as treasury shares**

	Group		Company	
	Before the Share Buy-Backs	After the Share Buy-Backs	Before the Share Buy-Backs	After the Share Buy-Backs
As at 31 March 2016	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Shareholders' Funds	47,158	43,008	40,741	36,591
NTA	47,091	42,941	40,727	36,577
Current Assets	24,808	20,658	9,717	5,567
Current Liabilities	4,783	4,783	580	580
Working Capital	20,025	15,875	9,137	4,987
Total Borrowings	–	–	–	–
Net profit/(loss)	2,832	2,832	1,689	1,689
Treasury Shares	(720)	(4,870)	(720)	(4,870)
Number of Shares	34,778	31,296	34,707	31,296
Financial Ratios				
NTA per Share (cents)	135.40	137.21	117.11	116.87
Gearing (%)	NA	NA	NA	NA
Current Ratio (times)	5	4	17	10
EPS (cents)	8.14	9.05	4.86	5.40

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group for the financial year ended 31 March 2016 and is not necessarily representative of the future financial performance of the Company or the Group.

Although the Share Buy-Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back the entire 10% of the issued Shares, nor to such an extent that would materially and adversely affect the financial position of the Company or the Group.

Share Buy-Backs will only be effected after assessing the relative impact of a Share Buy-Back taking into consideration both financial factors (such as cash surplus, debt position, availability of financial resources and working capital requirements) and non-financial factors (such as share market conditions, funding arrangements, expansion and investment plans of the Group and the performance of the Shares). The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group.

6. TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

7. LISTING RULES

7.1 Reporting requirements

Rule 886(1) of the Listing Rules provides that a listed company shall notify the SGX-ST of any Share Buy-Back as follows:

- (a) in the case of an On-Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchases Shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

The notification of such Share Buy-Backs to the SGX-ST shall be in such form and shall include such details as the SGX-ST may prescribe, such as the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable.

7.2 Insider trading

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a listed company would be regarded as an **insider** in relation to any proposed purchase or acquisition of its shares, the Company will not engage in any Share Buy-Backs pursuant to the Share Buy-Back Mandate at any time after a price sensitive matter or development has occurred or has been the subject of a decision until the price sensitive information has been announced. In particular, in line with the best practices on securities dealings in Rule 1207(19)(c) of the Listing Manual, the Company will not engage in any Share Buy-Backs pursuant to the proposed Share Buy-Back Mandate during the period commencing two weeks immediately preceding the announcement of the Company's quarterly results or one month immediately preceding the announcement of the Company's half year or full year results, as the case may be.

7.3 Listing status

The Listing Rules require a listed company to ensure that at least 10% of its shares (excluding treasury shares, excluding preference shares and convertible equity securities) are at all times held by the public.

As at the Latest Practicable Date, approximately 36% of the Company's Shares are held in the hands of the public. Assuming that the Company purchases the maximum of 10% of its issued Shares from such public Shareholders and the Shares bought back are cancelled, the resultant percentage of the issued Shares held by the public would be reduced to approximately 29%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake Share Buy-Backs up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST.

8. TAKEOVER IMPLICATIONS UNDER THE CODE

Appendix 2 of the Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

8.1 Obligation to make a take-over offer

Pursuant to Appendix 2 of the Code, any increase in the percentage of voting rights held by a shareholder and persons acting in concert with him resulting from a Share Buy-Back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Code. Consequently, depending on the number of Shares purchased or acquired by the Company and the number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14 of the Code.

8.2 Persons acting in concert

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, and any company whose associated companies include any of the aforesaid companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 of the Code.

8.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors and parties acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent in any period of six months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

Any Shares held by the Company as treasury shares shall be excluded from the calculation of the percentages of voting rights under the Code referred to above.

Shareholders are advised to consult their professional advisers and/or the SIC and/or relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share Buy-Back pursuant to the Share Buy-Back Mandate.

8.4 Interest of Directors And Substantial Shareholders

Based on the information in the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares before and after the Share Buy-Back pursuant to the Share Buy-Back Mandate, on the basis that (i) the Company purchases or acquires the maximum 3,481,935 Shares (being 10% of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date), (ii) there is no change in the number of Shares in which the Directors and the Substantial Shareholders have an interest as at the Latest Practicable Date and (iii) there are no further issue of Shares, will be as follows:

	Number of Ordinary Shares		Before Share Buy- Back % ⁽¹⁾	After Share Buy-Back % ⁽²⁾
	Direct Interest	Deemed Interest		
Director				
Dr. Chen Mun	19,427,932	–	55.80	62.00
Ms. Ang Bee Yan, Katherine	2,874,800	–	8.26	9.17
Tan Chao Hsiung, David	40,000	–	0.11	0.13
Substantial Shareholder				
Dr. Chen Mun	19,427,932	–	55.80	62.00
Ms. Ang Bee Yan, Katherine	2,874,800	–	8.26	9.17

Notes:-

- (1) The percentages are calculated on the basis of 34,819,356 Shares (excluding treasury shares).
- (2) The percentages are calculated on the basis of 31,337,421 Shares (excluding treasury shares), after a Share Buy-Back of 3,481,935 Shares (being 10% of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date).

Save as disclosed in this Letter and other than through their respective shareholdings in the Company, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the proposed Share Buy-Back Mandate.

8.5 Application of the Code

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date, since the total direct and deemed interest of Dr. Chen Mun is more than 50 per cent of the total number of issued Shares, Dr. Chen Mun would not be obliged to make a take-over offer for the Company under Rule 14 in the event that the Company purchases or acquires the maximum 3,481,935 Shares (being 10% of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date) pursuant to the Share Buy-Back Mandate.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date, since the total direct and deemed interest of each of Ms Ang Bee Yan, Katherine and Mr Tan Chao Hsiung, David is less than 30% of the total number of issued Shares, Ms Ang Bee Yan, Katherine and Mr Tan Chao Hsiung, David would not be obliged to make a take-over offer for the Company under Rule 14 in the event that the Company purchases or acquires the maximum 3,481,935 Shares (being 10% of the total number of issued Shares (excluding treasury shares) as at the Latest Practicable Date) pursuant to the Share Buy-Back Mandate.

Based on the information set out above, the Directors are not aware of any other Substantial Shareholder or Director who would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its total number of issued Shares as at the Latest Practicable Date.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Code as a result of any Share Buy-Back pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the SIC at the earliest opportunity.

9. **DETAILS OF SHARES PURCHASED BY THE COMPANY IN THE PREVIOUS 12 MONTHS**

For the 12 months preceding the Latest Practicable Date, the Company had purchased, by way of On-Market Purchases, 355,300 Shares (representing 71,060 Shares post-Share Consolidation) prior to completion of the Share Consolidation and 596,200 Shares after completion of the Share Consolidation, all of which are held as treasury shares. The following are details of the On-Market Purchases made by the Company:

Date of Purchase	Number of Shares Purchased	Highest Price per Share paid (\$)	Lowest Price per Share Paid (\$)	Total Consideration Paid for the Purchases (\$)
13 July 2015	50,000 ⁽¹⁾	0.188	0.188	9,454.31
3 August 2015	178,700 ⁽¹⁾	0.188	0.187	33,760.95
12 August 2015	126,600 ⁽¹⁾	0.185	0.184	23,445.53
21 August 2015	210,000	0.93	0.9	195,604.79
2 September 2015	30,500	0.91	0.9	27,618.71
30 November 2015	15,900	0.945	0.94	15,091.44
22 December 2015	42,100	0.91	0.905	38,467.50
6 January 2016	45,500	0.93	0.925	42,437.82
8 January 2016	38,800	0.925	0.92	36,014.36
13 January 2016	74,000	0.93	0.92	68,791.31
15 March 2016	69,200	0.94	0.9	65,115.96
7 April 2016	70,200	0.94	0.925	66,179.64

Note:

(1) The Shares were purchased prior to completion of the Share Consolidation.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy or proxies to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 9 Harrison Road, #05-01, Singapore 369651, not less than 48 hours before the time fixed for the AGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting in person at the AGM if he subsequently wishes to do so.

11. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buy-Back Mandate is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of the Share Buy-Back Mandate.

Shareholders are advised to read this Letter in its entirety and for any Shareholder who may require advice in the context of his specific investment, to consult his bank manager, stockbroker, solicitor, accountant or other professional adviser.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 9 Harrison Road, #05-01, Singapore 369651, during normal office hours from the date of this Letter up to and including the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 March 2016.

Yours faithfully

For and on behalf of the Board of Directors

Powermatic Data Systems Limited

Chen Mun

CEO/Chairman