INTERNATIONAL PRESS SOFTCOM LIMITED
(Company Registration No.: 197201169E)
(Incorporated in the Republic of Singapore)

RESPONSE TO THE SGX QUERIES DATED 14 MAY 2020

---

*Capitalised terms not defined herein shall have the meanings ascribed to them in the Company's circular dated 5 May 2020 in relation to the proposed disposal of the Company's property located at 26 Kallang Avenue, Singapore 339417 (the "**Circular**").*

The board of directors (the "**Board**") of International Press Softcom Ltd ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that it had, on 14 May 2020, received queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Circular. The queries and the Company's responses are set out below.

1. *The SGX notes that in paragraph 2.2 of the Circular, the Property "generates a yearly net rental of S$413,171" and in paragraph 2.5.9 of the Circular, pursuant to the Leaseback Agreement, "the Company shall lease the entire premises … on 2nd storey of the building located at the Property for a monthly rental of $34,559.00 for a term of 12 months". The SGX further notes that in paragraph 2.5.1 of the circular, "The Property is sold with vacant possession on Completion save in respect of part of the Property (i) leased to Edifice which will be assigned / novated to the Purchaser, and (ii) leased to the Company pursuant to the Leaseback Agreement."*

   In view of the above, the SGX notes that the Company will lose a yearly net rental income of S$413,171 and incur a yearly rental expense of $414,708. Despite the aforementioned, please explain why the Board is still of the view that the disposal is in the best interest of the Group?

   Company's response

   The Board is of the view that the disposal of the Property is in the best interest of the Group as the Group expects to derive the following additional annual cost savings attributable to the Property:

   i) Depreciation of the Building and related assets amounting to S$1 million;

   ii) Property tax and Ground rent amounting to S$0.5 million; and

   iii) Others cost savings including but not limited to cost of security personnel and the maintenance of building amounting to S$0.2 million.

   Hence, the Group will derive a net yearly savings of S$0.9 million (the "**Yearly Savings**"), which is computed after deducting the yearly rental expense and yearly net rental income of S$414,708 and S$413,171 respectively from the items listed in (i) to (iii) above. It is worth noting that the yearly net rental income will decrease to S$192,000 per annum as the Dominie Tenancy Agreement will expire in 30 June 2020. As such, the Yearly Savings will increase to S$1.1 million. Further, in view of the uncertain climate brought about by the economic ramifications of the Covid-19 epidemic, the Group is of the view that the net proceeds from the sale will put the Group in a position of strength when it comes to taking advantage of suitable business opportunities or provide the Group with ready cash to fund its operational needs.

2. *Referring to paragraph 2.6 of the Circular, please elaborate on the calculations made to reach the conclusion that the "continued underutilisation of the Property will cause the Company to incur **continued losses**".*

Company's response

As highlighted in Q1 above, the Company is incurring costs attributable to the Property amounting to S$1.7 million and taking into account of:

(i) the reduction of yearly net rental income to S$192,000 upon expiry of the Dominie Tenancy Agreement; and

(ii) the Group's loss making position for the financial year ended 31 December 2019,

the continued underutilisation of the Property would cause the Company to incur continued losses.

3. *The SGX also noted that the Leaseback Agreement is only for a term of 12 months, please elaborate on the Company's plans after the 12 months period, i.e. does the Company intend to negotiate with the Purchaser to extend the Leaseback Agreement or is the Company intending to relocate to other premises?*

Company's response

The Company is currently evaluating the two options stated above.

4. *The SGX notes that in paragraph 2.6 of the Circular, the Company mentioned that the Net Proceeds of S$25.55 million "shall be used for general working capital of the Group, future acquisitions and investments, and such other needs of the Group as may arise from time to time."*

*The SGX also notes that the Company has reported 6 consecutive years of net loss. Despite the efforts the Company had taken to cut losses, which include restructuring its subsidiaries and cessation of Avantouch's operations in FY2014, the SGX have noticed that the net losses has been **increasing** since FY2015 and the cash and bank balance has **decreased significantly**.*

FY	2014	2015	2016	2017	2018	2019	2019 (adjusted loss)
Loss, net of tax	$(10,471,659)	$ (445,013)	$ (2,748,246)	$(5,418,827)	$ (4,687,974)	$(9,872,554)	$ (4,096,392)
Cash and bank balance	$ 7,302,217	$ 5,362,847	$ 8,024,450	$ 4,027,531	$ 3,020,755	$ 2,997,915	

In view of the above, please elaborate further on the rationale of the disposal including the benefits which are expected to accrue to the issuer as a result of the disposal, pursuant to Catalist Rule 1010(10). Specifically, please elaborate on how the disposal of the Property would be able to turnaround the business.

Please also elaborate on concrete business plans the Group has considered to "diversify [your] revenue streams and chart sustainable growth for the Group" as mentioned in the Annual Report 2019 issued on 8 April 2020. Including how the disposal of the Property would be able to help execute these business plans.

Company's response

(i) As elaborated in the response to Q1, the disposal of the Property will result in Yearly Savings for the operating expenses of the Company and will contribute to the Company's efforts to reduce its net losses;

(ii) The Company has through the years been striving to diversify from its printing and software supply chain services. In recent years, the Group has started returnable packaging services in India and also e-commerce services in Singapore and India. However, business environment continues to be tough;

(iii) The net proceeds from the disposal of Property will be useful for funding its existing operations if required, and for investment in any other new business opportunities that may arise.

5. *The open market valuation conducted as at 23 October 2019 valued the Property at S$35.0 million. The Consideration paid by the purchaser for the Property is $26.0 million. Notwithstanding the reasons presented by the Board in paragraph 2.6 of the circular and in the announcement made by the Company on 20 February 2020 in response to our queries, in view of the **25.7%** drop in value of the Property, has the Board considered suspending the sale of the Property until market conditions improve? Please elaborate on the Board's consideration.*

Company's response

The Company has been marketing the sale of the Property since 2015. This was initially done through soft marketing via business and personal contacts, verbal enquiries and listings with property agents. In early 2019, the Company's marketing efforts through 3 exclusive listings resulted in a buyer in February 2020. The sale process has been long and considered. In addition, in view of the Yearly Savings elaborated Q1, as well as the Property being a leasehold with depreciating value as the leasehold term runs down, the Board considers time is of the essence for the sale.

BY ORDER OF THE BOARD

Teh Eng Chai
Company Secretary
Date: 15 May 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).