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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Powermatic Data Systems Limited

**Security:** Powermatic Data Systems Limited

**Meeting details:**

Date: 25 July 2018

Time: 11.00 a.m.

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

**Company Description**

Powermatic Data Systems Limited, an investment holding company, manufactures, sells, markets, and distributes wireless connectivity products for healthcare, industrial PC, factory automation, and security industries in Singapore and other Asian countries, the United State, Europe, and internationally. The company operates through Wireless Connectivity Products and Property segments. It provides wireless/IOT connectivity products, such as wireless modules, embedded boards, and antennas; wireless connectivity software solutions; and products design concepts, prototyping, and manufacturing services. The company also manages the investment properties. In addition, it distributes computers and related peripherals. The company was incorporated in 1989 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BCY](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BCY))

1. In the Chairman's Statement, it was disclosed that the group's overall revenue increased by 5% as "global demand for reliable wireless devices and solutions continued to surge" (emphasis added). The group has also reported that it secured several new customers with high purchasing volume to its client list.

- (i) Can management help shareholders understand the reasons why the group's growth has lagged behind the industry's rapid growth?**
- (ii) Does management expect the "new customers with high purchasing volume" to contribute a significant increase in revenue? Can the group maintain or expand its profit margin with these new customers?**
- (iii) What is the utilisation of the group's manufacturing site?**
- (iv) Going forward, what would be the limiting factor to the group's growth? Would the bottleneck be the group's engineering/design team or would it be the production capacity?**

2. The group reported a stable return on equity on 8.4% in both FY2017 and FY2018. In the group's capital management policy (page 70), it was disclosed that the objectives when managing capital are:

- *to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and*
- *to provide an adequate return to owners by pricing the sales commensurately with the level of risk.*

It was also stated that management "manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets".

The level of cash has increased steadily over the years to reach \$27.3 million as at 31 March 2018. This accounts for approximately 50% of the group's total equity of \$54.8 million.

- (i) Would management help shareholders understand the capital expenditure required to support the growth of the business?**
- (ii) Would the board clarify if it has provided guidance to management on the optimal capital structure? How can the group further improve its return on equity?**
- (iii) As the group derives stable cash flow from its operations, supported by a steady rental income from its investment property, has the board considered rightsizing the balance sheet to a level that better reflects the scale and growth of the core business?**

3. As disclosed in the Corporate Governance Report, all three independent directors have served on the board for more than nine years. In fact, two of the three independent

directors were appointed to the board in 1992-1993 and thus have each served on the board for more than 25 years. The date of first appointment and the tenure of the directors on the board are shown in the table below:

Director	Date of first appointment	Tenure
Yee Lat Shing, Tom	1 June 1992	26 years and 1 month
Dr Lye Kin Mun	1 February 1993	25 years and 5 months
David Tan Chao Hsiung	24 March 2008	10 years and 3 months

The nominating committee (NC) comprises Dr Lye Kin Mun (as chairman), Mr Yee Lat Shing, Tom and Mr David Tan Chao Hsiung.

- (i) As all the members of the NC are subject to particularly rigorous review of his independence, how effective is the NC in its role?**
- (ii) Can the NC explain in greater detail how it conducted the “rigorous review”?**

Notwithstanding that the NC considered the long tenured non executive directors independent, Guideline 2.4 calls for the board to “also take into account the need for progressive refreshing of the Board”.

- (iii) What are the board’s near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**
- (iv) What is the search and nomination process for directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2016 could be found here:

[https://sias.org.sg/index.php?option=com\\_qaannualreports&view=qareports&filter\\_company=22](https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=22)

The company’s response could be found here: -----