

**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Powermatic Data Systems Limited**Stock code:** BCY**Meeting details:**

Date: 23 July 2021

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Despite the pandemic, revenue grew by 21% from \$21.8 million to \$26.3 million in FY2021 although the gross profit margin in FY2021 slipped from 54% to 49%. Net profit margin was 28% in FY2021, a decrease from 40% achieved in FY2020. Management has attributed the decrease to higher raw material (especially for short-supply components), higher overhead costs and preferential pricing for higher volume purchases.

The group's strong organic growth has been attributed to its ability to customise products to meet customers' particular needs. As noted in the chairman's statement, the research and development and engineering teams have been actively engaged in early stage product development cycles of the group's customers. One of the group's achievements in FY2021 is a public project with a major European Union member country that utilised the group's latest 11x (WiFi 6) products.

- (i) **Can management help shareholders understand the opportunities/addressable market of its WiFi 6/6E products?**
- (ii) **In FY2021, how much of the group's revenue could be attributed to WiFi 6/6E?**
- (iii) As disclosed in the company history (page 7), the group ventured into WiFi 6 – 11ax (WiFi 6) technology to support 5G cellular modem as far back as 2015. **Can management also help shareholders understand the group's market share and market positioning in this niche segment?**
- (iv) **What are management's plans to pass on the cost increases to maintain/increase its gross profit margin?**
- (v) **What is the status of the group's second production facility in Kulai, Malaysia? In addition, what is the impact of the Movement Control Order on the group's operations in Malaysia?**

Q2. On 11 June 2021, the company announced the proposed distribution in specie (DIS) of all the ordinary shares in the issued share capital of Harrison Pte. Ltd which will hold the entire interest in all the strata units comprised in the freehold property at 7 and 9 Harrison Road Singapore 369650/1.

As noted in the chairman's statement, the proposed DIS will demarcate the core business (wireless connectivity) and an investment (investment property) and will give shareholders the option to realise value in the group's investment property which was acquired in 2009.

Details of the DIS can be found in the company's announcement dated 11 June 2021 on the SGX-ST.

- (i) **Can the board/management clarify if the difference in the valuations of \$39.0 million in the DIS announcement and \$35.1 million (page 79) is purely due to the exclusion of unit #05-01 which is occupied by the company (and classified under property, plant and equipment)?**

As disclosed in the DIS announcement, the valuation of 7 and 9 Harrison Road has held relatively steady between \$33.5 million and \$35.0 million from FY2014 to FY2020 before increasing 16% to \$39.0 million as at 31 March 2021.

- (ii) **Can the board help shareholders understand the underlying reason(s) for the increase in valuation?** The (same) valuer has determined the valuation based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year.
- (iii) **What is the progress made in finalising a “cash alternative” for shareholders who would prefer to sell the proposed Harrison shares for cash? When does the board expect the “cash alternative” to be confirmed?** One of the conditions precedent for the proposed DIS is there being a “cash alternative”.
- (iv) Separately, it is also observed that the group has been consistently increasing its cash and cash equivalents over the past financial years, with cash and equivalent balance of \$41.1 million or 55.8% of total assets (Note 25 – Cash and cash equivalents; page 88). The company recently completed a capital reduction that returned \$10.0 million to shareholders. **Can management comment in greater detail on its future plans for the accumulated cash balance? Are there opportunities for the group to deploy its cash and/or right size its balance sheet?**

Q3. As shown in the financial highlights (page 10), the group’s staff head count has remained stable at 83-84 in FY2020/FY2021.

GLANCE OVER 5 YEARS

	2017	2018	2019	2020	2021
Revenue (S\$ million)	15.4	16.1	20.9	21.8	26.3
Profit before tax (S\$ million)	4.68	5.31	7.7	9.9	9.1
Earnings per share (S¢) – diluted	11.97	12.94	20.01	24.99	21.23
Dividend declared as percentage of profit, net of tax (%)	58	54	40	N.A.	24
Net assets value per share with investment property and freehold office unit stated at carrying cost (S\$)	1.51	1.57	1.68	1.75	1.81
Net assets value per share with investment property and owner-occupied property stated at fair value (S\$)	1.91	1.98	2.14	2.18	2.4
Staff head count (In Numbers)	74	76	88	83	84

(Source: company annual report)

- (i) **Can management clarify if the staff head count of 84 excludes the head count in the two production facilities (in Suzhou and Kulai)? If so, can management also disclose the head count on the manufacturing side?**
- (ii) **In addition, what is the size of the core technical/R&D team?**

Dr Chen Mun is the chairman and chief executive officer while Ms Ang Bee Yan, Katherine is an executive director. The company has not provided shareholders with the profiles of its key executives although it has named 5 key management personnel on page 29.

- (iii) **Would the board help shareholders understand the depth of the group's leadership bench strength in the core functions of the group, such as management, sales and technical/R&D?**
- (iv) **Would the board consider providing shareholders with a better understanding of its team of key executives in future annual reports?**
- (v) **Has the board assessed the key person risk? How is the group addressing/mitigating the key person risk?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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