

Issuer:

POWERMATIC DATA SYSTEMS LIMITED

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Meeting details:

Date: 25 Jul 2016

Time: 11:00 AM

Venue: 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095

Questions on strategy, financials and operations

1. The group's revenue (page 9 of the annual report) has decreased from \$18.1 million in 2012 to \$15.5 million in 2016. Revenue was as high as \$65-\$68 million in 2007 and 2008. This drop could be partly explained by the scaling down of the low margin distribution business. Even as an Authorized Design Centre of Qualcomm Atheros, this core business of high performance wireless connectivity products is niche, and although profitable, does not appear to have scaled up well. **How well positioned is the group to benefit from the big emerging trends such as Internet of Things ("IoT"), Smart Cities, Wearables, Connected cars etc? What is the group's strategy to propel it into the next stage of growth?** We understand Qualcomm and Intel are the two biggest players in the IoT space; Qualcomm generated more than \$1 billion in "IoT revenue" in 2015 and Intel had quarterly revenue growth of over 20% in IoT. Compared to the sector's explosive growth rate, the group's revenue in the wireless connectivity products segment increased from \$13.4 million to \$14.8 million (pages 53-54). **What are some of the initiatives taken to tap into the opportunities? Where does management expect growth to come from?**

2. The group has insignificant liabilities and has managed its cash flow very prudently. The group's freehold property also generates a steady \$0.7 million in net cash flow annually. Cash and cash equivalents have always been high at about \$18 million since 2011 to 2016. As a percentage, cash accounted for 50% to 100% of the market capitalisation over the same period. **What is the board's view of the ideal capital structure for the group taking into account the group's needs for capital expenditure, acquisitions and working capital?**

Questions on governance

3. Two of the three independent directors were appointed in 1992 and 1993 and the third was appointed in 2008. Given that business environment is evolving rapidly and the technology life cycles are getting shorter, **what are the board's renewal plans?** New directors with the relevant skillsets and competencies can provide fresh input and reinvigorate the company.