

POWERMATIC DATA SYSTEMS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198900414E)

- (I) THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY; AND
 - (II) THE PROPOSED CAPITAL REDUCTION.
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1. INTRODUCTION

The Board of Directors (the “**Board**”) of Powermatic Data Systems Limited (the “**Company**”, and with its subsidiaries, “**Group**”) wishes to announce that the Company intends to undertake the following:

- (a) the Proposed Adoption of the New Constitution (as defined below); and
- (b) the Proposed Capital Reduction (as defined below).

The Proposed Adoption of the New Constitution and the Proposed Capital Reduction (collectively, the “**Proposed Corporate Exercises**”) are subject to approval from the shareholders of the Company (“**Shareholders**”) and the satisfaction of the conditions precedent set out in paragraph 3.5 below.

The Company has received clearance from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the issue of a circular to Shareholders (the “**Circular**”) in relation to the Proposed Corporate Exercises.

The Circular setting out information on the Proposed Corporate Exercises and enclosing the notice of extraordinary general meeting of the Company (the “**EGM**”) is expected to be issued on or about 7 September 2020.

Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations set out therein.

2. THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

2.1 Background

The Companies (Amendment Act) 2014 of Singapore and the Companies (Amendment) Act 2017 of Singapore (the “**Amendment Acts**”), which were passed in Parliament on 8 October 2014 and 10 March 2017 respectively, introduced wide-ranging changes to the Companies Act (Cap. 50) of Singapore (the “**Companies Act**”) previously in force. The changes to the Companies Act pursuant to the Amendment Acts aimed to, *inter alia*, reduce regulatory burden on companies, provide for greater business flexibility and improve corporate governance for companies.

Key changes under the Amendment Acts include, amongst others, the introduction of a multiple - proxies regime to enfranchise indirect investors (including CPF investors), provisions to facilitate the electronic transmission of notices and documents and the removal of the requirement for the affixation of the common seal.

2.2 The New Constitution

The Company is accordingly proposing to adopt a new constitution in place of the existing constitution (the “**Proposed Adoption of the New Constitution**”), which will consist of the applicable regulations under the existing constitution, and incorporate amendments to take into account, *inter alia*, the changes to the Companies Act introduced pursuant to the Amendment Acts. The new constitution will also contain updated provisions which are consistent with the prevailing listing rules of the SGX-ST, in compliance with Rule 730(2) of the listing manual of the SGX-ST.

3. THE PROPOSED CAPITAL REDUCTION

3.1 The Capital Reduction and Cash Distribution

The Company proposes to undertake a capital reduction exercise (the “**Proposed Capital Reduction**”) to be carried out by the Company pursuant to Section 78G of the Companies Act read with Section 78I of the Companies Act, which will involve a capital distribution (the “**Cash Distribution**”) by the Company to Shareholders of S\$0.286 in cash for each ordinary share in the capital of the Company (the “**Share**”) held by a Shareholder as at the record date to be determined by the directors of the Company (the “**Directors**”) for the purpose of determining the entitlement of Shareholders (the “**Record Date**”).

As at the date of this announcement, the Company has an issued and paid-up share capital of S\$34,558,722.82 comprising 34,953,156 Shares (excluding treasury shares). The Company is proposing to return S\$0.286 in cash for each Share held by the Shareholders or on their behalf as at the Record Date. Based on the total number of issued Shares of the Company (excluding treasury shares) as at the date of this announcement, an aggregate amount of S\$9,996,602.62 (based on S\$0.286 for each Share) will be returned to the Shareholders pursuant to the Proposed Capital Reduction.

The actual aggregate amount of the capital to be returned to the Shareholders pursuant to the Proposed Capital Reduction will be based on the total number of issued and paid-up Shares (excluding treasury shares) of the Company as at the Record Date.

The Proposed Capital Reduction will not result in (a) a cancellation of Shares; (b) a change in the number of Shares held by any Shareholder; or (c) a change in the proportion of Shares held by the Shareholders, immediately after the Proposed Capital Reduction. Accordingly, assuming the Shareholders have not dealt in the Shares, each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

3.2 Illustration

The following illustrates the position of a Shareholder who holds 100 Shares as at the Record Date:

Shareholder with 100 Shares	Shareholding before the Proposed Capital Reduction	Shareholding after the Proposed Capital Reduction
Number of Shares held	100	100
Cash received	-	S\$28.60

In summary, the Shareholders will receive S\$28.60 in cash for every 100 Shares (or S\$0.286 in cash for each Share) held as at the Record Date. Shareholders holding odd lots of Shares (i.e. lots other than the board lots of 100 Shares) will likewise receive S\$0.286 in cash for each Share held as at the Record Date. The shareholding of each Shareholder in the Company shall remain unchanged after the Proposed Capital Reduction, assuming the Shareholders have not dealt in the Shares.

3.3 Rationale and Funds for the Proposed Capital Reduction

3.3.1 Rationale for the Proposed Capital Reduction

The Board is of the view that the Capital Reduction is in the best interests of the Company as the amount under the Cash Distribution comprises the paid-up capital in excess of the immediate requirements of the Company. In determining the level of capital to be returned to Shareholders, the Company has ensured that it retains sufficient capital for business and operational needs.

3.3.2 Funds for the Proposed Capital Reduction

The Proposed Capital Reduction will be funded from internal resources.

The Company's source of funds is from leasing of investment property, fees from provision of corporate administrative support to subsidiaries and dividends from subsidiaries. As at the date of this announcement, the Company has available cash of approximately S\$10.5 million and dividend payable from a subsidiary of approximately S\$13.6 million.

3.4 Financial Effects of the Proposed Capital Reduction

The pro forma financial effects of the Proposed Capital Reduction on the share capital, earnings, net asset value ("NAV") and gearing of the Group have been prepared based on the audited consolidated financial results of the Group for FY2020, the Company's issued share capital and taking into account, *inter alia*, the following bases and assumptions:

- (a) the financial effects on the Group's earnings and earnings per Share are computed assuming that the Proposed Capital Reduction was completed on 1 April 2019;
- (b) the financial effects on the Group's share capital, NAV and gearing are computed assuming that the Proposed Capital Reduction was completed on 31 March 2020; and

- (c) the estimated incremental transaction costs incurred in relation to the Proposed Capital Reduction are disregarded for computational purposes.

The pro forma financial effects of the Proposed Capital Reduction are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Capital Reduction.

3.4.1 Share Capital

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Number of issued Shares (including treasury shares)	35,802,796	35,802,796
Number of issued Shares (excluding treasury shares)	34,953,156	34,953,156
Amount of share capital (S\$)	34,558,722.82	24,562,120.20

There will be no change in the number of issued Shares as a result of the Proposed Capital Reduction.

3.4.2 NAV

The Pro Forma financial effects of the Capital Reduction on the NAV of the Company and the Group for FY2020 are as follows:

	Company		Group	
	Before the Proposed Capital Reduction	After the Proposed Capital Reduction	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Net asset (S\$'000)	57,771	47,774	61,219	51,222
Number of issued Shares (excluding treasury shares)	34,953,156	34,953,156	34,953,156	34,953,156
NAV per Share (S\$)	1.65	1.37	1.75	1.47

3.4.3 Earnings per Share

The Proposed Capital Reduction will result in a loss of interest income which would otherwise be derived from the monies proposed to be distributed. Save as disclosed above, the Proposed Capital Reduction is not expected to have any impact on the Group's consolidated earnings per Share.

3.4.4 Gearing

The Company and the Group do not have any borrowings. Accordingly, there are no financial effects of the Proposed Capital Reduction on the gearing ratio of the Company and the Group for FY2020.

3.5 **Approvals and Conditions**

3.5.1 Conditions to the Proposed Capital Reduction

The Capital Reduction is subject to, *inter alia*, the following:

- (a) the approval of Shareholders, by way of special resolution, for the Proposed Capital Reduction being obtained at the EGM;
- (b) such other approvals, authorisations, consents and confirmations from the regulatory authorities as may be required or advisable and the same remaining in force, including without limitation such approvals from the High Court of Singapore, SGX-ST and other third parties being obtained for or in connection with the Proposed Adoption of the New Constitution and/or the Proposed Capital Reduction, and if such approvals are given subject to any conditions, such conditions being acceptable to the Company; and
- (c) in relation to the Proposed Capital Reduction, the Company complying with the requirements under the Companies Act.

3.5.2 Payment Date

On the lodgement of the copy of the Order of Court approving the Proposed Capital Reduction, together with the other documents as prescribed under the Companies Act, with the Accounting and Corporate Regulatory Authority of Singapore, the Proposed Capital Reduction will take effect and the Cash Distribution will be made thereafter.

4. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders has any interest, direct or indirect, in the Proposed Capital Reduction, other than through their respective shareholdings in the Company.

5. **EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene the EGM to seek Shareholders' approval for the Proposed Corporate Exercises and an electronic copy of the Circular containing, among others, details thereof, together with a notice of EGM in connection therewith will be made available on the Company's website and on the SGX website.

6. CAUTIONARY STATEMENT

Shareholders are advised to refrain from taking any action in related to their Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations set out therein.

BY ORDER OF THE BOARD

Dr Chen Mun
Chairman/Chief Executive Officer
25 August 2020