POWERMATIC DATA SYSTEMS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 198900414E)

PROPOSED REDEVELOPMENT OF EXISTING INVESTMENT PROPERTY

1. INTRODUCTION

The Board of Directors ("**Board**") of Powermatic Data Systems Limited ("**Company**", and with its subsidiaries, the "**Group**") wishes to announce that the Group proposes to redevelop the existing freehold investment property owned by the Group located at 7 and 9 Harrison Road Singapore (collectively, the "**Property**") into an 8-storey multiple-user industrial development for food production, with a view to selling the units of the Redeveloped Property to third party buyers upon completion of the Proposed Redevelopment ("**Proposed Redevelopment**"), and the Company will be convening an extraordinary general meeting ("**EGM**") to seek the approval of shareholders of the Company ("**Shareholders**") for the Proposed Redevelopment.

Further details of the Property, the Proposed Redevelopment and the rationale for the Proposed Redevelopment are set out below.

2. BACKGROUND

2.1. Information on the Property

The Property comprises two adjoining industrial buildings located on 7 and 9 Harrison Road respectively, each building comprising 6 floors, with one unit or strata lot per floor, with the 12 units having a total gross floor area of 79,073sqft and net usable (rentable) area of 61,171sqft.

The Property, situated on freehold land, is currently approved for light industrial use (B1 light industry).

The Property was acquired by the Group on 9 October 2009, and is held by the Group mainly for investment purposes. The Group currently utilises one unit in the Property for its Singapore operations and headquarters for providing support and administration functions to the Group and the remaining 11 units are leased out to third parties for rental income.

The Property is carried in the balance sheet of the Company at a net book value of $16.3 million as at 31 March 2023.

Based on an appraisal conducted by Knight Frank Pte. Ltd., the Property has a fair value of S$46.3 million as at 31 March 2023 ("**Existing Use Property Valuation**").

2.2. Proposed Redevelopment

Under the Proposed Redevelopment, the Company will undertake demolition, construction and redevelopment of the Property into an 8-storey multiple-user industrial development for food production ("**Redeveloped Property**"), with a view to selling the units of the Redeveloped Property to third party buyers, upon completion of the Proposed Redevelopment.

For reasons as further elaborated in Section 3 below, the Company had previously applied to the Urban Redevelopment Authority for an Outline Planning Permission ("**OPP**") to carry out the Proposed Redevelopment of the Property, and subsequent to obtaining approval for the OPP, the Company had applied for a Provisional Permit to carry out the Proposed Redevelopment of the Property, which was obtained on 16 May 2023.

Based on current estimates and projections, the construction costs and other capital expenditures required for purposes of the Proposed Redevelopment is estimated to be in the region of approximately S$25 million ("**CAPEX Costs**"). The Company currently intends to finance the CAPEX Costs entirely from internal resources without any new loans or borrowings to be obtained for such purpose, but this may be subject to change depending, *inter alia*, on further review(s) of the Group's working capital or cash flow requirements.

Assuming the Company obtains Shareholders' approval for the Proposed Redevelopment at the EGM, the Company intends to demolish the existing buildings located on the Property and commence construction of the Redeveloped Property once all the existing tenants vacate their premises following the expiry or termination of their tenancies, which is currently estimated to be within the first half of next year. Construction of the Redeveloped Property is currently expected to be completed within two (2) years from the commencement of the Proposed Redevelopment.

While one of the units of the Property is currently being used by the Group for its Singapore operations and headquarters for providing support and administration functions to the Group, the Proposed Redevelopment should not bring any undue disruptions to the Group's business as the Group intends to rent a property and relocate its operations to such rented property, before commencing with the Proposed Redevelopment. The Group's manufacturing facilities are in Suzhou (People's Republic of China) and Kulai (Johore – Malaysia).

3. RATIONALE FOR THE PROPOSED REDEVELOPMENT

The Group's existing business comprises (a) the manufacturing, sales, marketing and distribution of wireless connectivity products ranging from wireless modules to embedded boards, either off the shelf for customers looking for quicker-to-market wireless solutions, to Original Equipment Manufacturing and Original Design Manufacturing solutions for customers who require customised hardware and software ("**Wireless Business**"), and (b) the leasing and maintenance of the Property ("**Property Business**").

As mentioned in Section 2.1 above, the Company had acquired the Property in 2009 for investment purposes, with the aim to achieve capital appreciation. The Company has been actively re-evaluating its investment strategy in the Property as the Company continues to grow and generate stable profits from the Wireless Business and for reasons as further elaborated below.

In assessing the Proposed Redevelopment, the Board took into consideration the following:

A. <u>The Property Business's contribution to the Group's revenue and profitability is immaterial</u>

As mentioned in Section 2.1 above, the Property is currently being held by the Group mainly as an investment property, and the Group derives rental income from the Property Business by leasing out eleven (11) units of the Property, with a gross monthly rental ranging from approximately S$1.3 per square foot to S$3.5 per square foot, while retaining only one unit of the Property for its own use.

The Wireless Business is the key driver and contributes substantially to the Group's revenue and profitability, with the rental income from the Property Business being recognised as other income. In the past five financial years, contributions from the Property Business, as a percentage to the Group's profitability, declined as contributions from the Wireless Business increased during this period.

B. <u>The Proposed Redevelopment will serve to unlock and monetise the value of the Property</u>

The Company has been adopting the cost approach method of valuation for the Property in its financial statements. The cost approach method does not recognise the appreciation in market value as other income, and the Property has been carried in the balance sheet at its cost of acquisition (which includes costs of upgrading undertaken) less accumulated depreciation. As mentioned in Section 2.1 above, the Property is carried in the balance sheet of the Company at a net book value of $16.3 million as at 31 March 2023, compared to the Existing Use Property Valuation.

Following the completion of the Proposed Redevelopment, the Redeveloped Property will be approved for food production. The Company observes that based on current market conditions and trends, properties approved, *inter alia*, for food production generally fetch a higher sale price and/or rental income in comparison to similar or comparable properties which are only approved for light industrial use.

The Proposed Redevelopment would thus give the Group an opportunity, upon the completion of the redevelopment of Property to the Redeveloped Property, to potentially improve or enhance the existing valuation of the Property, and further, to monetise such enhanced asset, *inter alia*, through the sale of units of the Redeveloped Property.

By way of illustration only, the Existing Use Property Valuation ascribes a valuation to the Property of approximately S$757 per square foot, while buildings within the vicinity of the Property having approved usage for food production having recent transacted sale prices ranging between S$1,300 to S$1,700 per square foot.

C. The Group has available resources to undertake the Proposed Redevelopment

The Group has shareholders' funds and cash balances of approximately S$73.7 million and S$55 million respectively as at 31 March 2023, and as mentioned in Section 2.2 above, the Company can deploy part of the surplus cash of the Group to finance the CAPEX Costs of the Proposed Redevelopment without having to assume or take on additional loans or liability to undertake the Proposed Redevelopment. The use of surplus cash to finance the Proposed Redevelopment may also serve to optimise and enhance returns on the Group's surplus cash, *inter alia,* assuming the Company derives potential profits or gains from the sale of the units of the Redeveloped Property upon completion of the Proposed Redevelopment.

D. Enhancing Shareholders' value – possible distributions

The Board intends to distribute the net profits arising from the sale of units of the Redeveloped Property (if any) to Shareholders by way of distribution including dividends.

Such distributions, if they occur, will be an additional means through which the Company can enhance Shareholders' value by giving Shareholders the benefit of any profits or gains to be received by the Group through the monetisation of its enhanced asset through the Proposed Redevelopment.

For the avoidance of doubt, there is no certainty or assurance that there will be any such net profits available for such intended distributions, and/or that there will not be any changes or adjustments required to the proportion of such net profits to be made available for such intended distributions, including in the event of any changes to the working capital or cash flow requirements of the Group.

The Proposed Redevelopment carries certain potential risks, for instance there may be delays or construction costs overruns, or the Company may not be able to sell the units of the Redeveloped Property or derive a gross profit or net profit from the sale of such units. Further details of the potential risks associated with the Company undertaking or carrying out the Proposed Redevelopment will be provided in the Circular (as defined below). The Company will also have to write-down part of the net book value of the Property following the demolition of the buildings on the Property, which will have an impact on the financial results and financial condition of the Group pending the completion of the Proposed Redevelopment. Further details of the financial effects of the Proposed Redevelopment will be provided in the Circular.

Taking into account the foregoing considerations, including the potential risks associated with the Company undertaking or carrying out the Proposed Redevelopment, the Board is of the view that the Shareholders' interests, at large, would be best served, and it would be beneficial for the Company to undertake or carry out the Proposed Redevelopment, and the Company intends to seek Shareholders' approval for the same.

4. SHAREHOLDERS’ APPROVAL TO BE SOUGHT FOR THE PROPOSED REDEVELOPMENT

The Proposed Redevelopment (excluding the sale of units of the Redeveloped Property upon completion of the Proposed Redevelopment) does not entail or involve the Company entering into any transaction(s) to dispose of asset(s) to or to acquire asset(s) from a third party, and accordingly, the Company has not applied the calculation of the relative figures set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited to the Proposed Redevelopment, although as part of the Proposed Redevelopment, the Company will be demolishing the buildings that are currently located on the Property in order to allow for construction of the Redeveloped Property, and the Company will be assuming ownership of the Redeveloped Property following the completion of the Proposed Redevelopment.

The Company, however, intends to seek Shareholders’ approval for the Proposed Redevelopment as it does not fall within the current scope and ambit of the Property Business and is not otherwise in the ordinary course of business of the Company, and further, the undertaking or carrying out of the Proposed Redevelopment may potentially entail an impact on the future financial results, financial condition and/or risk profile of the Company and the Group, as compared to the current financial results, financial condition and/or risk profile of the Company and the Group, further details of which will be set out in the Circular.

For the avoidance of doubt, the Company intends to undertake or carry out the Proposed Redevelopment as a one-off business venture or project, and does not intend to, nor is seeking Shareholders’ approval to, diversify or expand to property development business generally.

Further details on the Proposed Redevelopment will be set out in a circular to be released by the Company to the Shareholders in due course, for the purpose of obtaining the approval of Shareholders in respect of the Proposed Redevelopment at the EGM to be convened (“**Circular**”).

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and/or the substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Redevelopment, other than through their respective shareholdings in the Company, if any.

6. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading the Company’s shares as there is no certainty or assurance as at the date of this announcement that the Proposed Redevelopment will be approved by Shareholders, or if approved, will be implemented and/or completed in the manner as contemplated under this announcement and/or the Circular.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts as to the actions they should take.

BY ORDER OF THE BOARD

Dr Chen Mun
Chairman and Chief Executive Officer
6 July 2023