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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) CONSOLIDATED INCOME STATEMENT

| | Note | Group | | %+/- |
|--|------|-----------------------|---------------------|--------|
| | | S\$'000 | | |
| | | FY2019 (Unaudited) | FY2018 (Audited) | |
| Turnover | | 29,273 | 32,681 | -10.4 |
| Other operating income | | 959 | 1,002 | -4.3 |
| Changes in stocks of finished goods and work in progress | 1 | (53) | (217) | -75.6 |
| Raw materials and consumables used | 1 | (16,156) | (16,879) | -4.3 |
| Personnel expenses | | (8,101) | (9,634) | -15.9 |
| Depreciation | 2 | (2,825) | (2,170) | 30.2 |
| Rental, property tax and utilities | 2 | (1,018) | (2,227) | -54.3 |
| Freight, travelling and transportation expenses | | (1,968) | (2,398) | -17.9 |
| Repair and maintenance expenses | | (418) | (492) | -15.0 |
| Subcontractor costs | | (1,021) | (967) | 5.6 |
| Impairment loss on intangible assets | 3 | (1,226) | - | 100.0 |
| Impairment loss on assets held for sale | 4 | (3,740) | - | 100.0 |
| Other operating expenses | | (2,865) | (2,907) | -1.4 |
| Gain on liquidation of subsidiary | 5 | - | 12 | -100.0 |
| Financial expense – net | 2 | (630) | (258) | 144.2 |
| Loss before tax | | (9,789) | (4,454) | 119.8 |
| Income tax expense | 6 | (83) | (234) | -64.5 |
| Loss, net of tax | | (9,872) | (4,688) | 110.6 |
| Loss attributable to: | | | | |
| - Owners of the Company | | (9,740) | (4,474) | 117.7 |
| - Non-controlling interests | 7 | (132) | (214) | -38.3 |
| | | (9,872) | (4,688) | 110.6 |

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1

Raw materials and consumables used and **changes in stocks of finished goods and work in progress** were 5.2% lower year-on-year (“yoy”) due to lower turnover in the financial year ended 31 December 2019 (“FY2019”) and differences in sales mix.

Note 2

Prior to the adoption of SFRS(I) 16, lease payments for operating leases were included in ‘**Rental, Property tax and utilities**’ in the Consolidated Profit and Loss Account. Upon adoption of SFRS(I) 16, such payments are now reflected as **Net Finance Expense** on lease liabilities and **Depreciation**.

Note 3

Impairment loss on intangible assets mainly related to the impairment of goodwill in the partially-owned Indian subsidiary.

Note 4

Impairment loss on assets held for sale mainly related to the impairment loss recognised on the Singapore leasehold property held for sale as at 31 December 2019.

Note 5

Non-recurring **Gain on liquidation of subsidiary** was in relation to the voluntary liquidation of the Group's Australia subsidiary in the 6 months financial period ended 31 December 2018.

Note 6

Current **tax expense** for FY2019 was lower, taking into consideration the write back of deferred tax expenses and lower taxable profit from subsidiaries in FY2019.

Note 7

Lower **loss attributable to minority interest** in FY2019 was largely due to lower losses incurred by the Group's partially-owned subsidiary in India.

(ii) Loss from operations is stated after charging/(crediting) the following:

| | Note | Group | |
|---|------|---------|--------|
| | | FY2019 | FY2018 |
| | | S\$'000 | |
| Bad debts written off | | 53 | 19 |
| Impairment loss on trade receivables | | 93 | 97 |
| Reversal of impairment loss on trade receivables | | (74) | (1) |
| Allowance for inventory obsolescence | | 50 | 259 |
| Allowance for inventory obsolescence written back | | (244) | (129) |
| Other receivables written off | | 11 | 41 |
| Inventories written off | | 81 | 52 |
| Fixed assets written off | | 30 | 35 |
| Gain on disposal of fixed assets | | (4) | (102) |
| Gain from assets held for sale | 8 | - | (152) |
| Interest income | | (29) | (38) |
| Interest expense on borrowings | | 324 | 296 |
| Finance cost on lease liabilities | 2 | 335 | - |
| Exchange loss, net | | 339 | 251 |

Note 8

The **gain from assets held for sale** was in relation to the sale of the Group's freehold property and its related assets in Australia completed in FY2018.

| | Group | |
|--|--------------------|------------------|
| | S\$'000 | |
| | FY2019 | FY2018 |
| | (Unaudited) | (Audited) |
| Loss, net of tax | (9,872) | (4,688) |
| Other comprehensive income: | | |
| <u>Items that may be reclassified subsequently to profit or loss</u> | | |
| Foreign currency translation | (56) | 37 |
| Other comprehensive income for the year net of tax | (56) | 37 |
| Total comprehensive Income for the year, net of tax | (9,928) | (4,651) |
| Total comprehensive income attributable to: | | |
| - Owners of the Company | (9,896) | (4,586) |
| - Non-controlling interests | (32) | (65) |
| | (9,928) | (4,651) |

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i) **BALANCE SHEETS**

| | Note | Group | | Company | |
|--|------|--------------------|-------------------|--------------------|-------------------|
| | | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | | |
| Fixed assets | 9 | 3,622 | 33,708 | 95 | 30,518 |
| Intangible assets | 10 | 914 | 2,208 | - | - |
| Investment in subsidiaries | | - | - | 7,920 | 10,592 |
| Other receivables and deposits | 12 | 931 | 919 | - | - |
| Deferred tax assets | | 703 | 662 | - | - |
| | | 6,170 | 37,497 | 8,015 | 41,110 |
| Current assets | | | | | |
| Inventories | | 1,813 | 2,424 | 151 | 106 |
| Trade receivables | 11 | 7,043 | 8,318 | 238 | 1,088 |
| Contract assets | | 91 | 115 | - | - |
| Other receivables and deposits | 12 | 1,126 | 2,014 | 324 | 424 |
| Prepayments | 13 | 368 | 184 | 55 | 64 |
| Amounts due from subsidiaries (non-trade) | 11 | - | - | 1,012 | 3,030 |
| Tax recoverable | | 228 | 211 | - | - |
| Cash and cash equivalents | | 2,998 | 3,021 | 719 | 521 |
| | | 13,667 | 16,287 | 2,499 | 5,233 |
| Non-current assets classified as held for sale | 9 | 32,829 | 2,266 | 30,566 | - |
| | | 46,496 | 18,553 | 33,065 | 5,233 |
| Current liabilities | | | | | |
| Trade and other payables | 14 | 4,985 | 6,335 | 402 | 471 |
| Lease liabilities | 15 | 580 | - | - | - |

| | Group | | | Company | |
|---|-------|------------------------|----------------------|------------------------|----------------------|
| | | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | Note | (Unaudited) S\$'000 | (Audited) S\$'000 | (Unaudited) S\$'000 | (Audited) S\$'000 |
| Contract liabilities | | - | 6 | - | - |
| Accruals | | 2,035 | 2,145 | 891 | 730 |
| Amounts due to subsidiaries (non-trade) | | - | - | 115 | 109 |
| Loan due to holding company | 16 | 306 | - | 306 | - |
| Amount due to directors of Company | 16 | 687 | 555 | 687 | 555 |
| Interest-bearing bank loans | 16 | 4,929 | 3,330 | 2,000 | - |
| Non-interest bearing loan | 16 | 326 | 336 | - | - |
| Provision for taxation | | 177 | 202 | - | - |
| | | 14,025 | 12,909 | 4,401 | 1,865 |
| Liabilities directly associated with assets held for sale | 15 | 5,013 | - | 5,013 | - |
| | | 19,038 | 12,909 | 9,414 | 1,865 |
| Net current assets | | 27,458 | 5,644 | 23,651 | 3,368 |
| Non-current liabilities | | | | | |
| Lease liabilities | 15 | (446) | - | - | - |
| Deferred tax liabilities | | (147) | (178) | - | - |
| Net assets | | 33,035 | 42,963 | 31,666 | 44,478 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | | 52,619 | 52,619 | 52,619 | 52,619 |
| Reserves | | (16,705) | (6,809) | (20,953) | (8,141) |
| | | 35,914 | 45,810 | 31,666 | 44,478 |
| Non-controlling interests | | (2,879) | (2,847) | - | - |
| Total equity | | 33,035 | 42,963 | 31,666 | 44,478 |

NOTES TO THE BALANCE SHEET

Note 9

The Group's and Company's **Fixed assets** was lower in FY2019 largely due to the recognition of rights of use assets resulting from the Group's adoption of SFRS(I)16 effective 1 Jan 2019, offset by the reclassification of the leasehold property in Singapore and its related rights of use assets to **Assets held for sale**.

Note 10

The Group's **intangible assets** was lower in FY2019 mainly due to the impairment loss on goodwill in a partially-owned indian subsidiary.

Note 11

The Company's **trade receivables** and **amount due from subsidiaries (non-trade)** were lower in FY2019 mainly due to the impairment loss recognised on amount due from a partially-owned subsidiary in India.

Note 12

| | Group | | Company | |
|---------------------------------------|--------------|--------------|------------|------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Other receivables and deposits | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Current | 1,126 | 2,014 | 324 | 424 |
| Non-current | 931 | 919 | - | - |
| Total | 2,057 | 2,933 | 324 | 424 |

The Group's current **other receivables and deposits** was 44.1% lower yoy largely due to the realisation of the advance payments to suppliers by the Group's wholly-owned subsidiary in Vietnam and the amount due from third parties for the sale of fixed assets by the Group's wholly-owned subsidiary in China in FY2019.

Note 13

The Group's **prepayment** was higher in FY2019 mainly due to the services paid in advance to suppliers in FY2019 by the Group's China subsidiary.

Note 14

| | Group | | Company | |
|----------------|--------------|--------------|------------|------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Trade payables | 3,930 | 4,676 | 93 | 113 |
| Other payables | 1,055 | 1,659 | 309 | 358 |
| Total | 4,985 | 6,335 | 402 | 471 |

The Group's **trade payables** was 15.9% lower yoy mainly due to lesser stocks held as at 31 December 2019. **Other payables** fell 36.4% yoy largely due to the realisation of expenses provided by the wholly-owned China subsidiary as part of the streamlining exercise completed in FY2018 and reduction in business activity.

Note 15

The Group and the Company current and non-current **lease liabilities** and **Liabilities directly associated with assets held for sale** were due to the adoption of SFRS(I)16 effective 1 Jan 2019.

Note 16

| | Group | | Company | |
|------------------------------------|--------------|--------------|--------------|------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Loan due to holding company | 306 | - | 306 | - |
| Amount due to directors of company | 687 | 555 | 687 | 555 |
| Interest-bearing bank loans | 4,929 | 3,330 | 2,000 | - |
| Non-interest bearing loan | 326 | 336 | - | - |
| Total | 6,248 | 4,221 | 2,993 | 555 |

The Group's and Company's **borrowings** increased by 48.0% and 439.3% respectively, largely due to the drawdown of interest bearing bank loans for working capital purposes, interest bearing loan from holding company for working capital purposes and the FY2018 director fees approved at the Company's Annual General Meeting held on 29 April 2019.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at 31/12/2019 | | As at 31/12/2018 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 4,929 | 1,319 | 3,330 | 891 |

Amount repayable after one year

| As at 31/12/2019 | | As at 31/12/2018 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| - | - | - | - |

Details of any collateral

The secured loans and borrowings pertained to secured interest-bearing bank loans by the Company and Indian subsidiaries over the mortgage of the Company's leasehold factory building, guarantees and other securities.

The Group's unsecured borrowings comprised mainly of a non-interest bearing loan due to a minority shareholder of a subsidiary, interest bearing loan from holding company and amount due to directors of the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(c) CONSOLIDATED STATEMENT OF CASH FLOW

| | Group | |
|--|------------------------|----------------------|
| | FY2019 | FY2018 |
| | S\$'000 (Unaudited) | S\$'000 (Audited) |
| Cash flows from operating activities | | |
| Loss before tax | (9,789) | (4,454) |
| Adjustments for: | | |
| Depreciation | 2,825 | 2,170 |
| Gain on disposal of fixed assets | (4) | (102) |
| Gain from assets held for sales | - | (152) |
| Fixed assets written off | 30 | 35 |
| Interest income | (29) | (38) |
| Interest expense on borrowings | 324 | 296 |
| Finance cost on lease liabilities | 335 | - |
| Gain on liquidation of subsidiary | - | (12) |
| Bad debts written off | 53 | 19 |
| Impairment loss on intangible assets | 1,226 | - |
| Impairment loss on assets held for sale | 3,740 | - |
| Impairment loss on trade receivables | 93 | 97 |
| Reversal of impairment loss on trade receivables | (74) | (1) |
| Other receivables written off | 11 | 41 |
| Allowance for inventory obsolescence | 50 | 259 |
| Allowance for inventory obsolescence written back | (244) | (129) |
| Inventories written off | 81 | 52 |
| Unrealised exchange loss | 75 | 80 |
| Operating cash flows before working capital changes | (1,297) | (1,839) |
| <u>Changes in working capital:</u> | | |
| Decrease/(increase) in inventories | 731 | (82) |
| Decrease/(increase) in trade receivables and contract assets | 1,231 | (951) |
| Decrease/(increase) other receivables, deposits and prepayments | 597 | (545) |
| (Decrease)/increase in trade and other payables and contract liabilities | (1,348) | 265 |
| (Decrease)/increase in accruals | (110) | 29 |
| Increase in amount due to directors of company | 133 | 145 |
| Cash flows used in operations | (63) | (2,978) |
| Interest received | 25 | 45 |
| Interest paid | (644) | (292) |
| Tax paid | (217) | (320) |
| Net cash flows used in operating activities | (899) | (3,545) |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (576) | (1,143) |
| Proceeds from disposal of fixed assets | 39 | 331 |
| Proceeds from assets held for sale | - | 776 |
| Net cash flows used in investing activities | (537) | (36) |
| Cash flows from financing activities | | |
| Payments for lease liabilities | (591) | - |
| Proceeds from interest-bearing bank loans | 2,000 | 214 |
| Repayment of interest-bearing bank loans | (299) | - |
| Repayment of loan to holding company | - | (734) |
| Proceeds from loan from holding company | 300 | - |
| Proceeds from issuance of new shares, net | - | 3,070 |
| Net cash flows generated from financing activities | 1,410 | 2,550 |
| Net decrease in cash and cash equivalents | (26) | (1,031) |
| Effect of exchange rate changes on cash and cash equivalents | 3 | 24 |
| Cash and cash equivalents at beginning of year | 3,021 | 4,028 |
| Cash and cash equivalents at end of year (Note A) | 2,998 | 3,021 |

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

| | 31/12/2019 | 31/12/2018 |
|------------------------|--------------|--------------|
| | S\$'000 | S\$'000 |
| Cash and bank balances | 2,543 | 2,456 |
| Fixed deposits | 455 | 565 |
| | <u>2,998</u> | <u>3,021</u> |

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(d)(i) STATEMENT OF CHANGES IN EQUITY

| | Share capital | Revaluation reserve | Translation reserve | Restricted reserve | Other reserves | Accumulated losses | Equity attributable to owners of Company, total | Non-controlling interests | Equity, total |
|---|---------------|---------------------|---------------------|--------------------|----------------|--------------------|---|---------------------------|---------------|
| The Group (Unaudited) | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| At 1 January 2019 | 52,619 | - | (169) | 512 | 2,560 | (9,712) | 45,810 | (2,847) | 42,963 |
| Loss for the year | - | - | - | - | - | (9,740) | (9,740) | (132) | (9,872) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | - | - | (156) | - | - | - | (156) | 100 | (56) |
| Other comprehensive income for the year, net of tax | - | - | (156) | - | - | - | (156) | 100 | (56) |
| Total comprehensive income for the year | - | - | (156) | - | - | (9,740) | (9,896) | (32) | (9,928) |
| At 31 December 2019 | 52,619 | - | (325) | 512 | 2,560 | (19,452) | 35,914 | (2,879) | 33,035 |

| | Share capital | Revaluation reserve | Translation reserve | Restricted reserve | Other reserves | Accumulated losses | Equity attributable to owners of Company, total | Non-controlling interests | Equity, total |
|---|----------------|---------------------|---------------------|--------------------|----------------|--------------------|---|---------------------------|----------------|
| The Group (Audited) | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| At 1 January 2018 (FRS framework) | 49,549 | 23,299 | (3,937) | 512 | 2,568 | (24,598) | 47,393 | (2,779) | 44,614 |
| Cumulative effects of adopting SFRS(I) | - | (23,299) | 3,880 | - | - | 19,360 | (59) | - | (59) |
| At 1 January 2018, as restated | 49,549 | - | (57) | 512 | 2,568 | (5,238) | 47,334 | (2,779) | 44,555 |
| Loss for the year | - | - | - | - | - | (4,474) | (4,474) | (214) | (4,688) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | - | - | (112) | - | - | - | (112) | 149 | 37 |
| Other comprehensive income for the year, net of tax | - | - | (112) | - | - | - | (112) | 149 | 37 |
| Total comprehensive income for the year | - | - | (112) | - | - | (4,474) | (4,586) | (65) | (4,651) |
| <u>Contributions by and distribution to owners</u> | | | | | | | | | |
| Issuance of new ordinary shares | 3,221 | - | - | - | - | - | 3,221 | - | 3,221 |
| Expenses on issuance of new ordinary shares | (151) | - | - | - | - | - | (151) | - | (151) |
| Others | - | - | - | - | (8) | - | (8) | (3) | (11) |
| Total contributions by and distribution to owners | 3,070 | - | - | - | (8) | - | 3,062 | (3) | 3,059 |
| Total transactions with owners in their capacity as owners | 3,070 | - | - | - | (8) | - | 3,062 | (3) | 3,059 |
| At 31 December 2018 | 52,619 | - | (169) | 512 | 2,560 | (9,712) | 45,810 | (2,847) | 42,963 |

(d)(i) STATEMENT OF CHANGES IN EQUITY (Cont'd)

| | Share capital | Revaluation reserve | Other reserves | Accumulated losses | Total equity |
|---|----------------|---------------------|----------------|--------------------|----------------|
| The Company (Unaudited) | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| At 1 January 2019 | 52,619 | - | 341 | (8,482) | 44,478 |
| Loss for the year, represents total comprehensive income for the year | - | - | - | (12,812) | (12,812) |
| At 31 December 2019 | 52,619 | - | 341 | (21,294) | 31,666 |
| <u>The Company (Audited)</u> | | | | | |
| At 1 January 2018 (FRS framework) | 49,549 | 22,173 | 341 | (25,896) | 46,167 |
| Cumulative effects of adopting SFRS(I) | - | (22,173) | - | 21,628 | (545) |
| At 1 January 2018, as restated | 49,549 | - | 341 | (4,268) | 45,622 |
| Loss for the year, represents total comprehensive income for the year | - | - | - | (4,214) | (4,214) |
| <u>Contributions by and distribution to owners</u> | | | | | |
| Issuance of new ordinary shares | 3,221 | - | - | - | 3,221 |
| Expenses on issuance of new ordinary shares | (151) | - | - | - | (151) |
| Total contributions by and distribution to owners | 3,070 | - | - | - | 3,070 |
| Total transactions with owners in their capacity as owners | 3,070 | - | - | - | 3,070 |
| At 31 December 2018 | 52,619 | - | 341 | (8,482) | 44,478 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

| | No. of Shares | Share Capital (S\$'000) |
|---|---------------|-------------------------|
| As at 30 June 2019 and 31 December 2019 | 732,036,666 | 52,619 |

There were no outstanding options or convertibles as at 31 December 2019 and 31 December 2018.

There were no treasury shares and subsidiary holdings of the Company as at 31 December 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares, excluding treasury shares, as at 31 December 2019 was 732,036,666 (31 December 2018: 732,036,666)

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial year reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial year reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (This is not required for any audit issue that is a material uncertainty relating to going concern):

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial year, which are consistent with those disclosed in the audited annual financial statements for the year ended 31 December 2018, except that in the current financial year, the Group has adopted all the new and revised SFRS(I) that are effective for annual periods beginning on 1 January 2019. Except as disclosed below, the adoption of the new standards did not have a material impact on the financial statements of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019. On the adoption of SFRS(I) 16, the Group measured its right-of-use ("ROU") asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized on the balance sheets.

In addition, the Group elected the following practical expedients in applying SFRS(I) 16:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases.

- to apply the short-term leases exemptions to leases with lease term that ends within 12 months as at 1 January 2019. On adoption of SFRS(I) 16, the Group recognised both ROU assets and lease liabilities of S\$6.6 million for its leases previously classified as operating leases as at 1 January 2019. During FY2019, the Group recognised depreciation expense for ROU assets and finance cost on lease liabilities amounting to a total of S\$1.1 million in the Consolidated Income Statement.

Prior to the adoption of SFRS(I) 16, lease payments for operating leases were included in 'Rental, Property tax and utilities' in arriving at the loss before tax in the Consolidated Income Statement and form part of the operating cash flows in the Consolidated Statement of Cash Flow. Upon adoption of SFRS(I) 16, such payments are now reflected as finance cost on lease liabilities and depreciation. Payments for lease liabilities are presented under financing activities in the Consolidated Statement of Cash Flow.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to paragraph 4 above.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Group | |
|---|-----------------------|---------------------|
| | FY2019 (Unaudited) | FY2018 (Audited) |
| Loss per ordinary share for the financial year attributable to owners of the Company | | |
| - (a) on weighted average number of ordinary shares on issue | (1.33) cents | (0.78) cents |
| - (b) on a fully diluted basis | (1.33) cents | (0.78) cents |
| - Weighted average number of ordinary shares outstanding at the end of the respective financial years | 732,036,666 | 573,996,969 |

The basic and fully diluted loss per share were the same as there were no potentially dilutive ordinary shares in issue as at 31 December 2019 and 31 December 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—

- (a) current financial period reported on; and
(b) immediately preceding financial year.

| | Group | | Company | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | 31/12/2019 (Unaudited) | 31/12/2018 (Audited) | 31/12/2019 (Unaudited) | 31/12/2018 (Audited) |
| Net asset value per ordinary share based on the total number of issued shares excluding treasury shares as at the respective financial year | 4.91 cents | 6.26 cents | 4.33 cents | 6.08 cents |

The net asset value per ordinary share is calculated based on the 732,036,666 (FY2018: 732,036,666) ordinary shares outstanding at the end of the respective financial years.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

GROUP FINANCIAL PERFORMANCE REVIEW

Turnover

FY2019 vs FY2018

The Group recorded a decrease in turnover for FY2019 due to the lacklustre demand for the Group's supply chain management services.

Turnover by geographical segment

| | Turnover | | |
|----------------------------|---------------|---------------|--------------|
| | FY2019 | FY2018 | |
| | S\$'000 | S\$'000 | % +/- |
| Singapore | 1,537 | 1,865 | -17.6 |
| Malaysia | 3,112 | 3,828 | -18.7 |
| People's Republic of China | 6,312 | 7,451 | -15.3 |
| India | 11,020 | 13,280 | -17.0 |
| Australia | - | 25 | -100.0* |
| Vietnam | 7,292 | 6,232 | 17.0 |
| Total | 29,273 | 32,681 | -10.4 |

*The Group's Australian subsidiary had completed its voluntary liquidation in December 2018.

Turnover from the Group's Singapore, Malaysia, China and India operations fell mainly due to weak demand and a reduction in orders from customers in FY2019.

The decline in turnover from the above geographical regions was partially offset by growth from the Group's operations in Vietnam. Turnover from the Group's Vietnam operations grew in FY2019 mainly due to growth in sales from existing customers.

Profitability

The Group recorded an increase in net loss after tax for FY2019, largely due to (i) the one-off impairment loss on assets held for sale of S\$3.7 million, (ii) the one-off impairment loss on intangible assets of approximately S\$1.2 million and (iii) the lower business activities. Diluted loss per share attributable to owners of the Company was 1.33 Singapore cents for FY2019 (FY2018: 0.78 Singapore cents).

| | Group (Loss) after tax | | |
|--|------------------------|----------------|------------|
| | FY2019 | FY2018 | |
| | S\$'000 | S\$'000 | % +/- |
| Loss, net of tax | (9,872) | (4,688) | 110.6 |
| Add: Impairment loss on assets held for sale | 3,740 | - | NM |
| Add: Impairment loss on intangible assets | 1,226 | - | NM |
| Less: non-recurring gain on disposal of assets held for sale | - | (152) | NM |
| Adjusted loss, net of tax | (4,906) | (4,840) | 1.4 |

NM : not meaningful

Rental, property tax and utilities was down largely due to the effect on the adoption of SFRS(I) 16 *Leases* by the Group which resulted in lower rental expense recorded, and the effect of the streamlining exercise completed by the wholly-owned China subsidiary at the end of FY2018. However, the decrease was offset by the increase in the Group's finance cost on lease liabilities and the depreciation expense for right-of-use asset over the remaining term of the lease. In general, the impact from the adoption of SFRS(I)16 resulted in an additional charge to the income statement of approximately S\$0.2 million.

The key financial results of the Group's operations for FY2019 were as follows:

1. The Group's Malaysia operation recorded a net profit after tax of S\$0.2 million for FY2019 as compared to a net profit after tax of S\$0.5 million for FY2018. This was largely due to the (i) loss of a major customer and weaker orders from existing customers in FY2019 and (ii) a foreign exchange loss in FY2019 as compared to a foreign exchange gain in FY2018.
2. Despite a drop in turnover of 17.6%, the Group's Singapore operations recorded a net loss after tax of S\$5.1 million (excluding the one off impairment loss on assets held for sale of S\$3.7 million) for FY2019, flat against last year. Personnel expenses was lower at S\$3.6 million, or down 12.5% yoy largely due to the reduction in orders from customers that are labour-intensive and the management's effort in managing staff cost. However, the reduction in the Personnel expenses were offset by a foreign exchange loss in FY2019 as compared to a foreign exchange gain in FY2018 and the charge to the income statement from the adoption of SFRS(I)16 *Leases* of approximately \$0.1 million.
3. While turnover fell for FY2019, the Group's China operations registered a higher net profit after tax of S\$0.5 million for FY2019 (FY2018: S\$0.3 million), largely due to the cost savings after the completion of the streamlining exercise in FY2018.
4. The Group's India operations recorded a net loss after tax of S\$0.8 million for FY2019 as compared to a net loss after tax of S\$0.7 million in FY2018 largely due to the decline in turnover, mitigated by lower foreign exchange losses for FY2019 and allowance for inventory obsolescence written back in FY2019. In FY2019, the Group had made an impairment loss of S\$1.2 million on the goodwill in the partially-owned Indian subsidiary, bringing the final net loss after tax to S\$2.0 million for FY2019.
5. While turnover improved in Vietnam for FY2019, the Group's Vietnam operation's net profit after tax improved by only S\$0.1 million to S\$0.2 million for FY2019 as compared to \$0.1 million for FY2018, mainly due to lower margin sales mix.

Financial Position

Non-current assets

Total Group non-current assets (excluding deferred tax assets) decreased S\$31.4 million (85.2%) to S\$5.5 million as at 31 December 2019, primarily due to the impairment loss on intangible assets and the reclassification of the leasehold property in Singapore to assets held for sale.

Current assets

Total Group current assets increased by 150.6% as at 31 December 2019. The increase was mainly attributable to an increase in assets held for sale and increase in prepayments mainly due to the advance paid to a supplier, offset by (i) a decrease in inventories, trade receivables and contract assets in line with lower turnover, (ii) the realisation of advance payments to suppliers made in FY2018 anticipating future raw material price increases, and (iii) the realisation of amount due from a third party from the sale of fixed assets as part of the streamlining exercise undertaken by the Group's wholly-owned China subsidiary that was completed at the end of FY2018.

Current liabilities

Total Group current liabilities increased by 47.5% as at 31 December 2019, primarily arising from (i) the recognition of lease liabilities and liabilities directly associated with assets held for sale, (ii) higher interest bearing bank borrowings and (iii) a new interest bearing loan from the holding company for working capital purposes. The increase was offset by lower trade payables due to lesser stocks held as at 31 December 2019 and lower other payables due to the realisation of expenses provided at end of FY2018 from the streamlining of the Group's China operations.

Cashflows

For FY2019, net cash used in operations amounted to S\$0.9 million largely due to the decrease in business activities.

Net cash used in investing activities amounted to S\$0.5 million largely due to the purchase of fixed assets by the Group's Indian and Malaysian subsidiaries, offset by the proceeds from the disposal of fixed assets.

Net cash generated from financing activities amounted to S\$1.4 million for FY2019 mainly due to the (i) net proceeds from the drawdown of interest-bearing bank loans and (ii) loan from holding company, offset by payments for lease liabilities and interest bearing bank loans in FY2019.

As a result of the above, the Group's cash and cash equivalents stood at S\$3.0 million as at 31 December 2019, flat against last year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or a prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The year was marked by escalating trade tensions, weakening business sentiment and a slowing global economy which is expected to persist into 2020. As a result, the tepid macroeconomic climate could continue to impact the Group's performance in the short to mid-term.

In spite of these conditions, the Group remains cautiously optimistic of its Vietnam operations.

Furthermore, the Group continues to focus on building a resilient business model by streamlining costs and adopting a lean structure to guide the business back to profitability.

In an announcement dated 17 February 2020, the Group announced that it had entered into a memorandum of understanding ("MOU") with an independent third-party purchaser ("Purchaser") for the sale of the Company's property at 26 Kallang Avenue Singapore 339417 (the "Property") for an aggregate consideration of S\$26.0 million.

The Board is of the view that the Proposed Disposal of the Property is in the best interest of the Group as it unlocks value attached to the under-utilised asset.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b) (i) Amount per share (cents)

Not applicable.

(b) (ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for FY2019 as the Company is in a loss-making position.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from shareholders of IPTs.

There was no IPT of S\$100,000 and above for FY2019.

14. Use of Proceeds from the Rights Issue

As at the date of this announcement, the Company has utilised the net proceeds amounting to S\$2.37 million (after deducting the estimated costs and expense incurred in connection with the rights issue of approximately S\$0.1 million and offsetting a shareholders' loan of S\$0.7 million) ("**Final Net Proceeds**") accrued to the Company from the rights issue completed in July 2018, as follows:

| Intended Use of Final Net Proceeds | Amount Allocated (\$) | Amount utilised (\$) | Amount unutilised (\$) |
|--|------------------------------|-----------------------------|-------------------------------|
| Repayment of outstanding debts | 1,000,000 | 1,000,000 | - |
| Payment of directors' fees | 555,000 | - | 555,000 |
| For general corporate and working capital purposes including but not limited to (i) operating costs and (ii) making strategic investments and/or acquisitions if opportunities arise | 812,500 | 812,500 ⁽¹⁾ | - |
| Total | 2,367,500 | 1,812,500 | 555,000 |

This utilisation of the Final Net Proceeds is in accordance with the intended use of the Final Net Proceeds as stated in the Offer Information Statement dated 29 June 2018.

(1) Mainly utilised for payments to suppliers and payment of salaries.

15. Negative confirmation pursuant to Rule 705(5).

Not applicable for the announcement of full year financial statements.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

17. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

| BY BUSINESS SEGMENT | Supply Chain Management | Investment Holdings | Computer systems integration and consultancy services | Adjustments & Eliminations | Notes | Per consolidated financial statements |
|---|--------------------------------|----------------------------|--|---------------------------------------|--------------|--|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | | S\$'000 |
| <u>FY2019</u> | | | | | | |
| Turnover: | | | | | | |
| External customers | 29,273 | - | - | - | A | 29,273 |
| Inter-segment | 3,161 | - | - | (3,161) | | - |
| Total turnover | 32,434 | - | - | (3,161) | | 29,273 |
| Results: | | | | | | |
| Interest income | 29 | - | - | - | | 29 |
| Interest expense | (659) | - | - | - | | (659) |
| Depreciation | (2,825) | - | - | - | | (2,825) |
| Impairment loss on intangible assets | (1,226) | - | - | - | | (1,226) |
| Impairment loss on assets held for sale | (3,740) | - | - | - | | (3,740) |
| Other non-cash expenses | 4 | - | - | - | B | 4 |
| Segment loss before tax | (9,767) | (11) | (7) | (4) | C | (9,789) |
| Additions to non-current assets | 567 | - | - | - | D | 567 |
| Segment assets | 52,156 | 141 | - | 369 | E | 52,666 |
| Segment liabilities | 18,991 | 6 | 4 | 630 | F | 19,631 |

| BY BUSINESS SEGMENT | Supply Chain Management | Investment Holdings | Computer systems integration and consultancy services | Adjustments & Eliminations | Notes | Per consolidated financial statements |
|---------------------------------|--------------------------------|----------------------------|--|---------------------------------------|--------------|--|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | | S\$'000 |
| <u>FY2018</u> | | | | | | |
| Turnover: | | | | | | |
| External customers | 32,681 | - | - | - | A | 32,681 |
| Inter-segment | 4,813 | - | - | (4,813) | | - |
| Total turnover | 37,494 | - | - | (4,813) | | 32,681 |
| Results: | | | | | | |
| Interest income | 38 | - | - | - | B C | 38 |
| Interest expense | (296) | - | - | - | | (296) |
| Depreciation | (2,170) | - | - | - | | (2,170) |
| Other non-cash expenses | (271) | - | - | - | | (271) |
| Segment loss before tax | (4,470) | (11) | (10) | 37 | | (4,454) |
| Additions to non-current assets | 1,163 | - | - | - | D | 1,163 |
| Segment assets | 55,566 | 148 | - | 336 | E | 56,050 |
| Segment liabilities | 12,696 | 10 | 1 | 380 | F | 13,087 |

SEGMENT INFORMATION

Note A

Inter-segment revenues are eliminated on consolidation.

Note B

Non-cash expenses are (deducted from)/added to segment profit to arrive at "loss after tax" presented in the consolidated income statement:

| | Group | |
|---|----------------|----------------|
| | FY2019 | FY2018 |
| | S\$'000 | S\$'000 |
| Gain on disposal of fixed assets | (4) | (102) |
| Fixed assets written off | 30 | 35 |
| Bad debts written off | 53 | 19 |
| Allowance for other receivables written off | 11 | 41 |
| Impairment loss on trade receivables | 93 | 97 |
| Reversal of impairment loss on trade receivables | (74) | (1) |
| Allowance for inventory obsolescence | 50 | 259 |
| Allowance for inventory obsolescence written back | (244) | (129) |
| Inventories written off | 81 | 52 |
| | <u>(4)</u> | <u>271</u> |

Note C

Unallocated expenses are (deducted) from or added to segment profit to arrive at "loss after tax" presented in the consolidated income statement:

| | Group | |
|---------------------------|----------------|----------------|
| | FY2019 | FY2018 |
| | S\$'000 | S\$'000 |
| Consolidation adjustments | <u>(4)</u> | <u>37</u> |
| | <u>(4)</u> | <u>37</u> |

Note D

Additions to non-current assets consists of additions to property, plant and equipment and right-of-use assets.

Note E

The following items are (deducted from) or added to segment assets to arrive at total assets reported in the consolidated balance sheet:

| | Group | |
|---------------------------|----------------|----------------|
| | FY2019 | FY2018 |
| | S\$'000 | S\$'000 |
| Deferred tax assets | 703 | 662 |
| Consolidation adjustments | <u>(334)</u> | <u>(326)</u> |
| | <u>369</u> | <u>336</u> |

Note F

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

| | Group | |
|---------------------------------------|----------------|----------------|
| | FY2019 | FY2018 |
| | S\$'000 | S\$'000 |
| Deferred tax liabilities | 147 | 178 |
| Provision for taxation | 177 | 202 |
| Unallocated inter-segment liabilities | 306 | - |
| | 630 | 380 |

Geographical information

Revenue, loss after tax and non-current assets information are based on the geographical location of the source of revenue and assets respectively are as follows :

| BY GEOGRAPHICAL SEGMENT | Turnover | | Group Profit/(Loss) after tax | | Non-current assets(*) | |
|--------------------------------|-----------------|----------------|--------------------------------------|----------------|------------------------------|----------------|
| | FY2019 | FY2018 | FY2019 | FY2018 | FY2019 | FY2018 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Singapore | 1,537 | 1,865 | (8,848) | (5,171) | 95 | 30,518 |
| Malaysia | 3,112 | 3,828 | 227 | 451 | 468 | 176 |
| People's Republic of China | 6,312 | 7,451 | 538 | 317 | 265 | 107 |
| India | 11,020 | 13,280 | (2,021) | (715) | 3,427 | 4,978 |
| Australia | - | 25 | - | 80 | - | - |
| Vietnam | 7,292 | 6,232 | 219 | 107 | 1,212 | 1,056 |
| Eliminations and adjustments | - | - | 13 | 243 | - | - |
| At 31 December | 29,273 | 32,681 | (9,872) | (4,688) | 5,467 | 36,835 |
| | | | | | | |

(*) Excludes deferred tax assets

Non current assets information presented above consist of property, plant and equipment, right-of-use assets, other receivables and deposits and intangible assets as presented in the consolidated balance sheet.

18. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Turnover and profitability by business segments

FY2019 vs FY2018

For *Supply Chain Management segment* ("SCM"), please refer to paragraph 8 above.

Investment holding ("IH")

There were no business activities in FY2019 and FY2018.

Computer systems integration and consultancy services ("CSI")

The Group's partially-owned Chinese subsidiary (Avantouch) in the CSI segment was dormant.

19. A breakdown of sales as follows:

| | FY2019 | FY2018 | %+/- |
|--|----------------|----------------|-------------|
| Group | S\$'000 | S\$'000 | |
| (a) Sales reported for first half year | 14,041 | 15,889 | -11.6 |
| (b) Operating loss after tax before deducting minority interests reported for first half year | (2,380) | (2,447) | -2.7 |
| (c) Sales reported for second half year | 15,232 | 16,792 | -9.3 |
| (d) Operating loss after tax before deducting minority interests reported for second half year | (7,492) | (2,241) | 234.3 |

NM – not meaningful

20. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

| | FY2019 | FY2018 |
|------------|----------------|----------------|
| | S\$'000 | S\$'000 |
| Ordinary | - | - |
| Preference | - | - |
| Total | - | - |

21. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(10).

BY ORDER OF THE BOARD

Teh Eng Chai
Company Secretary
27 February 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 Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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).