

ANNUAL REPORT

2017

INTERNATIONAL PRESS SOFTCOM LIMITED

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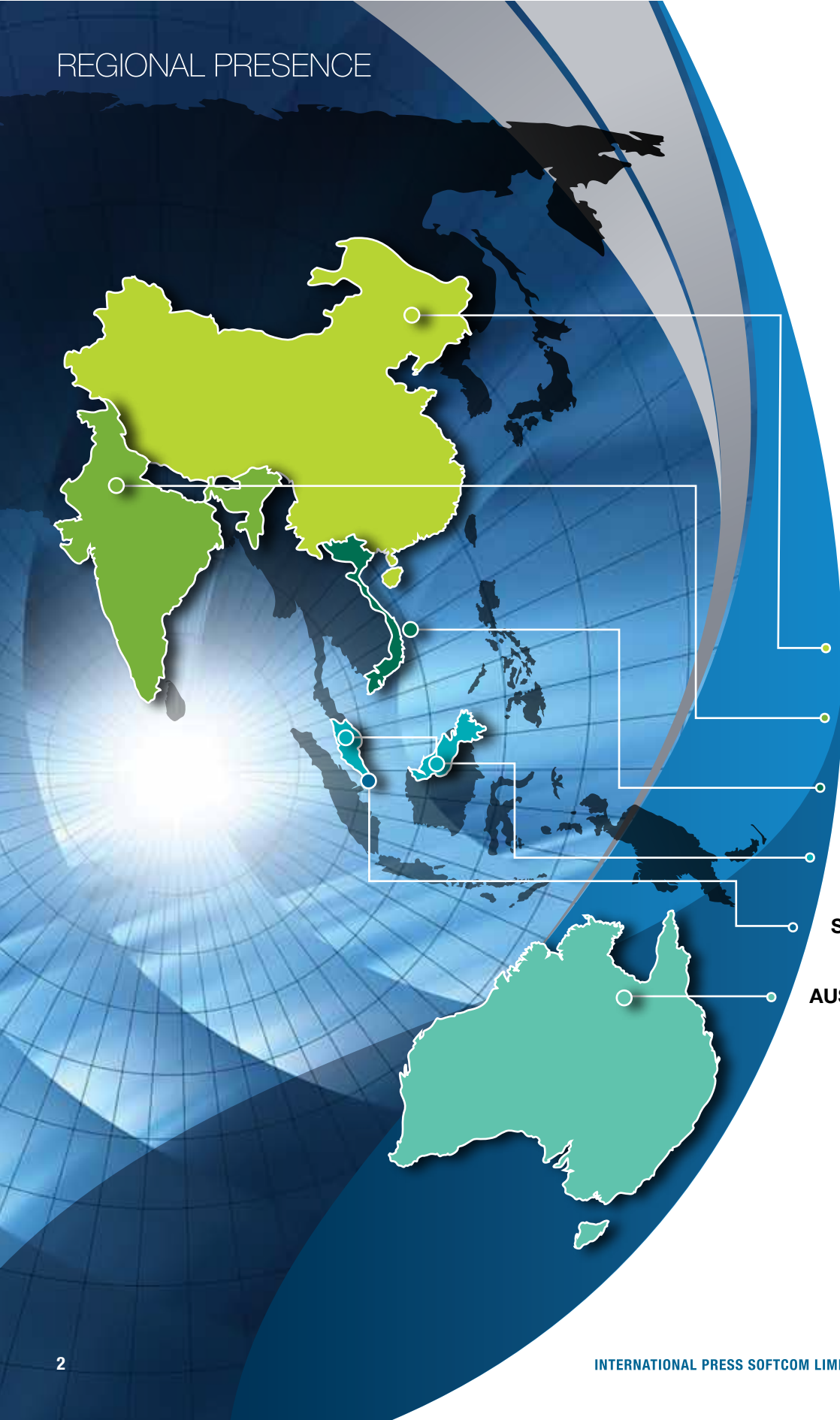
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To be the leading global technology-based provider of value chain services, print and media products for our customers.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).



CHINA

INDIA

VIETNAM

MALAYSIA

SINGAPORE

AUSTRALIA



International Press Softcom Limited (HQ)



IP Softcom (Malaysia) Sdn. Bhd



IP Media (Xiamen) Co., Ltd



IP Softcom (Shanghai) Co., Ltd / IPS Trading (Shanghai) Co., Ltd



IP Softcom (Shenzhen) Co., Ltd



IP Softcom (Australia) Pty Ltd



IP Softcom (India) Pvt Ltd



Scantrans (India) Pvt Ltd



International Press Softcom (Vietnam) Co., Ltd

List of all subsidiaries

- IP Softcom (Malaysia) Sdn. Bhd
- IP Media (Xiamen) Co., Ltd
- IP Softcom (Shanghai) Co., Ltd / IPS Trading (Shanghai) Co., Ltd
- IP Softcom (Shenzhen) Co., Ltd
- IP Softcom (Australia) Pty Ltd
- IP Softcom (India) Pvt Ltd
- Scantrans (India) Pvt Ltd
- International Press Softcom (Vietnam) Co., Ltd
- IP Ventures Pte Ltd
- InPac Ventures Pte Ltd
- Greenfield Ventures (M) Sdn. Bhd
- Avantouch Systems Pte Ltd



Dear Shareholders,

**Remaining committed to the task at hand**

As we present to you our annual report for the year ended 31 December 2017 ("FY2017"), we would like to note that a tepid macroeconomic outlook alongside an increasingly competitive business landscape continues to weigh on our overall operational and financial performance. In-line with my previous message from a year ago, our committed team continues to place paramount importance on streamlining operations and managing costs, with the ultimate goal of steering the Company back to profitability.

**Operations and Financial Review**

The Group's revenue contracted 13.4%, year-on-year ("yoy") to S\$32.8 million for FY2017. In-line with this decline coupled by differences in sales mix, the Group's raw materials and consumables used decreased 14.0% yoy to S\$17.5 million for FY2017. Repair and maintenance expenses however rose by 10.7% yoy to S\$0.5 million for FY2017 due to higher frequency of repairs and servicing on print related intensive machines.

The Group as a whole recorded losses of S\$5.4 million, an increase from S\$2.7 million in the year before. This loss stemmed mainly from the cessation of a supply chain project to a major customer in May 2016 and weaker performance in the existing supply chain management segment. In addition, translation differences arising from the voluntary liquidation of a subsidiary provided for a one-time loss of S\$0.3 million for FY2017.

In-line with the Group's efforts to curtail losses, operations in Australia was downsized during the year as a result of a loss of competitiveness in the market. Reversing from a net profit after tax of S\$0.1 million for FY2016, the Group's operations in Australia slipped into a loss of S\$0.1 million for FY2017. The Group's decision to cut back on its business transactions in Australia may eventually lead to its cessation in FY2018.

**Geographical Performance**

The Group's overall decline in turnover for FY2017 was an aggregate result of the following:

- Turnover from operations in Singapore fell 62.8% yoy to S\$2.6 million for FY2017 mainly due to the cessation of a supply chain project to a major customer in May 2016;
- Turnover from operations in Australia fell 48.3% yoy to S\$0.8 million for FY2017 due to the downsizing of its operations and an overall decline in demand from customers;

- Turnover from operations in India fell 6.6% yoy to S\$12.3 million for FY2017 due to a decline in orders from customers, including those affected by uncertainty from the demonetisation of the Indian rupee and the introduction of goods and services tax;
- Turnover from operations in China fell marginally by 3.4% yoy to S\$7.8 million for FY2017.

The above declines detailed in the respective geographies were offset by the following:

- Turnover from operations in Vietnam increased 22.4% yoy to S\$5.3 million for FY2017 due to growth in sales to new and existing customers;
- Turnover from operations in Malaysia increased 7.3% yoy to S\$4.0 million for FY2017 due to growth in sales from new customers.

**Outlook**

For 2018, we continue to expect tepid macroeconomic conditions to weigh on the industry and our business. Going forward, we will continue to optimise our operations while prospecting for value accretive growth opportunities within the region. The Group remains supported by its resilient balance sheet with a net cash position, whilst maintaining S\$4.0 million of cash balance. Notwithstanding, the Group may explore avenues, including fund raising activities to *inter alia*, further strengthen its balance sheet. The Group is cautiously optimistic of continued growth in its Vietnam operations and will strive to procure new revenue streams whilst optimising its operations in the other regions.

**Appreciation**

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our respective stakeholders including our Board members, management and staff for your dedicated contributions throughout the year. Furthermore, I would also like to show appreciation to our valued customers and business partners who have stuck with us throughout these challenging times. Last but certainly not least, I would like to express my heartfelt appreciation to all our loyal shareholders for your many years of support.

**Low Song Take**  
Founder and Executive Director



**Mr Woo Khai Chong**  
Vice Chairman  
Executive Director

**Mr Woo Khai San**  
Executive Director

**Mr Tiong Choon Hieng Steven**  
Chairman  
Independent Non-Executive Director

**Mr Low Song Take**  
Founder and  
Executive Director

**Mr Neo Gim Kiong**  
Lead Independent Director

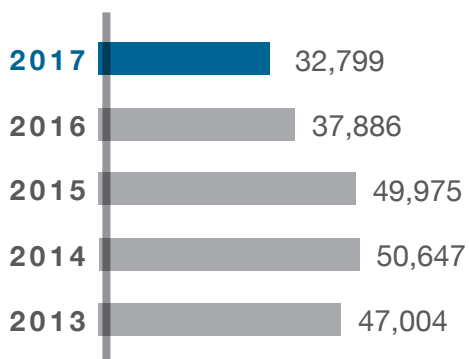
**Mr Low Ka Choon Kevin**  
Managing Director/  
Chief Executive Officer

**Mr Loh Yih**  
Independent Director

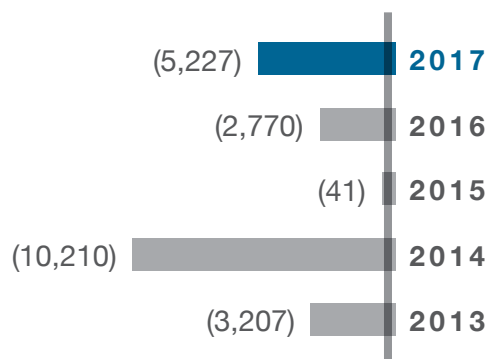
Customer Focused  
Results Oriented  
Commitment  
Team Spirit  
Innovative  
Excellent Work Environment

# FINANCIAL HIGHLIGHTS

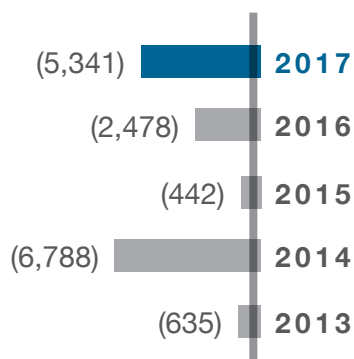
## Turnover (S\$'000)



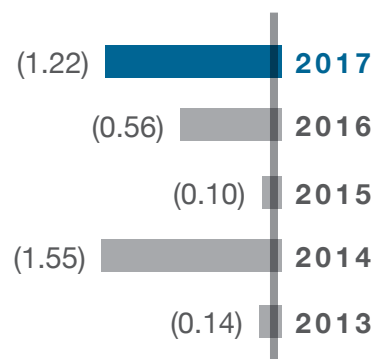
## Loss Before Tax (S\$'000)



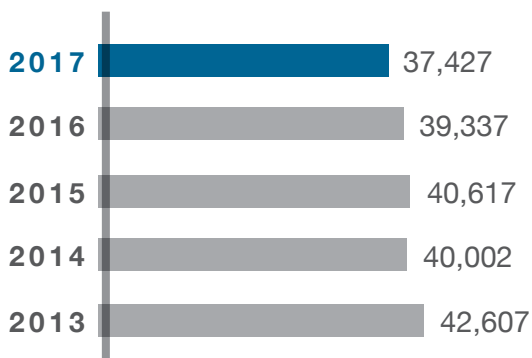
## Loss Attributable to Owners of the Company (S\$'000)



## Loss Per Share (cents)



## Fixed Assets (S\$'000)



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of International Press Softcom Limited (the “Company” and together its subsidiaries, the “Group”) recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors’ confidence in its management and financial reporting and is, accordingly, committed to maintaining a high standard of corporate governance within the Group.

This report outlines the Company’s corporate governance practices which were in place during the financial year ended 31 December 2017 (“FY2017”) with specific reference to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “Code”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”).

In line with the commitment of the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code and the Guide.

The Board is pleased to report compliance of the Company with the Code and the Guide and the Listing Manual Section B: Rules of Catalyst of the SGX-ST (the “Catalist Rules”) where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections where there are deviations from the Code and/or the Guide.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

***Principle 1: Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.***

The Board which was reconstituted (“Reconstitution”) on 5 January 2018 has 7 members and comprises the following:

Name of Director	Designation
Mr Tiong Choon Hieng Steven	Independent Non-Executive Chairman
Mr Woo Khai Chong	Vice Chairman
Mr Low Song Take	Founder and Executive Director
Mr Low Ka Choon Kevin	Managing Director /Chief Executive Officer (“CEO”)
Mr Woo Khai San	Executive Director (“ED”)
Mr Neo Gim Kiong	Lead Independent Director
Mr Loh Yih	Independent Director (“ID”)

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board’s principle functions, *inter alia*, are:

- to chart broad policies and strategies of the Company; and
- to approve annual budget and financial plan.

The Board has delegated specific responsibilities to the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) (collectively, the “Board Committees”). These Board Committees operate under clearly defined roles and responsibilities as set out in their respective terms of reference. They have the authority to deal with particular issues and report to the Board with their respective recommendations, if any. The compositions of the Board Committees are as follows:

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## BOARD MATTERS (cont'd)

### The Board's Conduct of its Affairs (cont'd)

	AC	NC	RC
Chairman	Neo Gim Kiong	Tiong Choon Hieng Steven	Loh Yih
Member	Loh Yih	Neo Gim Kiong	Neo Gim Kiong
Member	Tiong Choon Hieng Steven	Loh Yih	Tiong Choon Hieng Steven
Member	–	Low Song Take	–
Member	–	Woo Khai San	–

#### Notes:

- (1) The AC comprises 3 members, all of whom, including the Chairman, is independent. All members of the AC are non-executive Directors.
- (2) The NC comprises 5 members, the majority of whom, including the Chairman, is independent. The Lead Independent Director is a member of the NC.
- (3) The RC comprises 3 members, all of whom, including the Chairman, is independent. All members of the RC are non-executive Directors.

The Board has identified, without limitation, the following matters that require Board approval:

- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings exceeding S\$1 million;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions exceeding S\$1 million;
- Material acquisitions and disposals exceeding S\$1 million;
- Declaration of dividends and other returns to shareholders of the Company;
- Approval of transactions involving interested person transactions; and
- Appointments of new Directors.

The Board is guided by the provisions of the Constitution of the Company (“Constitution”) which aim to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Company. Where a Director has, or appears to have, a conflict of interest in relation to any matter, he should immediately declare his interest at a meeting of Directors or send a written notice to the Company containing details of his interest and the conflict, and recuse himself from participating in any discussion and decision on the matter.

The Board meets on a half-yearly basis, and where circumstances require, ad-hoc meetings are arranged. The Company’s Constitution allows the Board to convene meetings through teleconferencing, video conferencing or similar communication equipment whereby all persons participating in the meeting are able to hear one another.

During FY2017, the attendance of the Directors at meetings of the Board and Board committees, was as follows:-

Attendance at Meetings	Board	AC	NC	RC
Number of scheduled meetings held	3	2	1	1
Directors	Number of meetings attended			
Low Song Take	3	2*	1	NA
Low Ka Choon Kevin	3	2*	1*	1*
Woo Khai Chong	3	2*	NA	NA
Woo Khai San	2	1*	1	NA
Loh Yih	3	2	1	1
Tiong Choon Hieng Steven	3	2	1	1
Neo Gim Kiong	3	2	1	1

\*By invitation  
N/A – not applicable



## The Board's Conduct of its Affairs (cont'd)

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. All The Board has therefore established a policy on continuous professional development for Directors. Directors are updated regularly on changes in Company's policies and provided continuing briefings from time to time and are kept updated on relevant new laws and regulations including directors' duties and responsibilities, corporate governance and financial reporting standards. Newly appointed Directors will be given briefings by the Management on the Group's strategic direction, governance practices, organization structure and business activities as well as the expected duties and responsibilities of a director of a listed company via an orientation program.

The Directors also attend trainings, conferences and seminars which may have a bearing on their duties and contributions to the Board, organised by the professional bodies, regulatory institutions and corporations at the Company's expense, to keep themselves updated on the latest developments concerning the Group and to keep abreast of the latest regulatory changes. Such training costs are borne by the Company. During the year, the external auditors had briefed the AC on changes or amendments to accounting standards and the Company Secretary had briefed the Board on regulatory changes such as changes to the Companies Act and/or Catalist Rules.

## Board Composition and Guidance

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board comprises four (4) EDs and three (3) IDs. Key information regarding the Directors can be found under the "Board of Directors" section of this annual report.

Following the Reconstitution, the Board's Chairman and the CEO are no longer immediate family members, and hence the Company is no longer required to comply with Guideline 2.2 of the Code. Accordingly, the Company complies with Guideline 2.1 of the Code as at least one-third of the Board is independent.

The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The independence of each Director is reviewed annually by the NC. The NC had reviewed and confirmed the independence of the IDs in accordance with the Code. There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

The NC is of the view that the Board, with IDs making up at least one-third of the Board, has adequate objectivity in exercising judgement on corporate affairs independently from the Management, thus eliminating the risk of a particular group dominating the decision-making process.

Each year, the NC reviews the size and composition of the Board and Board Committees. The Board is of the view that the current board size of seven Directors is sufficient for effective decision-making, taking into account the nature and scope of the Company's operations.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

Core Competencies	Number of Directors	Proportion of Board
– Accounting or finance	3	3 : 7
– Business management	7	7 : 7
– Legal or corporate governance	4	4 : 7
– Relevant industry knowledge or experience	4	4 : 7
– Strategic planning experience	7	7 : 7
– Customer based experience or knowledge	4	4 : 7

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## Board Composition and Guidance (cont'd)

The Board considers that its current Board composition provides the Board with a mix of knowledge, business network and extensive business and commercial experience. This balance is important in ensuring that the strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of the Company. The Board does not currently have a female director, however, it will not discriminate any consideration on the nomination of a suitable female candidate as a director, as and when there is a need to appoint a new director to the Board.

Mr Tiong Choon Hieng Steven ("Mr Tiong"), the Independent Non-Executive Chairman, has served as the ID of the Company for more than nine (9) years from his date of first appointment to the Board. At the annual assessment carried out by the NC and with the concurrence of the Board, it was concluded that Mr Tiong is independent as he has contributed constructively throughout his term in the Company, sought clarification and amplification as he deemed necessary and provided objective and independent views when participating in the deliberations and decision making of the Board and Board Committees. The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of service. In particular, the Group has benefited greatly from Mr Tiong's long service in terms of his detailed knowledge of the Group's businesses and he has proven his commitment, experience and competence to effectively provide core competencies and independent advice to the Group and to oversee the Management. The NC further noted that neither Mr Tiong nor his associates have any business dealings with the Group.

The following assessments were conducted and deliberated by the Board before the arriving at the conclusion:-

- Mr Tiong's declaration and individual evaluation; and
- Board committee performance assessment done by the other Directors.

Mr Tiong had abstained from deliberating on the matter relating to his assessment.

To-date, none of the IDs has been appointed as a director of any of the Company's principal subsidiaries outside of Singapore. The Board and the Management are of the view that the current board structures in the Company's principal subsidiaries outside of Singapore are already well organised and constituted. The Board will make the required disclosures if there is any appointment of ID to the board of the Company's principal subsidiaries outside of Singapore.

To facilitate a more effective check on Management, the IDs meet without the presence of the Management. In FY2017, the IDs had met once in the absence of the Management.

## Chairman and Managing Director/Chief Executive Officer ("CEO")

***Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executive responsibility for managing the Company's business. No one individual should represent a considerable concentration of power.***

The roles of the Chairman and Managing Director/CEO are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company.

The Chairman of the Board (the "Chairman") is Mr Tiong. His role is to approve agendas for Board meetings and exercise control over the quality, quantity and timeliness of the flow of information between Management and the Board. He also ensures effective communication with shareholders of the Company. He chairs Board meetings and monitors the translation of the Board's decisions to the Management. He promotes high standards of corporate governance.

The Managing Director/CEO, Mr Low Ka Choon Kevin is not related to the Chairman. He has full executive responsibilities of the overall business and operational decisions of the Group. The appointment of Managing Director/CEO, his performance and remuneration package has been reviewed annually by the RC.

Mr Neo Gim Kiong has been the Lead ID of the Company since 17 October 2014. He makes himself available to shareholders at the Company's general meetings and to whom concerns may be conveyed to as and when the need arises. The Lead ID is also responsible for leading the meetings of IDs and provides feedback to the Chairman on matters discussed at such meetings.

The IDs meet periodically without the presence of the Executive Directors and thereafter, provide feedback to the Chairman after such meetings. As such, the IDs had met once without the presence of the Executive Directors in FY2017.

## Board Membership

### *Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The Company believes that Board renewal must be an ongoing process, to ensure good governance and to maintain relevance to the business and changing needs of the Company. The Constitution require at least one-third of the Directors to retire and subject themselves for re-election by shareholders at each annual general meeting (“AGM”). All Directors shall stay in office for not more than three consecutive years without being re-elected by shareholders.

The NC comprises the following three (3) IDs and two (2) EDs:

- (i) Mr Tiong Choon Hieng Steven (Chairman);
- (ii) Mr Loh Yih (member);
- (iii) Mr Neo Gim Kiong (member);
- (iv) Mr Low Song Take (member); and
- (v) Mr Woo Khai San (member).

The responsibilities of the NC are to (i) re-nominate the Directors having regard to the Directors' contribution and performance, (ii) determine annually whether or not a Director is independent, (iii) assess whether a Director is able to and has been adequately carrying out his duties as a Director of the Company and (iv) review the Board's structure, size, composition including the review of Board succession plans for Directors, in particular the Chairman and the Managing Director/CEO and make recommendations to the Board with regards to any adjustments that are deemed necessary. The NC also reviews the training and professional development programs for the Board from time to time.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors. When an existing director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as a Director.

In relation to the process for the re-election of incumbent directors, the NC would assess the performance of the Director in accordance with the performance criteria set by the Board and subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.

The NC met once in FY2017 to evaluate the Board's performance and contribution of each Board member as well as discussing the re-appointment of Directors who are subject to retirement at the forthcoming AGM. In addition, the NC reviewed the independence of the IDs and is satisfied that there are no relationships which would jeopardize their independence as an ID of the Company.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principal commitment.

Pursuant to Article 117 of the Company's Constitution, Mr Woo Khai Chong will retire at the forthcoming AGM. The NC had reviewed and recommended Mr Woo Khai Chong for re-election as Director at the forthcoming AGM of the Company and subject to being duly re-elected, Mr Woo Khai Chong will remain as Vice Chairman of the Company. Mr Woo Khai Chong is the brother of Mr Woo Khai San, the Executive Director of the Group. Mr Woo Khai Chong and Mr Woo Khai San are deemed to have an interest in the 286,839,480 shares (or 65.31%) of the Company (“Shares”) held by Chee Chun Holdings Pte. Ltd. in International Press Holdings Pte. Ltd. and its subsidiaries (“**IP SPL Group**”). Mr Woo Khai Chong has a direct interest in 14,770,800 Shares (or 3.36%) and accordingly, his total interest in the Company is 301,610,280 Shares (or 68.67%). Save as disclosed, Mr Woo Khai Chong has no relationships including immediate family relationship between himself and the Directors, Company or its 10% Shareholders.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## Board Membership (cont'd)

Pursuant to Article 117 of the Company's Constitution, Mr Loh Yih will retire at the forthcoming AGM. The NC, with Mr Loh Yih having abstained from the deliberations, had reviewed and recommended Mr Loh Yih for re-election as Director at the forthcoming AGM of the Company and subject to being duly re-elected, Mr Loh Yih will remain as an Independent Director, Chairman of the RC, a member of the AC and NC. The Board considers Mr Loh Yih to be independent for the purposes of Rule 704(7) of the Catalyst Rules. Save as disclosed on page 30, Mr Loh Yih has no relationships including immediate family relationship between himself and the Directors, Company or its 10% Shareholders.

Pursuant to Article 117 of the Company's Constitution, Mr Low Song Take will retire at the forthcoming AGM. The NC, with Mr Low Song Take having abstained from the deliberations, had reviewed and recommended that Mr Low Song Take for re-election as Director at the forthcoming AGM of the Company and subject to being duly re-elected, Mr Low Song Take will remain as Executive Director of the Board and member of the NC. Mr Low Song Take is the father of Mr Low Ka Choon Kevin, the Managing Director / CEO of the Group. Mr Low Song Take and Mr Low Ka Choon Kevin are deemed to have an interest in the 286,839,480 shares (or 65.31%) of the Company ("Shares") held by Ze Hua Holdings Pte. Ltd. in IPSPL Group. Mr Low Song Take or his spouse, Mdm Leong Shook Wah, has a direct interest in 29,541,600 Shares (or 6.73%) and accordingly, his total interest in the Company is 316,381,080 Shares (or 72.04%). Save as disclosed, Mr Low Song Take has no relationships including immediate family relationship between himself and the Directors, Company or its 10% Shareholders.

Key information of Mr Woo Khai Chong, Mr Loh Yih and Mr Low Song Take can be found on page 26 of the annual report.

The key information of the Directors are set out below:

Name of Director	Date of Initial Appointment	Date of Last Re-election	Present Directorships in Listed Companies	Past 3 years Directorships in Listed Companies	Other Principal Commitments, if any
Tiong Choon Hieng Steven (Independent Non-Executive Chairman)	18/12/2002	27/04/2016	–	–	–
Woo Khai Chong (Vice Chairman)	19/08/1991	27/04/2016	–	–	–
Low Song Take (Founder and Executive Director)	30/08/1972	27/04/2016	–	–	–
Woo Khai San (ED)	23/06/1999	27/04/2017	–	–	–
Low Ka Choon Kevin (Managing Director/CEO)	23/06/1999	27/04/2017	Sen Yue Holdings Limited	–	–
Loh Yih (ID)	08/06/2012	29/04/2015	i. Ban Leong Technologies Limited ii. Acesian Partners Limited iii. Trek 2000 International Limited	–	i. Managing Partner of MGF Management Pte Ltd; and ii. Group Executive Chairman of Acesian Partners Limited
Neo Gim Kiong (Lead ID)	30/05/2014	27/04/2017	i. Ban Leong Technologies Limited ii. Sen Yue Holdings Limited iii. Astaka Holdings Limited iv. Trek 2000 International Limited	Universal Resources and Services Limited	i. Founding director of Bizmen Corporation and Dollar Tree Inc Pte. Ltd ii. Executive Director and Chief Executive Officer of Sen Yue Holdings Limited

## Board Membership (cont'd)

The NC has taken cognizance of the Code with regard to the fixing of maximum number of board representations a Director may hold on other listed companies. The NC has, based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, believes that it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. However, the NC would continue to review from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2017.

The Company currently does not have any alternate directors.

## Board Performance

***Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.***

The NC will use its best efforts to ensure that all Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made.

Subject to the Board's approval, the NC decides how the Board's performance is to be evaluated and proposes objective performance criteria. The NC has implemented a process for evaluating the effectiveness of the Board as a whole and the Board Committees, contribution of each individual Director to the effectiveness of the Board and set objective performance criteria for such evaluation.

The table below sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board. The evaluations are designed to assess the Board's effectiveness to enable the NC Chairman and Board to identify the areas of improvement or enhancement which can be made to the Board.

Performance Criteria	Board and Board Committees	Individual Directors
Qualitative	<ol style="list-style-type: none"><li>1. Size and composition</li><li>2. Access to information</li><li>3. Board processes</li><li>4. Strategic planning</li><li>5. Board accountability</li><li>6. Risk management</li><li>7. Succession planning</li></ol>	<ol style="list-style-type: none"><li>1. Commitment of time</li><li>2. Knowledge and abilities</li><li>3. Teamwork</li><li>4. Independence (if applicable)</li><li>5. Overall effectiveness</li></ol>
Quantitative	<ol style="list-style-type: none"><li>1. Return to profitability</li></ol>	<ol style="list-style-type: none"><li>1. Attendance at Board and Board Committee meetings</li></ol>

The NC would review the criteria above on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The Board did not propose any changes to the performance criteria for FY2017 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained the same since FY2016.

A formal review of the performance of the Board and Board Committees will be undertaken collectively and individually by the NC and the Board annually. The Board's performance will also be reviewed informally by the NC with inputs from the Board members and the Managing Director/CEO. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## Board Performance (cont'd)

For FY2017, the review process was as follows:

1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on the performance criteria disclosed above;
2. The Company Secretary submitted the questionnaire results to the NC Chairman in the form of a report; and
3. The NC discussed the report and concluded the performance results during the NC meeting.

No external facilitator was used in the evaluation process.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. Evaluations of individual Director aim to assess whether that individual continues to contribute effectively and demonstrate commitment to the role (including Director's attendance at Board and Board Committees meetings, his contribution and performance at such meetings).

The NC is satisfied that each Director has contributed effectively and demonstrated commitment to their respective role (including commitment of time for the Board and Board Committee meetings, and any other duties) in FY2017. The Board as a whole has also met the performance criteria and objectives in FY2017.

## Access to Information

***Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

In order to ensure that the Board is able to fulfill its responsibilities, the Management is required to provide adequate and timely information to the Board on affairs and issues that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Company and the Group. Detailed board papers and related materials will be prepared for each Board meeting. The Management reports with the necessary information including but not limited to financial reports, are provided to the Directors in a timely manner to enable them to make informed decisions. The Management will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least one (1) week prior to the meetings to allow sufficient time for the Directors' review.

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

The Board has separate and independent access to the senior Management and the Company Secretary at all times. Should Directors, whether as a group or individually, require independent professional advice, the Company Secretary will, upon direction by the Board, appoint a professional advisor selected by the group or the individual, and approved by the Managing Director/CEO, to render such advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring the compliance of board procedures and all rules and regulations that are applicable to the Company. The appointment and/or removal of the Company Secretary are subject to the Board's approval as a whole.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

### Level and Mix of Remuneration

***Principle 8: The level of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.***

### Disclosure on Remuneration

***Principle 9: Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.***

The RC comprises three (3) IDs, namely:

- (i) Mr Loh Yih (Chairman);
- (ii) Mr Neo Gim Kiong (member); and
- (iii) Mr Tiong Choon Hieng Steven (member).

The RC reviews and recommends to the Board a framework of remuneration for the Directors and key management personnel, and determines specific remuneration packages for the Executive Directors and Key Management Personnel.

The recommendations of the RC are submitted for endorsement by the entire Board to provide a greater degree of objectivity and transparency in determining the remuneration. The RC oversees all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind, as well as the remuneration packages of employees who are related to the Directors and/or substantial shareholders (if any).

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Managing Director/ CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind and bonuses is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organizational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

All Directors receive directors' fees in accordance with their level of contribution and taking into account factors such as responsibilities, effort and time serving on the Board and Board Committees. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and variable components which are the annual bonus and profit sharing, based on the performance of the Group as a whole and their individual performance. Service contracts for Executive Directors, are for a fixed appointment period and do not contain onerous removal clauses.

The remuneration package of the Executive Directors and key management personnel is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote long-term sustainability of the Group.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## REMUNERATION MATTERS (cont'd)

### Disclosure on Remuneration (cont'd)

The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (Profit sharing scheme)
Qualitative	<ol style="list-style-type: none"><li>1. Leadership</li><li>2. People development</li><li>3. Commitment</li><li>4. Teamwork</li><li>5. Current market and industry practices</li><li>6. Macro-economic factors</li></ol>	<ol style="list-style-type: none"><li>1. Current market and industry practices</li></ol>
Quantitative	<ol style="list-style-type: none"><li>1. Return to profitability</li></ol>	<ol style="list-style-type: none"><li>1. PBT/PAT to be positive</li></ol>

In view of the market downturn and a lacklustre demand in the Group's Supply Chain Management segment, the quantitative performance conditions have not been met. Save for the aforementioned, the RC had reviewed and is satisfied that the Executive Directors and key management personnel have met the remaining conditions in FY2017.

No remuneration consultants were engaged by the Company in FY2017. However, the RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC takes into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Director.

The Executive Directors have entered into service agreements with the Company. The service agreements cover the terms of employment, specifically salary and other benefits. The remuneration of each ID is determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board.

No Director will be involved in deciding his own remuneration. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to Directors and/or substantial shareholders.

### Directors' Remuneration

The Executive Directors' remuneration comprise mainly of directors' fees, salary, allowances, bonuses and profit sharing awards conditional upon the achievement of certain profit targets. The details of their remuneration package are given below.

The IDs receive directors' fees based on a basic retainer fees as Directors and additional fees for serving as members on the Board Committees and their roles in the Board Committees. Directors' fees for the Directors are subject to the approval of the shareholders at the forthcoming AGM.

The annual remuneration of each individual Executive Director and Key Management Personnel for FY2017 is not disclosed as the Board believes that such disclosure would be disadvantageous to the Group's business interest given the highly niche and competitive Supply Chain Management industry that the Company operates in, which is highly reliant on employees with specialized skills. Instead, the Company discloses the bands of remuneration as follows:-



## Directors' Remuneration (cont'd)

	Directors' Fees*	Percentage of Variable Remuneration (consists of bonus, benefits in kinds & profit sharing award)	Percentage of Fixed Remuneration (consists of directors' fees, salary, allowance and contributions to central provident fund scheme)
<b>S\$250,001 to S\$500,000</b>			
Low Ka Choon Kevin <sup>1</sup>	35,000	14.1	85.9
<b>S\$250,000 and below</b>			
Low Song Take <sup>1</sup>	40,000	21.5	78.5
Woo Khai Chong	35,000	33.5	66.5
Woo Khai San	35,000	13.2	86.8
Loh Yih	40,000	–	100.0
Tiong Choon Hieng Steven	40,000	–	100.0
Neo Gim Kiong	40,000	–	100.0

\* The remuneration in the form of directors' fees are subject to the approval of the shareholders at the forthcoming AGM.

<sup>1</sup> Mr Low Ka Choon Kevin is the son of Mr Low Song Take.

## Remuneration of Key Management Personnel

Details of remuneration paid to key management personnel (who are not Directors or the Managing Director/CEO) of the Group in FY2017 are set out below:-

	Percentage of Variable Remuneration (consists of bonus, benefits in kinds & profit sharing award)	Percentage of Fixed Remuneration (consists of directors' fees, salary, allowance and contributions to central provident fund scheme)
<b>S\$250,001 to S\$500,000</b>		
Srihari Raghavan	24.6	75.4
<b>S\$250,000 and below</b>		
Teh Eng Chai	7.4	92.6
Chan Yee Liang	6.9	93.1
Ng Ching Beng Alvin	7.0	93.0

The Company only has four (4) key management personnel (who were also not Directors or the Managing Director/CEO) during FY2017.

The annual aggregate remuneration paid to all the top 4 key management personnel in FY2017 was S\$840,396.

For FY2017, there were no termination, retirement or post-employment benefits granted to Directors and key management personnel.

There was no employee in the Group whose remuneration exceeded S\$50,000 in FY2017 and who was immediate family member of a Director or the Managing Director/CEO.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## Share option scheme

The subsidiary of the Company, Avantouch Systems Pte Ltd, has implemented a share option scheme, Avantouch Share Option Scheme (the "Scheme") which was approved and adopted by the members at an extraordinary general meeting held on 30 December 2009. The Scheme is currently administered by Mr Low Ka Choon Kevin, the Managing Director/ CEO of the Company and Mr Lee Kia Hwee, the founder and the chief executive officer of Avantouch Systems Pte Ltd, in accordance with the rules of the Scheme. The information on the Scheme is disclosed in the Directors' Statement at page 31 of this annual report.

The Scheme is in compliance with Catalist Rules 843 to 860.

Pursuant to Catalist Rules 851,

- (i) No options under the Scheme have been granted to the following:
  - a. directors of International Press Softcom Limited;
  - b. controlling shareholders of International Press Softcom Limited and their associates; and
  - c. directors and employees of the parent company and its subsidiaries.
- (ii) None of the participants received 5% or more of the total number of options available under the Scheme.
- (iii) No options were granted at a discount to market price during the financial year.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

## ACCOUNTABILITY AND AUDIT

### Accountability

***Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.***

The Board believes that it should promote best practices in order to build an excellent business for the shareholders as they are accountable to shareholders for the Company's and the Group's performance.

The Board is mindful of its obligations to provide timely and full disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, after the review by the Board, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

### Risk Management and Internal Controls

***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

Although the Board acknowledges that it is responsible for the overall risk governance, risk management and internal control framework of the Group, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management and internal control systems is an ongoing process designed to meet the Group's particular needs and to manage the risks associated with strategic, operations, financial and regulatory compliance.

## Risk Management and Internal Controls (cont'd)

The Board annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls. For FY2017, the Board had received assurances from the Managing Director/CEO and the Group Financial Controller:-

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) that the Company's risk management and internal control systems are effective.

The AC, on behalf of the Board, has reviewed the risk management and internal control systems put in place by the Management with the assistance of the external auditors and the AC is satisfied that the Company has risk management and internal control systems which are adequate and effective in meeting the needs of the Group in its current business environment. The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls in addressing financial, operational, compliance and information technology risks and risk management systems were adequate and effective as at 31 December 2017.

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

## Audit Committee

***Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC is made up of three (3) IDs:

- (i) Mr Neo Gim Kiong (Chairman);
- (ii) Mr Loh Yih (member); and
- (iii) Mr Tiong Choon Hieng Steven (member).

All members of the AC are independent and non-executive directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. All of the IDs have the appropriate accounting experience or related financial management expertise.

The AC holds periodic meetings and performs primarily the following, where relevant, with the EDs and external auditors of the Company:-

- (a) review and report to the Board at least annually the adequacy and effectiveness of the Company's internal control, including the financial, operational, compliance and information technology controls;
- (b) review issues of accounting policies and presentation for external financial reporting;
- (c) review the Company's external auditors' audit plans;
- (d) review the external auditors' reports;
- (e) review the co-operation given by the Company's officers to the external auditors;
- (f) review the scope, strategies and results of the internal control function;
- (g) review the half-year and annual financial statements of the Company and the Group before their submission to the Board for approval;
- (h) review the independence and objectivity of the external auditors annually;
- (i) nominate external auditors for appointment and re-appointment;
- (j) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalyst Rules and such amendments made thereto from time to time; and
- (k) review interested person transactions.

The AC is guided by the terms of reference which stipulate its principal functions. The AC meets regularly with the Management and the external auditors to review audit and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## **Audit Committee (cont'd)**

On a half-yearly basis, the AC reviews the interested person transactions (if any) and the unaudited financial results announcements before submitting to the Board for approval.

The AC is kept abreast by the Management and external auditors of the Company on changes to accounting standards and by the Company Secretary and Sponsors on the Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

In addition to the above, the AC meets with the external auditors in the absence of the Management, at least once a year.

The AC has the power to conduct or authorise investigations into any matters within its terms of reference. The AC also has full access to and the co-operation of the Management. The external auditors have unrestricted access to the AC.

The AC has incorporated a whistle blowing policy into the Company's internal control procedures to provide a channel for staff and external parties to report in good faith and in confidence, without fear of reprisals, concerns about suspected fraud, corruption, dishonest practices or other similar matters. The objective of the policy is to ensure an independent investigation of such matters and for appropriate follow-up actions.

Details of the whistle-blowing policies and arrangements have been made available to employees and external parties, who are provided access to different levels of channels in the Company for them to raise their concerns in confidence to the Managing Director/CEO, Chairman or the Chairman of the AC.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

There were no whistle-blowing reports received in FY2017.

The AC has reviewed all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services has not and will not prejudice the independence and objectivity of the external auditors.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration.

The aggregate amount of fees to be paid to the external auditors, Messrs Ernst & Young LLP, in FY2017 was S\$106,740 which comprises of audit fees of S\$86,500 and non-audit fees of S\$20,240. The AC has recommended to the Board the reappointment of Messrs Ernst & Young LLP, as auditors of the Company at the forthcoming AGM.

The Company has appointed different auditors for its overseas subsidiaries and/or significant associated companies as well as one of its Singapore-incorporated subsidiaries, Avantouch Systems Pte Ltd. The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and/or significant associated companies and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

Accordingly, the Company has complied with Rules 712 and 716 of the Catalist Rules.

## **Internal Audit**

***Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.***

The Board supports the need of an internal audit function where its primary objective is to maintain a system of internal controls and processes to safeguard shareholders' investment and the Group's assets.

## Internal Audit (cont'd)

During FY2017, the Company did not have in place an internal audit function as the Board is of the view that this is not necessary under current circumstances, taking into account the cost considerations as well as the current size and scope of operations of the Group. For FY2017, the Group has attained the International Organization for Standardization standards ISO 9001 and ISO 14001 relating to quality and environmental risk management for its selected production processes. In renewing the ISO certifications annually, the Group complies with the stringent risk management standards and is required to complete a satisfactory audit of *inter alia*, its process controls and records. The AC has reviewed the findings of the ISO reports and is satisfied that there are no material control weaknesses highlighted by the ISO auditors. Additionally, there were also no major internal control issues highlighted by the external auditors in FY2017. Nevertheless, the Company has continued to strengthen its internal controls systems in areas such as (1) cash and bank balances; (2) debtors, creditors and stock ageing; (3) material contract; (4) human resource and payroll; and (5) material capital expenditure.

The Board will continue to assess the need for the appointment of a qualified professional to perform the Company's internal audit function as and when it is appropriate. Such qualified professional is expected to meet the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The qualified professional, when engaged, will report directly to the Chairman of the AC on audit matter and to the Managing Director/CEO on administrative functions.

The AC is satisfied that the Company's existing internal control systems put in place by the Management with the assistance of the external auditors is adequate and effective in meeting the needs of the Catalist Rules in addressing financial, operational, compliance and information technology risks of the Group in its current business environment.

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

### Communication with Shareholders

***Principle 15: Companies actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

### Conduct of Shareholder Meeting

***Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.***

The Company recognises the importance of regular, timely and effective communication with the shareholders.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Catalist Rules and the Companies Act, it is the Board's policy that all shareholders should be equally informed, on a timely basis, of all major developments that will or expect to have an impact on the Company or the Group. The Company updates shareholders on its corporate developments through SGXNET announcements and its annual report.

The Company does not have a formal dividend policy in place. However, the Board will review and make appropriate recommendations on dividend declaration subject to the profitability of the Company as well as the following factors:

- level of available cash;
- return on equity and retained earnings; and
- projected levels of capital expenditure including existing and future development and investment plans of the Group.

The Board has not declared or recommended dividend for FY2017 as the Company was not profitable in FY2017.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES (cont'd)

### Conduct of Shareholder Meeting (cont'd)

Shareholders are encouraged to attend the AGM to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the Management. All shareholders will receive a copy of the annual report and notice of AGM. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Board and Chairman of each Board Committee will be present and available to address the queries/questions from shareholders. The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

### Other Information

#### 1. Interested Person Transactions

The Group has procedures governing all interested person transactions to ensure they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Company does not have a general mandate for interested person transactions.

There were no interested person transactions of value S\$100,000 and above in FY2017.

#### 2. Material Contracts

There were no material contracts entered into by the Group involving the interests of the Managing Director/CEO, any Director or controlling shareholder, which are either still subsisting at end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

#### 3. Catalyst Sponsor

For FY2017, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S\$3,000.

#### 4. Dealings in Securities

The Company has adopted an Internal Code in relation to dealings in the Company's securities pursuant to Rule 1204(19) of the Catalyst Rules that is applicable to the Company, its Directors and officers.

The Internal Code prohibits the Company, its Directors and officers from dealing in the Company's shares on short term considerations. It also disallows the Company, its Directors and officers from dealing in the Company's shares while in possession of price-sensitive information and/or during the period commencing one month before the announcement of the Group's half-year and full-year financial results and ending on the date of the announcement of the relevant results.

The Company, its Directors and officers are also expected to observe insider trading laws at all times even when dealing with Company's securities within the permitted trading period.

#### 5. Sustainability Reporting

To enable a better assessment of listed companies' financial prospects and quality of management, the SGX-ST has made sustainability reporting mandatory with effect for any financial year ending on or after December 31 2017. For the first year, listed companies have up to 12 months from its financial year end to publish its first report. Accordingly, the Company is working towards the issuance of its first sustainability report by 31 December 2018 and such report will be made available to Shareholders on the SGXNet.

## BOARD OF DIRECTORS

Tiong Choon Hieng Steven (Independent Non-Executive Chairman)  
Low Song Take (Founder & Executive Director)  
Woo Khai Chong (Vice Chairman)  
Low Ka Choon Kevin (Managing Director / CEO)  
Woo Khai San (Executive Director)  
Neo Gim Kiong (Lead Independent Director)  
Loh Yih (Independent Director)

## COMPANY SECRETARIES

Teh Eng Chai, FCCA, FCMA  
Pan Mi Keay, ACIS

## REGISTERED OFFICE

Co. Reg. No: 197201169E  
80 Robinson Road #02-00  
Singapore 068898  
Tel: 6236 3333 Fax: 6236 4399

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M&C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902  
Tel: 6227 6660 Fax: 6225 1452

## AUDIT COMMITTEE

Neo Gim Kiong (Chairman)  
Loh Yih  
Tiong Choon Hieng Steven

## REMUNERATION COMMITTEE

Loh Yih (Chairman)  
Neo Gim Kiong  
Tiong Choon Hieng Steven

## NOMINATING COMMITTEE

Tiong Choon Hieng Steven (Chairman)  
Neo Gim Kiong  
Loh Yih  
Low Song Take  
Woo Khai San

## AUDITORS

Ernst & Young LLP  
One Raffles Quay  
#18-01 North Tower  
Singapore 048583

## PARTNER-IN-CHARGE OF AUDIT

Philip Ling Soon Hwa  
(appointed since financial year ended  
31 December 2013)

## PRINCIPAL BANKERS

United Overseas Bank Limited  
80 Raffles Place UOB Plaza  
Singapore 048624

DBS Bank Limited  
12 Marina Boulevard  
DBS Asia Central @  
Marina Bay Financial Centre Tower 3  
Singapore 018982

## CONTINUING SPONSOR

PrimePartners Corporate Finance Pte. Ltd.  
16 Collyer Quay #10-00  
Income at Raffles  
Singapore 049318

# CORPORATE INFORMATION (CONT'D)

## INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

1. The business and working experience of the Directors are as follows:

**Tiong Choon Hieng Steven** was first appointed as an Independent Director on 18 December 2002 and subsequently appointed as Independent Non-Executive Chairman on 5 January 2018. He was formerly a Non-Executive Director of Adroit Innovations Ltd, a listed company in the Stock Exchange of Singapore. Prior to this, he went into business as an investor and held several directorships. Mr. Tiong also has years of experience working in several banks specialising in spot currencies trading. He holds a Bachelor of Science degree (First Class Honours) in Naval Architecture & Ocean Engineering from the University of Glasgow, UK. As Chairman of the Group, he exercises control over quality, quantity and timeliness of the flow of information between management and the Board.

**Woo Khai Chong** is the Vice Chairman of the Group. Mr. Woo assists the Chairman in the overall flow of information between management and the Board. He also assists the Managing Director / CEO in overseeing the management and operations of the Group. Mr. Woo has been with the Group since 1972 and has extensive practical experience in the printing industry, particularly in the areas of marketing, production, costing and print management.

**Low Song Take** is the Founder Director of the Group after relinquishing the Chairman role on 5 January 2018. Mr. Low established the business in 1968 as a partnership and has been in the printing industry for over 50 years. In his capacity as the Founder Director, he will mentor the existing management team and impart his vast industry's knowledge and capabilities to them. As such, Mr Low continues to participate actively in the overall strategic planning and driving business direction of the Group.

**Woo Khai San** is an Executive Director of the Group and is responsible for the Printing business of the Group. Mr. Woo has been in the printing industry and with the Group since 1974 and has extensive experience in the areas of marketing and print production.

**Low Ka Choon Kevin** is the Managing Director / CEO and is responsible for the general management of the Group. Prior to his appointment as Managing Director / CEO in 1999, he held the position of the Business Development Director from 1995 when he joined International Press Softcom Limited ("IPS"). Prior to joining IPS, Mr. Low worked as a lawyer in a law firm in Singapore. Mr. Low was appointed as Independent Director of Sen Yue Holdings Limited, a company listed on SGX-ST. He holds a Bachelor of Laws (Hons.) degree from the National University of Singapore.

**Neo Gim Kiong** was appointed as an Independent Director on 30 May 2014 and the Lead Independent Director on 17 October 2014. Mr. Neo is the Executive Director and Chief Executive Officer of Sen Yue Holdings Limited, a listed company on SGX-ST. He is also the founding Director of Dollar Tree Inc Pte Ltd, a business advisory company incorporated in Singapore in 2004. Mr. Neo was appointed as and also an Independent Director of Astaka Holdings Limited, Ban Leong Technologies Limited, and Trek 2000 International Limited, which are listed on SGX-ST. Mr. Neo is a board member of the P.R. China Guangdong Province Overseas Exchange Association and Ningxia Autonomous Region Overseas Exchange Association. He holds a Bachelor of Science Degree in Mathematics (Honours) from the National University of Singapore.

**Loh Yih** was appointed as an Independent Director on 8 June 2012. Mr. Loh has been the managing partner of MGF Management Pte Ltd since 4 December 2006. He has more than 25 years of working experience in the Asia Capital Markets. Currently, Mr. Loh is also a Lead Independent Director of Ban Leong Technology Limited, a listed company on SGX-ST, the Group Executive Chairman of Acesian Partners Limited (formerly known as Linair Technologies Limited), a listed company on SGX-ST and Independent Director of Trek 2000 International Limited, a listed company in SGX-ST and Weichai Power Co. Ltd, a China SOE listed in both HKEx and SZSE. He holds a bachelor's degree in Accountancy (Honours) from the National University of Singapore.



2. The working experience of the Key Management Personnel is as follows:

**Teh Eng Chai** is the Group Financial Controller. Mr. Teh joined the Group in January 1998 and he is responsible for managing the Accounts Department and handling all finance-related matters. Mr. Teh has approximately 27 years of experience in auditing, accounting and management in various organisations. Prior to joining the Group, Mr. Teh was the Group Finance Manager of a manufacturing company with regional operations. Mr. Teh holds a Bachelor of Science (Hons) degree in Finance and Accounting from the University of Salford, England. He is a Fellow of the Chartered Management Accountants and a Fellow of the Chartered Certified Accountants.

**Srihari Raghavan** is the General Manager for the Company's subsidiary in India, IP Softcom India Pvt Ltd (IPSI) and is appointed the General Manager for the Singapore operations in 2010. Mr. Raghavan joined the Group in 2006, as a Deputy General Manager for the India subsidiary and has since been promoted to the current position in 2009. He is responsible for the general management of Singapore and the subsidiary in India. Prior to joining the Group, Mr. Raghavan was a Sr. Vice President in one of India's largest printers and was responsible for Business Development for IT & Exports and Supply Chain Operations. Mr. Raghavan has approximately 27 years of experience in Supply Chain, Print and Packaging industry. He holds a Master of Commerce from the University of Mumbai and a MBA in Finance from the Institute of Chartered Financial Analysts of India (ICFAI).

**Chan Yee Liang** is the General Manager who is in-charge of the group of companies for China region. Mr. Chan joined the Company in 2003 as a Senior Manager, and was since promoted to Deputy General Manager of China Region in 2005 and General Manager of China region in 2009. Prior to joining the Company, he has many years of overseas and local working experience in the financial industry. His experience and expertise bring a different management perspective into the Group while managing the operations in China. Mr. Chan holds a Bachelor of Commerce & Economics (Honors) from the University of Windsor, Canada.

**Ng Ching Beng Alvin** is the General Manager who is in-charge of Malaysia, Australia and Vietnam markets. Mr. Ng joined the Company in November 2005 as Deputy General Manager overseeing the business and operations for Malaysia, Australia and Vietnam. He has since been promoted to the current position in 2009. He has approximately 23 years of experience in the manufacturing and supply chain management industry. Mr. Ng holds a Bachelor of Arts degree in Business Administration from Ottawa University, US and Diploma in Production Technology from German Singapore Institute (now Nanyang Polytechnic).

# FINANCIAL REVIEW

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# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of International Press Softcom Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

## 1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The directors of the Company in office at the date of this statement are:

Low Song Take	(Founder and Executive Director)
Woo Khai Chong	(Vice Chairman)
Woo Khai San	(Executive Director)
Low Ka Choon Kevin	(Managing Director/CEO)
Neo Gim Kiong	(Lead Independent Director)
Loh Yih	(Independent Director)
Tiong Choon Hieng Steven	(Independent Non-Executive Chairman)

## 3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
	1 January 2017	31 December 2017	21 January 2018	1 January 2017	31 December 2017	21 January 2018
<b>Chee Chun Holdings Pte. Ltd.</b>						
<i>Ordinary shares</i>						
Woo Khai Chong	140,002	140,002	140,002	–	–	–
Woo Khai San	140,001	140,001	140,001	–	–	–

# DIRECTORS' STATEMENT (CONT'D)

## 4. Directors' interests in shares and debentures (cont'd)

	Direct interest			Deemed interest		
	1 January 2017	31 December 2017	21 January 2018	1 January 2017	31 December 2017	21 January 2018
<b>Avantouch Systems Pte Ltd</b>						
<i>Ordinary shares</i>						
Tiong Choon Hieng Steven	–	–	–	826,568	836,369	836,369
Loh Yih	–	–	–	175,019	175,019	175,019
<b>Ze Hua Holdings Pte. Ltd.</b>						
<i>Ordinary shares ("A" shares)</i>						
Low Song Take	28,001	28,001	28,001	28,001	28,001	28,001
<i>Ordinary shares ("B" shares)</i>						
Low Ka Choon Kevin	56,000	56,000	56,000	–	–	–
<b>International Press Softcom Limited</b>						
<i>Ordinary shares</i>						
Low Song Take	29,541,600	29,541,600	29,541,600	286,839,480	286,839,480	286,839,480
Woo Khai Chong	14,770,800	14,770,800	14,770,800	286,839,480	286,839,480	286,839,480
Woo Khai San	14,770,800	14,770,800	14,770,800	286,839,480	286,839,480	286,839,480
Low Ka Choon Kevin	7,484,320	7,484,320	7,484,320	286,839,480	286,839,480	286,839,480

The Company's holding company is International Press Holdings Pte Ltd, incorporated in Singapore. The holding company is equally owned by Chee Chun Holdings Pte. Ltd. and Ze Hua Holdings Pte. Ltd., both incorporated in Singapore.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Messrs. Woo Khai Chong and Woo Khai San are deemed to have an interest in the shares held by Chee Chun Holdings Pte. Ltd. in International Press Holdings Pte Ltd and its subsidiaries. Messrs. Low Song Take and Low Ka Choon Kevin are deemed to have an interest in the shares held by Ze Hua Holdings Pte. Ltd. in International Press Holdings Pte Ltd and its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

## 5. Options

### Avantouch Systems Pte Ltd (“Avantouch”) – Avantouch Share Option Scheme

The Avantouch Systems Pte. Ltd. Share Option Scheme (the “Scheme”) was approved and adopted by the members of Avantouch at an Extraordinary General Meeting held on 30 December 2009.

The Scheme is administered by a committee comprising the following members:

Lee Kia Hwee  
Low Ka Choon Kevin

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares at an exercise price specified in the Letter of Offer of Option. The consideration for the grant of the option is \$1.00.

As at 31 December 2017, unissued ordinary shares of Avantouch were as follows:

Date granted	Exercise period	Number of shares under options					Aggregate options outstanding as at end of financial year	Exercise price
		Aggregate options granted and accepted since commencement of scheme	Aggregate options lapsed since commencement of scheme to end of financial year	Aggregate options forfeited since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year			
30 December 2009	30 December 2009 to 29 December 2019	826,000	–	–	–	826,000	\$1 per share payable in full on application	
31 March 2010	31 March 2010 to 29 December 2019	18,000	–	–	–	18,000	\$1 per share payable in full on application	

Except as disclosed above, there were no unissued shares of Avantouch or its subsidiaries under options granted by Avantouch or its subsidiaries as at the end of the financial year.

# DIRECTORS' STATEMENT (CONT'D)

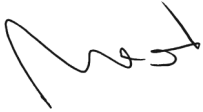
## 6. **Audit Committee**

The Audit Committee (the "AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are disclosed in the Corporate Governance Report.

## 7. **Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,



Low Song Take  
Director



Low Ka Choon Kevin  
Director

Singapore  
29 March 2018

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
To the Members of International Press Softcom Limited

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of International Press Softcom Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2017

To the Members of International Press Softcom Limited

## Key Audit Matters (cont'd)

### Valuation of leasehold factory buildings

The Group owns leasehold factory buildings in Singapore and Malaysia which are classified as fixed assets. The Group accounted for these leasehold factory buildings using revaluation model. As at 31 December 2017, the fair value of these leasehold factory buildings amounted to S\$33,509,162, representing 58% of the Group's total assets. As disclosed in Note 32 to the financial statements, the Group's leasehold property buildings are categorised within Level 3 of the fair value hierarchy as the properties' fair values are determined based on direct comparison method adjusted for significant unobservable inputs such as location, size, tenure, age and condition of the properties. As there is a significant estimation involved in determination of the fair value of the leasehold factory buildings and the magnitude of the amount, we identified this to be a key audit matter.

For the Singapore leasehold factory building, the fair value amounted to S\$31,111,112 as at 31 December 2017. Management engaged an external valuation expert to value the Singapore leasehold building as at 31 December 2016. For the year ended 31 December 2017, management assessed that the fair value of building as at 31 December 2017 does not differ materially from the fair value determined by the external valuation expert of S\$32,083,334 as at 31 December 2016. We discussed with management to understand their basis to assess the reasonableness of the fair value of the building as at 31 December 2017. We also assessed the reasonableness of the fair value as at 31 December 2017 by comparing it against the movement of the related property indices over the past two years.

For the Malaysia leasehold factory building, the fair value was S\$2,398,050 as at 31 December 2017. We obtained the valuation report from the external valuation expert engaged by the Group. We considered the competence, objectivity and capabilities of the external valuation expert. We assessed the appropriateness of the valuation technique and significant estimates used by the external valuation expert, by comparing to the transacted prices of comparable properties, taking into consideration comparability and market factors.

Further, we assessed the adequacy of the disclosures related to the leasehold factory buildings and its fair value disclosures in Note 4 and Note 32 to the financial statements.

### Impairment assessment of goodwill allocated to Scantrans (India) Pvt. Ltd ("Scantrans") and the Company's investment in Scantrans

As at 31 December 2017, the Company's investment in a subsidiary (net of impairment) was \$1,655,106. The goodwill allocated to Scantrans was \$2,355,342 as at 31 December 2017. Scantrans incurred losses for the year ended 31 December 2017. Management performed an impairment assessment to assess the recoverable amount of the investment in Scantrans and the goodwill allocated to Scantrans. The recoverable amount of Scantrans was determined based on value-in-use calculations using cash flow projections approved by management. We considered the audit of management's impairment assessment of the Company's investment in Scantrans and the goodwill allocated to Scantrans to be a key audit matter because the assessment process involves management exercising significant judgement and making assumptions of future results of the subsidiary.



## **Key Audit Matters (cont'd)**

### **Impairment assessment of goodwill allocated to Scantrans (India) Pvt. Ltd (“Scantrans”) and the Company’s investment in Scantrans (cont’d)**

We assessed the valuation method used by management and evaluated the key assumptions used in the impairment test, in particular the discount rate, terminal value, budgeted revenue and budgeted profit margin. We evaluated management’s forecasting process by comparing actual financial performance against previously forecasted results. We involved our internal valuation specialist to assist us in reviewing the reasonableness of the discount rate and terminal value used. We evaluated the budgeted revenue by comparing them to historical data as well as considering the viability of future plans, industry outlook and customer portfolio. We also assessed the adequacy of disclosures made on the impairment assessment of goodwill in Note 5 and Note 6 to the financial statements.

## **Other Information**

Management is responsible for the other information. The other information comprises the Founder’s Statement and the Financial Highlights.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2017

To the Members of International Press Softcom Limited

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

### **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

29 March 2018

# BALANCE SHEETS

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Non-current assets</b>					
Fixed assets	4	37,427,126	39,337,149	31,560,882	32,319,835
Intangible assets	5	2,355,342	2,400,637	–	–
Investments in subsidiaries	6	–	–	11,422,488	13,301,150
Investment securities	7	–	–	–	–
Other receivables and deposits	10	440,331	1,057,001	–	–
Deferred tax assets	18	678,883	676,076	–	–
<b>Current assets</b>					
Assets held for sale	4	646,705	–	–	–
Inventories	8	2,517,220	2,454,541	131,153	97,097
Trade receivables	9	7,592,640	6,316,751	1,345,913	1,491,667
Other receivables and deposits	10	1,920,389	1,452,437	338,812	355,720
Prepayments		262,091	222,718	60,272	64,589
Amounts due from subsidiaries (non-trade)	11	–	–	3,332,412	4,167,839
Tax recoverable		216,587	337,820	–	–
Cash and bank balances	13	4,027,531	8,024,450	729,316	930,406
		17,183,163	18,808,717	5,937,878	7,107,318
<b>Current liabilities</b>					
Trade and other payables	14	6,056,792	5,474,988	646,183	508,912
Accruals	15	2,116,402	2,117,665	941,978	1,015,523
Amounts due to subsidiaries (non-trade)	11	–	–	22,007	30,285
Amount due to directors of company	12	410,000	145,000	410,000	145,000
Interest-bearing bank loans	16	3,323,473	3,183,525	–	–
Non-interest bearing loan	17	358,656	365,554	–	–
Provision for taxation		102,701	174,846	–	–
Amount due to holding company (loan)	11	733,500	720,500	733,500	720,500
		13,101,524	12,182,078	2,753,668	2,420,220
<b>Net current assets</b>		4,081,639	6,626,639	3,184,210	4,687,098

	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	18	369,067	372,354	–	–
<b>Net assets</b>					
		44,614,254	49,725,148	46,167,580	50,308,083
<b>Equity attributable to owners of the Company</b>					
Share capital	19	49,549,249	49,549,249	49,549,249	49,549,249
Reserves	20	(2,156,022)	2,932,509	(3,381,669)	758,834
		47,393,227	52,481,758	46,167,580	50,308,083
Non-controlling interests		(2,778,973)	(2,756,610)	–	–
<b>Total equity</b>					
		44,614,254	49,725,148	46,167,580	50,308,083

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Turnover	21	32,798,889	37,886,186
Other operating income	22	1,055,506	1,446,689
Changes in stocks of finished goods and work in progress		(105,789)	177,264
Raw materials and consumables used		(17,459,142)	(20,311,746)
Personnel expenses	23	(9,922,920)	(10,019,581)
Depreciation	4	(2,145,484)	(2,153,979)
Rental, property tax and utilities		(2,274,150)	(2,276,900)
Freight, travelling and transportation expenses		(2,172,694)	(2,175,567)
Repair and maintenance expenses		(538,691)	(487,166)
Royalties		–	(131,262)
Subcontractor costs		(830,030)	(992,069)
Fixed assets written off		(66,021)	(60,504)
Bad debts written off		(25,556)	(44,063)
Other operating expenses		(3,043,928)	(2,971,418)
Impairment loss	4,7	(8,497)	(416,914)
Loss on liquidation of subsidiary	6	(267,825)	–
Financial expense – net	24	(220,107)	(238,890)
<b>Loss before tax</b>	25	(5,226,439)	(2,769,920)
Tax expense	26	(192,388)	21,674
<b>Loss, net of tax</b>		<u>(5,418,827)</u>	<u>(2,748,246)</u>
<b>Loss attributable to:</b>			
Owners of the Company		(5,340,476)	(2,477,692)
Non-controlling interests		(78,351)	(270,554)
		<u>(5,418,827)</u>	<u>(2,748,246)</u>
<b>Loss per share attributable to owners of the Company (cents per share)</b>			
Basic	27	(1.22)	(0.56)
Diluted	27	(1.22)	(0.56)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Loss, net of tax</b>	(5,418,827)	(2,748,246)
<b>Other comprehensive income:</b>		
<u>Items that will not be reclassified to profit or loss</u>		
Net surplus on revaluation of leasehold factory building	59,150	130,853
<u>Items that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation	(1,365)	(324,028)
<b>Other comprehensive income for the year, net of tax</b>	<u>57,785</u>	<u>(193,175)</u>
<b>Total comprehensive income for the year, net of tax</b>	<u>(5,361,042)</u>	<u>(2,941,421)</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	(5,338,566)	(2,739,683)
Non-controlling interests	(22,476)	(201,738)
	<u>(5,361,042)</u>	<u>(2,941,421)</u>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

<b>Group</b>	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Translation reserve</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 January 2017	49,549,249	23,239,963	(4,129,384)
Loss for the year	-	-	-
<u>Other comprehensive income</u>			
Net surplus on revaluation of leasehold factory building	-	59,150	-
Foreign currency translation	-	-	(57,240)
Other comprehensive income for the year, net of tax	-	59,150	(57,240)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>59,150</b>	<b>(57,240)</b>
<u>Contributions by and distribution to owners</u>			
Realization of reserves upon voluntary liquidation of subsidiary	-	-	249,694
Others	-	-	-
<b>Total contributions by and distribution to owners</b>	<b>-</b>	<b>-</b>	<b>249,694</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>249,694</b>
<b>At 31 December 2017</b>	<b>49,549,249</b>	<b>23,299,113</b>	<b>(3,936,930)</b>



Restricted reserve	Other reserves	Accumulated losses	Equity attributable to owners of the Company, total	Non-controlling interests	Equity, total
\$	\$	\$	\$	\$	\$
942,287	2,567,395	(19,687,752)	52,481,758	(2,756,610)	49,725,148
–	–	(5,340,476)	(5,340,476)	(78,351)	(5,418,827)
–	–	–	59,150	–	59,150
–	–	–	(57,240)	55,875	(1,365)
–	–	–	1,910	55,875	57,785
–	–	(5,340,476)	(5,338,566)	(22,476)	(5,361,042)
(429,699)	–	429,699	249,694	–	249,694
–	341	–	341	113	454
(429,699)	341	429,699	250,035	113	250,148
(429,699)	341	429,699	250,035	113	250,148
512,588	2,567,736	(24,598,529)	47,393,227	(2,778,973)	44,614,254

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2017

<b>Group</b>	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Translation reserve</b>
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 January 2016	49,549,249	23,109,110	(3,736,540)
Loss for the year	-	-	-
<u>Other comprehensive income</u>			
Net surplus on revaluation of leasehold factory building	-	130,853	-
Foreign currency translation	-	-	(392,844)
Other comprehensive income for the year, net of tax	-	130,853	(392,844)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>130,853</b>	<b>(392,844)</b>
<u>Contributions by and distribution to owners</u>			
Others	-	-	-
<b>Total contributions by and distribution to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2016</b>	<b>49,549,249</b>	<b>23,239,963</b>	<b>(4,129,384)</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Restricted reserve	Other reserves	Accumulated losses	Equity attributable to owners of the Company, total	Non-controlling interests	Equity, total
\$	\$	\$	\$	\$	\$
942,287	2,562,195	(17,210,060)	55,216,241	(2,556,606)	52,659,635
-	-	(2,477,692)	(2,477,692)	(270,554)	(2,748,246)
-	-	-	130,853	-	130,853
-	-	-	(392,844)	68,816	(324,028)
-	-	-	(261,991)	68,816	(193,175)
-	-	(2,477,692)	(2,739,683)	(201,738)	(2,941,421)
-	5,200	-	5,200	1,734	6,934
-	5,200	-	5,200	1,734	6,934
-	5,200	-	5,200	1,734	6,934
942,287	2,567,395	(19,687,752)	52,481,758	(2,756,610)	49,725,148

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Loss before tax		(5,226,439)	(2,769,920)
Adjustments for:			
Depreciation of fixed assets	4	2,145,484	2,153,979
Impairment loss of fixed assets	4	8,497	714
Impairment loss of investment securities	7	–	416,200
(Gain)/loss on disposal of fixed assets		(2,048)	9,368
Fixed assets written off	4	66,021	60,504
Interest income		(86,456)	(80,303)
Interest expense		306,563	319,193
Loss on voluntary liquidation of subsidiary		267,825	–
Bad debts written off		25,556	44,063
Bad debts recovered		(182)	–
Allowance for doubtful trade receivables	9	2,676	78,066
Allowance for doubtful trade receivables written back	9	(29,256)	(5,233)
Allowance for inventory obsolescence		124,410	166,119
Allowance for inventory obsolescence written back		(169,720)	(276,159)
Inventories written off		106,470	104,849
Write back of inventories previously written off		–	(5,114)
Allowance for other receivables written off		27,312	–
Unrealised exchange loss/(gain)		204,823	(222,398)
		<hr/>	<hr/>
<b>Operating cash flows before working capital changes</b>		(2,228,464)	(6,072)
Changes in working capital:			
(Increase)/decrease in inventories		(121,219)	2,127,437
(Increase)/decrease in trade receivables		(1,273,577)	4,984,137
Decrease/(increase) in other receivables, deposits and prepayments		68,792	(129,906)
Increase/(decrease) in trade and other payables		658,579	(2,147,768)
Decrease in accruals		(1,263)	(209,086)
Increase in amount due to directors of company		265,000	–
		<hr/>	<hr/>
<b>Cash flows (used in)/generated from operations</b>		(2,632,152)	4,618,742
Interest received		86,455	84,840
Interest paid		(293,563)	(306,193)
Tax paid		(170,371)	(776,317)
		<hr/>	<hr/>
<b>Net cash flows (used in)/generated from operating activities</b>		(3,009,631)	3,621,072

	Note	2017 \$	2016 \$
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	4	(1,121,372)	(844,647)
Proceeds from disposal of fixed assets		15,673	24,637
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		(1,105,699)	(820,010)
<b>Cash flows from financing activities</b>			
Repayment of interest-bearing bank loans		–	(135,720)
Proceeds from interest-bearing bank loans		200,014	–
		<hr/>	<hr/>
<b>Net cash flows generated from/(used in) financing activities</b>		200,014	(135,720)
Net (decrease)/increase in cash and cash equivalents		(3,915,316)	2,665,342
Effect of exchange rate changes on cash and cash equivalents		(81,603)	(3,739)
Cash and cash equivalents at beginning of year		8,024,450	5,362,847
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	13	4,027,531	8,024,450

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. Corporate information

International Press Softcom Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The immediate holding company is International Press Holdings Pte Ltd, incorporated in Singapore. The immediate holding company is equally owned by Chee Chun Holdings Pte. Ltd. and Ze Hua Holdings Pte. Ltd., both incorporated in Singapore.

The registered office of International Press Softcom Limited is located at 80 Robinson Road #02-00, Singapore 068898. The address of its principal place of business is International Press Building, 26 Kallang Avenue, Singapore 339417.

The principal activities of the Company are the provision of supply chain solutions, print and media products which include material procurement, inventory management, logistics management and order fulfilment, printing; packaging and software replication.

The principal activities of the subsidiaries are as shown in Note 6 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$), except when otherwise indicated.

#### Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of the standards are described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

#### FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects an impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## **2. Summary of significant accounting policies (cont'd)**

### **2.3 Standards issued but not yet effective (cont'd)**

#### FRS 116 Leases

FRS 116 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. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

### **2.4 Basis of consolidation and business combinations**

#### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.



## **2. Summary of significant accounting policies (cont'd)**

### **2.4 Basis of consolidation and business combinations (cont'd)**

#### **(b) Business combinations and goodwill**

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquires are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount (value in use) of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

### **2.5 Transactions with non-controlling interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Foreign currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average exchange rate over the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences arising on monetary items that for part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold and freehold buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

## **2. Summary of significant accounting policies (cont'd)**

### **2.7 Property, plant and equipment (cont'd)**

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the asset as follows:

Leasehold and freehold factory buildings	30 – 50 years
--	---------------

Other fixed assets are depreciated using the reducing balance method to write-off the cost over their estimated useful lives. The annual depreciation rates are as follows:

Plant and machinery	10% – 20%
Factory equipment	10% – 30%
Computers	30%
Motor vehicles	20%
Furniture, fittings and office equipment	10% – 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

### **2.8 Intangible assets**

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate balance sheets, investments in subsidiaries are accounted for at cost less any impairment losses.

### 2.11 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

There are no financial assets designated as financial assets at fair value through profit or loss and held-to-maturity investments.

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### (i) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

##### (ii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

##### De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

There are no financial liabilities designated as financial liabilities at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

#### (b) Financial liabilities (cont'd)

##### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

## **2. Summary of significant accounting policies (cont'd)**

### **2.12 Impairment of financial assets (cont'd)**

#### **(a) Financial assets carried at amortised cost (cont'd)**

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### **(b) Financial assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### **2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### **2.14 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs include material, all direct expenditures and an attributable portion of overheads determined on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **2.15 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## **2. Summary of significant accounting policies (cont'd)**

### **2.16 Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, under a general heading such as "Other Operating Income". Alternatively, they are deducted in reporting the related expenses.

### **2.17 Financial guarantee**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### **2.18 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **2.19 Employee benefits**

#### **(a) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### **(b) Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

#### **(c) Termination benefit**

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefits is recognised at the either of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employment benefits, or other long-term employee benefits.



## **2. Summary of significant accounting policies (cont'd)**

### **2.19 Employee benefits (cont'd)**

#### **(d) Employee share option plans**

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options.

### **2.20 Leases**

#### **(a) As lessee**

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### **(b) As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(d). Contingent rents are recognised as revenue in the period in which they are earned.

### **2.21 Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (d) Rental income

Rental income arising from operating leases on leasehold factory building is accounted for on a straight-line basis over the lease terms.

### 2.23 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## **2. Summary of significant accounting policies (cont'd)**

### **2.23 Taxes (cont'd)**

#### **(b) Deferred tax (cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **(c) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### **2.24 Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

## 3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Impairment of goodwill

As disclosed in Note 5 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to is determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 5 to the financial statements. The carrying amount of the goodwill as at 31 December 2017 is \$2,355,342 (2016: \$2,400,637).

#### (b) Impairment of subsidiary

The Group assesses at the end of each reporting period whether there is any objective evidence that an investment in subsidiary is impaired. Factors such as the subsidiary being in a shortfall position compared to the cost of investment or in a recurring loss-making position are objective evidence of impairment. If any indication exists, or when annual impairment testing is required, the Group makes an estimate of the subsidiary's recoverable amount. In FY2017, the subsidiaries tested for impairment are Scantrans (India) Pvt. Ltd, IP Media (Xiamen) Co., Ltd and IPS Trading (Shanghai) Co., Ltd.

### **3. Significant accounting judgments and estimates (cont'd)**

#### **3.1 Key sources of estimation uncertainty (cont'd)**

##### **(b) Impairment of subsidiary (cont'd)**

A subsidiary's recoverable amount is the higher of its carrying amount and its value in use. Where the carrying amount of a subsidiary exceeds its recoverable amount, the subsidiary is considered impaired and is written down to its recoverable amount. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. If the present value of the estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will still be sufficient.

##### **(c) Income taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provision for taxation, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 1 year.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of recognised tax losses at 31 December 2017 was \$175,148 (2016: \$405,533). The carrying value of unrecognised tax losses at 31 December 2017 was \$11,651,000 (2016: \$11,721,000).

If the Group was able to recognise all unrecognised deferred tax assets, losses would decrease by \$3,710,000 (2016: \$3,720,000).

##### **(d) Revaluation of leasehold factory buildings**

The Group carries its leasehold factory buildings and freehold factory buildings at fair value, with changes in fair value being recognised in other comprehensive income.

The fair value of leasehold factory buildings is determined by independent real estate valuation experts using the Direct Comparison Method.

Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 3. Significant accounting judgments and estimates (cont'd)

### 3.1 Key sources of estimation uncertainty (cont'd)

#### (d) Revaluation of leasehold factory buildings (cont'd)

The determination of the fair value of the leasehold factory buildings and freehold factory buildings requires the analysis and study of recent sales of comparable properties in the vicinity localities. Adjustments are made for differences in location, age, tenure, size, condition, building facilities and date of sale, etc. before arriving at the market value of the building. These estimates are based on local market conditions existing at the end of each reporting date.

The carrying amount and key assumptions used to determine the fair value of the leasehold buildings are further explained in Note 4.

## 4. Fixed assets

Group	At valuation		At cost					Total
	Leasehold factory buildings	Freehold factory building	Plant and machinery	Factory equipment	Computers	Motor vehicles	Furniture, fittings and office equipment	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost or valuation</b>								
At 1 January 2016	37,306,500	662,535	30,916,093	2,955,523	6,190,695	192,717	5,160,903	83,384,966
Additions	–	–	319,852	319,536	183,959	–	100,325	923,672
Disposals	–	–	(56,096)	(2,582)	(39,166)	–	(41,368)	(139,212)
Written off	–	–	(58,259)	(49,307)	(255,413)	–	(217,829)	(580,808)
Revaluation surplus	157,812	–	–	–	–	–	–	157,812
Elimination of accumulated depreciation on revaluation	(61,032)	–	–	–	–	–	–	(61,032)
Translation difference	(48,300)	6,220	(186,987)	(14,128)	(40,293)	195	(45,961)	(329,254)
At 31 December 2016 and 1 January 2017	37,354,980	668,755	30,934,603	3,209,042	6,039,782	192,912	4,956,070	83,356,144
Additions	–	–	54,519	526,465	66,811	36,066	360,735	1,044,596
Disposals	–	–	(12,558)	(23,957)	–	(37,584)	–	(74,099)
Written off	–	–	(2,269,529)	(46,776)	(1,510,100)	–	(167,406)	(3,993,811)
Assets held for sale	–	(669,333)	–	–	–	–	(14,510)	(683,843)
Revaluation surplus	66,613	–	–	–	–	–	–	66,613
Elimination of accumulated depreciation on revaluation	(66,613)	–	–	–	–	–	–	(66,613)
Translation difference	43,070	578	(279,112)	(57,852)	(18,522)	(77)	(31,751)	(343,666)
At 31 December 2017	37,398,050	–	28,427,923	3,606,922	4,577,971	191,317	5,103,138	79,305,321

#### 4. Fixed assets (cont'd)

Group	At valuation		At cost					Total
	Leasehold factory buildings	Freehold factory building	Plant and machinery	Factory equipment	Computers	Motor vehicles	Furniture, fittings and office equipment	
	\$	\$	\$	\$	\$	\$	\$	
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2016	1,944,444	6,625	28,260,561	1,954,825	5,896,749	141,459	4,563,239	42,767,902
Charge for the year	1,035,449	13,279	572,082	291,756	117,395	10,247	113,771	2,153,979
Disposals	–	–	(41,813)	(1,421)	(27,074)	–	(34,899)	(105,207)
Written off	–	–	(49,085)	(24,985)	(238,694)	–	(207,540)	(520,304)
Impairment loss	–	–	–	–	–	–	714	714
Elimination of accumulated depreciation on revaluation	(61,032)	–	–	–	–	–	–	(61,032)
Translation difference	(2,195)	295	(136,290)	(4,929)	(35,108)	179	(39,009)	(217,057)
At 31 December 2016 and 1 January 2017	2,916,666	20,199	28,605,455	2,215,246	5,713,268	151,885	4,396,276	44,018,995
Charge for the year	1,037,172	13,760	472,293	386,914	114,247	16,328	104,770	2,145,484
Disposals	–	–	(11,810)	(11,080)	–	(37,584)	–	(60,474)
Written off	–	–	(2,248,275)	(36,024)	(1,505,007)	–	(138,484)	(3,927,790)
Assets held for sale	–	(33,740)	–	–	–	–	(3,398)	(37,138)
Impairment loss	–	–	–	85	6,075	1,185	1,152	8,497
Elimination of accumulated depreciation on revaluation	(66,613)	–	–	–	–	–	–	(66,613)
Translation difference	1,663	(219)	(147,918)	(30,553)	(14,445)	(107)	(11,187)	(202,766)
At 31 December 2017	3,888,888	–	26,669,745	2,524,588	4,314,138	131,707	4,349,129	41,878,195
<b>Net carrying amount</b>								
At 31 December 2017	33,509,162	–	1,758,178	1,082,334	263,833	59,610	754,009	37,427,126
At 31 December 2016	34,438,314	648,556	2,329,148	993,796	326,514	41,027	559,794	39,337,149

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 4. Fixed assets (cont'd)

Company	At valuation	At cost					Furniture, fittings and office equipment	Total
	Leasehold factory building	Plant and machinery	Factory equipment	Computers	Motor vehicles			
	\$	\$	\$	\$	\$	\$	\$	
<b>Cost or valuation</b>								
At 1 January 2016	35,000,000	12,338,677	852,203	4,501,380	161,385	3,143,565	55,997,210	
Additions	–	–	–	62,403	–	25,954	88,357	
Disposals	–	–	–	–	–	(24,000)	(24,000)	
Written off	–	–	–	(60,719)	–	(9,221)	(69,940)	
At 31 December 2016 and 1 January 2017	35,000,000	12,338,677	852,203	4,503,064	161,385	3,136,298	55,991,627	
Additions	–	–	2,775	8,922	36,066	243,261	291,024	
Disposals	–	–	–	–	(37,584)	–	(37,584)	
Written off	–	(1,792,061)	–	(1,033,945)	–	–	(2,826,006)	
At 31 December 2017	35,000,000	10,546,616	854,978	3,478,041	159,867	3,379,559	53,419,061	



#### 4. Fixed assets (cont'd)

Company	At valuation	At cost					Total
	Leasehold factory building	Plant and machinery	Factory equipment	Computers	Motor vehicles	Furniture, fittings and office equipment	
	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated depreciation and impairment loss</b>							
At 1 January 2016	1,944,444	12,318,770	843,625	4,438,470	112,734	3,059,921	22,717,964
Charge for the year	972,222	3,981	858	29,213	9,731	27,822	1,043,827
Disposals	–	–	–	–	–	(24,000)	(24,000)
Written off	–	–	–	(60,719)	–	(5,280)	(65,999)
At 31 December 2016 and 1 January 2017	2,916,666	12,322,751	844,483	4,406,964	122,465	3,058,463	23,671,792
Charge for the year	972,222	3,185	1,604	30,168	15,899	26,899	1,049,977
Disposals	–	–	–	–	(37,584)	–	(37,584)
Written off	–	(1,792,061)	–	(1,033,945)	–	–	(2,826,006)
At 31 December 2017	3,888,888	10,533,875	846,087	3,403,187	100,780	3,085,362	21,858,179
<b>Net carrying amount</b>							
At 31 December 2017	31,111,112	12,741	8,891	74,854	59,087	294,197	31,560,882
At 31 December 2016	32,083,334	15,926	7,720	96,100	38,920	77,835	32,319,835

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 4. Fixed assets (cont'd)

Properties of the Group are as follows:

Description	Location	Area (sq. m)	Tenure of lease	Net carrying amount	
				2017 \$	2016 \$
<b>Leasehold factory buildings</b>					
Purpose-built 6-storey industrial building	26 Kallang Avenue, Singapore 339417	4,989	60 years	31,111,112	32,083,334
Single-storey factory and warehouse with 1 attached double-storey office	Plot No. 46, Hilir Sungai Keluang 2, Phase IV, Bayan Lepas Industrial Estate, 11900 Penang, Malaysia	4,157	60 years	2,398,050	2,354,980
<b>Freehold factory building</b>					
Two-storey industrial building	Unit 22, 6-20 Braidwood Street, Strathfield South, NSW 2136, Australia	160	NA	–	648,556

### Revaluation of leasehold factory buildings

The Group's leasehold factory building at 26 Kallang Avenue, Singapore 339417 was stated based on Directors' valuation as at 31 December 2017. In the prior year it was stated based on the independent professional valuation carried out by GB Global.

The Group's leasehold factory building at Plot No. 46, Hilir Sungai Keluang 2, Phase IV, Bayan Lepas Industrial Estate, 11900 Penang, Malaysia was valued based on an independent professional valuation carried out by C H Williams Talhar & Wong Sdn Bhd. on 31 December 2017.

Details of the valuation techniques and inputs used are disclosed in Note 32.

If the leasehold factory buildings were measured using the cost model (stated at cost less accumulated depreciation), the carrying amounts of the leasehold factory buildings as at 31 December 2017 would have been \$7,452,129 (2016: \$7,661,986).

### Asset pledged as security

The Company's leasehold factory building with a carrying amount of \$31,111,112 (2016: \$32,083,334) is mortgaged to secure the Group's banking facilities.

### Asset held for sale

The Group's two-storey industrial building with a carrying amount of \$634,796 was classified as an asset held for sale in lieu of a proposed sale in 2018.

#### 4. Fixed assets (cont'd)

For the purpose of consolidated statement of cash flows, purchase of fixed assets comprises the following at 31 December:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Additions	1,044,596	923,672
Amount payable		
– Remaining unpaid at the end of the financial year	(2,249)	(79,025)
– Opening balance paid during the financial year	79,025	–
	<hr/>	<hr/>
Purchase of fixed assets in cash	1,121,372	844,647
	<hr/>	<hr/>

#### 5. Intangible assets

##### Group

##### Goodwill \$

##### At cost

At 1 January 2016	3,065,111
Translation differences	<hr/> (22,648)
At 31 December 2016 and 1 January 2017	3,042,463
Translation differences	<hr/> (45,295)
At 31 December 2017	<hr/> 2,997,168

##### Accumulated impairment losses

At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<hr/> (641,826)
--	-----------------

##### Net carrying amount

At 31 December 2017	<hr/> 2,355,342
At 31 December 2016	<hr/> 2,400,637

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 5. Intangible assets (cont'd)

### Impairment testing of goodwill on consolidation

Goodwill acquired through business combinations have been allocated to two cash-generating units (CGU), which are also the subsidiaries of the Group, for impairment testing as follows:

- Avantouch Systems Pte Ltd ("Avantouch")
- Scantrans (India) Pvt. Ltd ("Scantrans")

In 2014, the Group fully impaired the goodwill in Avantouch of \$641,826 due to the cessation of Avantouch's operations.

The carrying amount of goodwill allocated to Scantrans is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill	<u>2,355,342</u>	<u>2,400,637</u>

The recoverable amount of Scantrans has been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five years period. The pre-tax discount rate applied to the cash flow projections and the forecasted terminal growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	<b>2017</b>	<b>2016</b>
Terminal growth rates	0%	0%
Pre-tax discount rate	<u>12%</u>	<u>12%</u>

## 5. Intangible assets (cont'd)

### Key assumptions used in the value in use calculations

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Budgeted revenues – Revenues forecasted are based on expected customer orders and industry growth rates. These are increased over the budget period for anticipated increases in sales.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment – specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Terminal value – The terminal value is calculated based on the cash flow from the fifth year of the budget and the terminal growth rate, and is based on the premise that the CGU is a going concern.

Management determined the weighted average growth rate based on past performance and its expectations for market development.

### Sensitivity to changes in assumptions

With regards to the assessment of the value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values to materially exceed the recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 6. Investments in subsidiaries

	Company	
	2017	2016
	\$	\$
Shares, at cost	15,512,951	15,057,838
Cost of share based payments (Note 20) #	340,800	340,800
Impairment losses	(6,970,000)	(4,970,000)
	<hr/>	<hr/>
Carrying amount of investments	8,883,751	10,428,638
Loans to subsidiaries	2,538,737	2,872,512
	<hr/>	<hr/>
	11,422,488	13,301,150
	<hr/>	<hr/>

# This arose from the share-based payment expense not being re-charged to subsidiaries for the share options granted to the employees of the subsidiaries.

### Movement in Shares, at cost

	Company	
	2017	2016
	\$	\$
At 1 January	15,057,838	15,057,838
Voluntary liquidation of subsidiary*	(338,100)	–
Increase in share capital of subsidiary	793,213	–
	<hr/>	<hr/>
At 31 December	15,512,951	15,057,838
	<hr/>	<hr/>

\* The loss on voluntary liquidation of IP Softcom (Xiamen) Co., Ltd amounted to \$267,825 and was included in profit or loss.

## 6. Investments in subsidiaries (cont'd)

### Movement in Impairment losses

	Company	
	2017	2016
	\$	\$
At 1 January	4,970,000	970,000
Impairment for the year	2,000,000	4,000,000
At 31 December	6,970,000	4,970,000

The impairment loss for 2016 pertains to impairment for investment in Scantrans (India) Pvt. Ltd, which is loss making and in a shortfall position compared to the cost of investment.

In 2017, the Company made a further impairment of the investment in Scantrans (India) Pvt. Ltd amounting to \$2,000,000 based on management's estimate of the recoverable amount of the cost of investment at year end.

Details of the determination of the recoverable amount of Scantrans (India) Pvt. Ltd are disclosed in Note 5.

The Company also made unsecured and interest-bearing loans to subsidiaries with fixed term of repayment as follows:

	Company	
	2017	2016
	\$	\$
<b>Description of loans to subsidiaries</b>		
2.0% p.a. maturing on 30 June 2021	547,888	581,292
3.0% p.a. maturing on 07 April 2022	773,749	813,395

Other than the above, loans to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 6. Investments in subsidiaries (cont'd)

### (a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group		Cost of investment	
			2017	2016	2017	2016
			%	%	\$	\$
<b><u>Held by the Company</u></b>						
IP Softcom (Malaysia) Sdn. Bhd. <sup>(1)</sup>	Assembling software packages and peripherals, printed materials, compact discs (CD) and diskettes and manufacturing and duplication of CD and diskettes as well as selling and distribution of computer related products	Malaysia	100	100	2,151,840	2,151,840
IP Softcom (Xiamen) Co., Ltd <sup>(1)</sup>	Manufacturing and distribution of electronic and telecommunication goods, computer software, hardware and its peripherals and packaging boxes, paper boxes, plastic products and providing other related technical services and after sales service	People's Republic of China	100	100	–	338,100
IP Ventures Pte Limited <sup>(2)</sup>	Investment holding	Singapore	100	100	2	2
IP Softcom (Shanghai) Co., Ltd <sup>(1)</sup>	Development of all kinds of computer software, manufacturing of computer hardware, electrical & electronics products and its accessories, sales of the products and providing related technical, consulting and after-sales services (subject to license where a license is required).	People's Republic of China	100	100	527,200	527,200



6. Investments in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group		Cost of investment	
			2017	2016	2017	2016
			%	%	\$	\$
<b>Held by the Company</b>						
IP Softcom (Shenzhen) Co., Ltd <sup>(1)</sup>	Manufacturing and distributing computer software and hardware and providing other technical related services	People's Republic of China	100	100	516,000	516,000
InPac Ventures Pte Ltd <sup>(2)</sup>	Investment holding	Singapore	100	100	200,000	200,000
Greenfield Ventures (M) Sdn Bhd <sup>(1)</sup>	Purchasing, establishing and carry on business as general merchants	Malaysia	100	100	1	1
IP Media (Xiamen) Co., Ltd. <sup>(1)</sup>	Manufacturing and printing and providing other technical related services	People's Republic of China	100	100	2,467,503	2,467,503
IP Softcom (Australia) Pty Ltd <sup>(1)</sup>	Manufacturing and processing of electronics and communication products, computer software, hardware and peripherals and providing related technical development and support and after-sales services	Australia	100	100	127,600	127,600
IP Softcom (India) Private Limited <sup>(1)</sup>	Provision of software contract manufacturing services comprising of supply chain management services, software replication, documentation, assembling of software packages and peripherals	India	100	100	555,713	555,713

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 6. Investments in subsidiaries (cont'd)

### (a) Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$	2016 \$
<b>Held by the Company</b>						
Scantrans (India) Pvt. Ltd <sup>(1)</sup>	Offset printing and packaging services	India	75	75	7,655,106	7,655,106
International Press Softcom (Vietnam) Co., Ltd <sup>(5)</sup>	Packing of software bundles, software printed manuals, permitted compact discs and other permitted software packages and peripherals. Supply of prepacked software, computer hardware, and industrial and consumer electronics related components and equipment, and supply chain management services incidental to these services	Vietnam	100	100	866,958	73,745
IPS Trading (Shanghai) Co., Ltd <sup>(1)</sup>	Sale of electronic products, printers and related cum accessories; paper products, plastic products, packing materials; office appliances, hardware tools, domestic appliance, the whole sale of electronic components, commission agency (excluding auction), import and export, and providing related supporting services	People's Republic of China	100	100	445,028	445,028
					15,512,951	15,057,838

## 6. Investments in subsidiaries (cont'd)

### (a) Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2017 %	2016 %
<b><u>Held through subsidiary, IP Ventures Pte Ltd</u></b>				
Avantouch Systems Pte Ltd <sup>(3)</sup>	Computer systems integration and consultancy services	Singapore	54.71	54.71
<b><u>Held through subsidiary's subsidiary, Avantouch Systems Pte Ltd</u></b>				
Avantouch Software (Suzhou) Co., Ltd <sup>(4)</sup>	Computer systems integration and consultancy services	People's Republic of China	54.71	54.71

<sup>(1)</sup> Audited by member firms of Ernst & Young Global in the respective countries.

<sup>(2)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(3)</sup> Audited by PK Lim & Co., Chartered Accountants, Singapore.

<sup>(4)</sup> Audited by Suzhou Sucheng Certified Public Accountants Co. Ltd, People's Republic of China.

<sup>(5)</sup> Audited by BHP Auditing and Accounting Consultancy Co.

### (b) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI which are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of interest held by non-controlling interest	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
		%	\$	\$	\$
<b>2017</b>					
Avantouch Systems Pte Ltd	Singapore	45.29	(3,406)	1,241,818	–
Scantrans (India) Pvt. Ltd	India	25.00	(74,945)	1,537,155	–
<b>2016</b>					
Avantouch Systems Pte Ltd	Singapore	45.29	(184,374)	1,259,989	–
Scantrans (India) Pvt. Ltd	India	25.00	(86,180)	1,496,621	–

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 6. Investments in subsidiaries (cont'd)

### (c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

#### Summarised balance sheets

	Avantouch Systems Pte Ltd		Scantrans (India) Pvt. Ltd	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Current</b>				
Assets	–	–	3,426,544	3,477,842
Liabilities	(2,887,794)	(2,927,915)	(10,250,793)	(10,291,098)
Net current liabilities	(2,887,794)	(2,927,915)	(6,824,249)	(6,813,256)
<b>Non-current</b>				
Assets	–	–	3,302,830	3,504,547
Liabilities	–	–	(1,256,795)	(1,262,075)
Net non-current assets	–	–	2,046,035	2,242,472
Net liabilities	(2,887,794)	(2,927,915)	(4,778,214)	(4,570,784)
<b>Summarised statement of comprehensive income</b>				
<b>Revenue</b>				
Loss before income tax	(7,520)	(407,096)	(299,781)	(344,722)
Income tax expense	–	–	–	–
Loss after tax	(7,520)	(407,096)	(299,781)	(344,722)
Other comprehensive income	47,640	123,959	137,192	50,699
Total comprehensive income/(loss)	40,120	(283,137)	(162,589)	(294,023)
<b>Other summarised information</b>				
Impairment loss	–	416,200	–	–

## 7. Investment securities

	Group	
	2017	2016
	\$	\$
<b>Available-for-sale financial assets</b>		
Equity securities (unquoted), at cost	–	428,400
Exchange difference	–	(12,200)
Less: Impairment loss	–	(416,200)
	–	–

Equity securities mainly consist of a 15% equity interest in Shanghai Fengzhiwo E-Commerce Technology Co., Ltd (“SFET”). In 2016, the equity securities were fully impaired due to the uncertain future prospects and consecutive losses incurred by SFET.

## 8. Inventories

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Balance sheet</b>				
Finished goods	1,058,288	918,165	131,153	97,097
Work-in-progress	338,061	346,617	–	–
Raw materials	1,120,871	1,189,759	–	–
	2,517,220	2,454,541	131,153	97,097
Total inventories at lower of cost and net realisable value				
<b>Income statement</b>				
Inventories recognised as an expense in cost of sales	17,564,931	20,134,482	575,352	4,181,919
Inclusive of the following charge:				
– Allowance for inventory obsolescence	124,410	166,119	–	32,917
– Allowance for inventory obsolescence written back	(169,720)	(276,159)	(240)	(34,409)
– Write back of inventories previously written off	–	(5,114)	–	–
– Inventories written off	106,470	104,849	–	43,539

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 9. Trade receivables

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade receivables	7,864,364	6,653,839	625,638	731,212
Amounts due from subsidiaries	–	–	937,029	977,209
	7,864,364	6,653,839	1,562,667	1,708,421
Allowance for doubtful trade receivables	(271,724)	(337,088)	(216,754)	(216,754)
	7,592,640	6,316,751	1,345,913	1,491,667

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms (2016: 30 to 120 days). They are recognised at their original invoice amounts which represents their fair value on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
– United States Dollars	1,677,384	1,283,141	508,200	579,722
– New Zealand Dollars	2,554	5,375	–	–

### *Receivables that are past due but not impaired*

The Group has trade receivables amounting to \$2,827,700 (2016: \$1,926,683) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade receivables past due:				
Lesser than 30 days	1,621,130	1,432,904	143,487	178,394
31 – 60 days	783,138	284,945	67,848	29,671
61 – 90 days	338,458	93,659	41,652	15,892
More than 90 days	84,974	115,175	744	6,915
	2,827,700	1,926,683	253,731	230,872

## 9. Trade receivables (cont'd)

### *Receivables that are impaired*

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
At 1 January	337,088	270,887	216,754	200,754
Charge for the year	2,676	78,066	–	16,000
Written off	(37,678)	(7,219)	–	–
Written back	(29,256)	(5,233)	–	–
Exchange differences	(1,106)	587	–	–
At 31 December	271,724	337,088	216,754	216,754

Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements, and have been fully impaired. The ending allowance represents the nominal amount of these receivables.

## 10. Other receivables and deposits

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>Other receivables and deposits (Current)</u>				
Deposits	313,231	334,293	34,990	98,316
Advance to employees	14,279	10,944	–	–
Advances to suppliers	10,376	79,527	–	–
Service tax receivable	1,083,084	588,803	–	–
Other non-trade debtors	499,419	438,870	303,822	257,404
	1,920,389	1,452,437	338,812	355,720
<u>Add: Other receivables and deposits (non-current)</u>				
Deposits	305,518	317,039	–	–
Service tax receivable	33,527	636,728	–	–
Other receivable	101,286	103,234	–	–
	440,331	1,057,001	–	–
Less: Advances to suppliers	(10,376)	(79,527)	–	–
Service tax receivable	(1,116,611)	(1,225,531)	–	–
Advances to employees	(14,279)	(10,944)	–	–
Other receivables and deposits classified as loans and receivables	1,219,454	1,193,436	338,812	355,720

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 10. Other receivables and deposits (cont'd)

Included in other non-trade debtors is an amount of \$231,840 (2016: \$231,840) receivable from the NCI of Scantrans as they were unable to meet the profit guarantee as per the terms and conditions in the Joint Venture Agreement entered into in 2007.

## 11. Amounts due from/(to) related companies

Amounts due from/(to) subsidiaries (non-trade)

The amounts due from/(to) subsidiaries are unsecured, interest-free, and repayable on demand.

Amount due to holding company (loan)

The loan from holding company is unsecured, bears interest at 2.00% per annum, is to be settled in cash and repayable on demand.

## 12. Amount due to directors of Company

The amount due to directors of Company is unsecured, interest-free, and repayable on demand.

## 13. Cash and bank balances

Cash and bank balances included in the consolidated cash flows statement comprise the following balances as at 31 December:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash and bank balances	3,217,936	5,998,907	729,316	930,406
Fixed deposits	809,595	2,025,543	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	4,027,531	8,024,450	729,316	930,406

Cash at bank earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between one week and a year, depending on the immediate cash requirements of the Group and Company, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2017 for the Group and the Company ranges from 2.95% to 7.00% (2016: from 0.60% to 7.00%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
– United States Dollars	1,074,839	1,480,136	340,558	489,220
– Australian Dollars	593	597	–	–
	<hr/>	<hr/>	<hr/>	<hr/>



#### 14. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade payables	4,871,744	4,231,458	220,638	185,683
Amounts due to subsidiaries (trade)	–	–	19,458	22,800
Sundry payables	1,182,799	1,164,505	406,087	300,429
Payables in relation to purchase of fixed assets	2,249	79,025	–	–
	<u>6,056,792</u>	<u>5,474,988</u>	<u>646,183</u>	<u>508,912</u>

Trade payables are normally settled on 30 to 120 days terms (2016: 30 to 120 days) and interest-free.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
- United States Dollars	257,268	308,399	110,932	67,190
- Euro	791	738	791	738
	<u>258,059</u>	<u>309,137</u>	<u>111,723</u>	<u>67,928</u>

#### 15. Accruals

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accrued operating expenses	2,116,402	2,078,096	941,978	1,015,523
Advance billings	–	39,569	–	–
	<u>2,116,402</u>	<u>2,117,665</u>	<u>941,978</u>	<u>1,015,523</u>
Less: Advance billings	–	(39,569)	–	–
	<u>2,116,402</u>	<u>2,078,096</u>	<u>941,978</u>	<u>1,015,523</u>
Accruals classified as financial liabilities (Note 30)	2,116,402	2,078,096	941,978	1,015,523

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 15. Accruals (cont'd)

Accruals denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
– United States Dollars	46,513	52,034	46,513	52,034

## 16. Interest-bearing bank loans

	Effective interest rate per annum	Maturity	Group	
			2017 \$	2016 \$
<b>Current:</b>				
Bank overdrafts	Base rate + 1.50% (2016: Base rate + 1.10%)	2018	2,999,224	3,018,971
Bank overdrafts	Base rate + 1.80% (2016: Base rate + 1.10%)	2018	324,249	164,554
			<u>3,323,473</u>	<u>3,183,525</u>

### Bank overdrafts

Bank overdrafts are denominated in INR and are secured by a standby letter of credit issued by Development Bank of Singapore.

## 17. Non-interest bearing loan

The loan due to a minority shareholder of a subsidiary is unsecured and interest-free. The loan is to be settled in cash and is repayable on demand.

A reconciliation of liabilities arising from financing activities is as follows:

Group	2016 \$	Cash flows \$	Non-cash changes		2017 \$
			Accretion of interest \$	Foreign exchange movement \$	
Interest-bearing bank loans	3,183,525	200,014	–	(60,066)	3,323,473
Non-interest bearing loan	365,554	–	–	(6,898)	358,656
Amount due to holding company (loan)	720,500	–	13,000	–	733,500
<b>Total</b>	<u>4,269,579</u>	<u>200,014</u>	<u>13,000</u>	<u>(66,964)</u>	<u>4,415,629</u>

## 18. Deferred tax

Deferred tax as at 31 December relates to the following:

<b>Group</b>	<b>At 1 January</b>	<b>Credited/ (charged) to the income statement</b>	<b>Recognised in equity</b>	<b>Translation difference</b>	<b>At 31 December</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax liabilities</b>					
Revaluation and other reserves	(2,820,046)	–	(7,008)	(4,537)	(2,831,591)
Differences in depreciation	(63,238)	15,241	–	(766)	(48,763)
Undistributed earnings of subsidiaries	(35,000)	–	–	–	(35,000)
<b>Gross Total</b>	<b>(2,918,284)</b>	<b>15,241</b>	<b>(7,008)</b>	<b>(5,303)</b>	<b>(2,915,354)</b>
<b>Deferred tax assets</b>					
Provisions	531,218	14,783	–	(9,243)	536,758
Differences in depreciation	1,806,165	–	–	(1,855)	1,804,310
Other sundry timing differences	884,623	(1,060)	–	539	884,102
<b>Gross Total</b>	<b>3,222,006</b>	<b>13,723</b>	<b>–</b>	<b>(10,559)</b>	<b>3,225,170</b>
<b>Group 2016</b>					
<b>Group</b>	<b>At 1 January</b>	<b>Credited/ (charged) to the income statement</b>	<b>Recognised in equity</b>	<b>Translation difference</b>	<b>At 31 December</b>
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax liabilities</b>					
Revaluation and other reserves	(2,806,445)	–	(20,024)	6,423	(2,820,046)
Differences in depreciation	(69,602)	5,082	–	1,282	(63,238)
Undistributed earnings of subsidiaries	(72,000)	37,000	–	–	(35,000)
<b>Gross Total</b>	<b>(2,948,047)</b>	<b>42,082</b>	<b>(20,024)</b>	<b>7,705</b>	<b>(2,918,284)</b>
<b>Deferred tax assets</b>					
Provisions	570,351	(13,635)	–	(25,498)	531,218
Differences in depreciation	1,977,491	(170,693)	–	(633)	1,806,165
Other sundry timing differences	235,459	651,575	–	(2,411)	884,623
<b>Gross Total</b>	<b>2,783,301</b>	<b>467,247</b>	<b>–</b>	<b>(28,542)</b>	<b>3,222,006</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 18. Deferred tax (cont'd)

Company	At 1 January	Credited/ (charged) to the income statement	Recognised in equity	At 31 December
2017	\$	\$	\$	\$
<b>Deferred tax liabilities</b>				
Revaluation reserve	(2,415,806)	–	–	(2,415,806)
<b>Gross Total</b>	<b>(2,415,806)</b>	<b>–</b>	<b>–</b>	<b>(2,415,806)</b>
<b>Company</b>				
<b>2017</b>				
<b>Deferred tax assets</b>				
Differences in depreciation	1,656,605	–	–	1,656,605
Other sundry timing differences	759,201	–	–	759,201
<b>Gross Total</b>	<b>2,415,806</b>	<b>–</b>	<b>–</b>	<b>2,415,806</b>
<b>Company</b>				
<b>2016</b>				
<b>Deferred tax liabilities</b>				
Revaluation reserve	(2,415,806)	–	–	(2,415,806)
<b>Gross Total</b>	<b>(2,415,806)</b>	<b>–</b>	<b>–</b>	<b>(2,415,806)</b>
<b>Company</b>				
<b>2016</b>				
<b>Deferred tax assets</b>				
Differences in depreciation	1,834,056	(177,451)	–	1,656,605
Other sundry timing differences	127,850	631,351	–	759,201
<b>Gross Total</b>	<b>1,961,906</b>	<b>453,900</b>	<b>–</b>	<b>2,415,806</b>

## 18. Deferred tax (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

### Group

	<b>Gross Total</b>	<b>2017 Offsetting Amounts</b>	<b>Net Total on Balance Sheet</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	(2,915,354)	2,546,287	(369,067)
Deferred tax assets	3,225,170	(2,546,287)	678,883

### Group

	<b>Gross Total</b>	<b>2016 Offsetting Amounts</b>	<b>Net Total on Balance Sheet</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	(2,918,284)	2,545,930	(372,354)
Deferred tax assets	3,222,006	(2,545,930)	676,076

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	(2,415,806)	(2,415,806)
Deferred tax assets	2,415,806	2,415,806
Net Deferred Tax Liability	—	—

### Temporary differences relating to investment in subsidiaries

As at 31 December 2017, the temporary differences for which deferred tax liability has not been recognised aggregate to \$950,000 (2016: \$1,245,000) as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. The deferred tax liability is estimated to \$160,000 (2016: \$187,000).

### Unrecognised tax losses

As at the end of the reporting period, the Group had unutilised wear and tear allowances and tax losses of approximately \$5,557,000 (2016: \$3,983,000) and \$11,651,000 (2016: \$11,721,000) respectively, which are available for offset against future taxable income of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 19. Share capital

	2017		2016	
	No. of shares	\$	No. of shares	\$
Issued and fully paid:				
Balance at beginning and end of year				
– ordinary shares	439,222,000	49,549,249	439,222,000	49,549,249

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## 20. Reserves

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revaluation reserve	23,299,113	23,239,963	22,173,162	22,173,162
Translation reserve	(3,936,930)	(4,129,384)	–	–
Restricted reserve	512,588	942,287	–	–
Other reserves	2,567,736	2,567,395	340,800	340,800
Accumulated loss	(24,598,529)	(19,687,752)	(25,895,631)	(21,755,128)
	(2,156,022)	2,932,509	(3,381,669)	758,834

- (a) Movement in reserves for the Group is disclosed in the Consolidated Statement of Changes in Equity. Movement in reserves for the Company is set out below:

	Company	
	2017	2016
	\$	\$
<b>Revaluation reserve</b>		
Balance at beginning and end of the year	22,173,162	22,173,162
<b>Other reserves</b>		
Balance at beginning and end of the year (Note 6)	340,800	340,800
<b>Accumulated loss</b>		
Balance at beginning of the year	(21,755,128)	(14,706,998)
Net loss	(4,140,503)	(7,048,130)
Balance at end of the year	(25,895,631)	(21,755,128)
Total reserves	(3,381,669)	758,834

## 20. Reserves (cont'd)

(b) *Revaluation reserve*

The revaluation reserve represents increases in the fair value of leasehold factory building, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(c) *Restricted reserve*

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China (PRC), the subsidiaries are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(d) *Translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) *Other reserve*

The Group adopted the entity concept method to account for additional shares in subsidiaries acquired from non-controlling interests. Any acquisition of additional shares from non-controlling interests is treated as being a transaction between owners and the difference between the share of the assets and liabilities acquired from the non-controlling interests and the cost of the additional interests in the subsidiary acquired is reflected as discount arising from the purchase of non-controlling interests shares in other reserve.

## 21. Turnover

Turnover represents sale of goods and services in the normal course of business. Intra-group transactions have been excluded from Group turnover.

Turnover comprises the following:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Supply chain management	32,798,889	37,886,186

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 22. Other operating income

	Group	
	2017	2016
	\$	\$
Foreign exchange gain	–	94,540
Interest waiver from suppliers	–	123,188
Rental income	504,166	559,501
Allowance for doubtful trade receivables written back, net	26,580	–
Allowance for stocks obsolescence written back, net	45,310	110,040
Net gain on disposal of assets	2,048	–
Scrap sales and other services rendered to customers	322,320	412,286
Bad debts recoverable, insurances claims, grants	155,082	147,134
	1,055,506	1,446,689

## 23. Personnel expenses

	Group	
	2017	2016
	\$	\$
Wages and salaries	7,962,373	8,288,037
Central Provident Fund and other pension costs	877,847	902,263
Other personnel related expenses	1,082,700	829,281
	9,922,920	10,019,581

### Avantouch Systems Pte Ltd (“Avantouch”) Share Option Schemes

Under the Avantouch Share Option Schemes, an option entitles the option holder to subscribe for a specific number of new ordinary shares at an exercise price specified in the Letter of Offer of Option. The consideration for the grant of the option is \$1.

#### *Movement of share options during the financial year*

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	No. 2017	WAEP (\$) 2017	No. 2016	WAEP (\$) 2016
Outstanding at the beginning and end of the year	844,000	1.00	844,000	1.00
Exercisable at end of year	844,000	1.00	844,000	1.00



### 23. Personnel expenses (cont'd)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the service received is measured based on a Black-Scholes model. The inputs into the model were as follows:

	2017	2016
Exercise price (\$)	1	1
Expected volatility (%)	40	40
Risk-free interest rate (%)	3.75	3.75
Expected life of options (years)	2	3
Weighted average share price (\$)	0.10	0.10

Expected volatility was determined by calculating the historical volatility of Avantouch's net asset values since its incorporation in 2003. The expected life used has been adjusted, was based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

As the fair value of the share options was insignificant, the management of Avantouch had not recognised any expenses relating to the equity-settled share-based payment transactions.

### 24. Financial expense – net

	Group	
	2017	2016
	\$	\$
Interest income		
– Bank deposits	(86,456)	(80,303)
Interest expense		
– Bank loans and bank overdrafts	293,408	306,042
– Others	13,155	13,151
	<hr/>	<hr/>
	220,107	238,890

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 25. Loss before tax

The following items have been included in arriving at loss before tax:

	Group	
	2017	2016
	\$	\$
Audit fees		
– auditors of the Company	86,500	86,500
– affiliates of auditors of the Company	146,814	155,774
– other auditors	7,280	7,655
Non-audit fees		
– auditors of the Company	20,240	18,490
– affiliates of auditors of the Company	5,720	13,493
Directors' fees		
– Directors of the Company	265,000	265,000
– Directors of subsidiaries	47,013	48,112
Fixed assets written off	66,021	60,504
Net (gain)/loss on disposal of fixed assets	(2,048)	9,368
Bad debts recovered	(182)	–
Bad debts written off	25,556	44,063
Allowance for doubtful trade receivables	2,676	78,066
Allowance for doubtful trade receivables written back	(29,256)	(5,233)
Allowance for inventory obsolescence	124,410	166,119
Allowance for inventory obsolescence written back	(169,720)	(276,159)
Write back of inventories previously written off	–	(5,114)
Inventories written off	106,470	104,849
Realised exchange loss	309,735	127,858
Unrealised exchange loss/(gain)	204,823	(222,398)
Operating lease expenses	1,300,445	1,296,660

## 26. Income tax expense

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	2016
	\$	\$
<b>Consolidated income statement</b>		
Current income tax:		
– current income tax:	220,226	485,395
– under-provision in respect of prior years	1,126	2,260
Deferred income tax (Note 18):		
– current year	(28,964)	(461,647)
– overprovision in respect of prior years	–	(47,682)
Tax expense/(credit) recognised in the income statement	192,388	(21,674)

### **Statement of comprehensive income**

Deferred tax expense related to other comprehensive income:

– Net surplus on revaluation of leasehold factory building	7,462	26,959
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### Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	2016
	\$	\$
Loss from operations before tax	(5,226,439)	(2,769,920)
Tax at the domestic rates applicable to profits in the countries concerned	(770,656)	(945,025)
Income not subject to tax	(625,487)	(257,593)
Expenses not deductible for tax purposes	929,492	1,231,743
Benefits from previously unrecognised tax losses	(17,515)	(101,383)
Overprovision in respect of prior years	1,126	(45,422)
Deferred tax asset not recognised	824,840	204,621
Others	(149,412)	(108,615)
Tax expense/(credit) recognised in the income statement	192,388	(21,674)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 26. Income tax expense (cont'd)

The tax rates used in computing taxes for entities incorporated in other countries are as follows:

	2017 %	2016 %
People's Republic of China	10 and 25	25
Malaysia	24	24
Australia	28.5	30
India	25	30
Vietnam	20	20

## 27. Earnings per share

The basic earnings per share are calculated by dividing the loss, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share from continuing operations are calculated by dividing loss, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted number of ordinary shares that would be issued on the conversion of any dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017 \$	2016 \$
Loss for the year attributable to owners of the Company used in the computation of basic earnings per share	(5,340,476)	(2,477,692)

	Group	
	2017 No. of shares	2016 No. of shares
Weighted average number of ordinary shares for basic and diluted earnings per share computation	439,222,000	439,222,000

## 28. Commitments and contingent liabilities

### (a) Contingent liabilities

#### Corporate guarantees

The Company issued corporate guarantees amounting to \$4,555,200 (2016: \$4,112,800) in favour of certain financial institutions for banking facilities granted to and utilised by India subsidiary companies.

### (b) Operating lease commitments – as lessee

The Group have operating lease commitments in respect of office, factory and residential premises. These leases have an average life of between 1 year and 60 years with both renewal and non-renewal option included in the contracts. In addition, there is no escalation clause included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to \$661,647 (2016: \$769,050).

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Future minimum lease payments				
Not later than one year	587,802	569,904	305,032	299,491
Later than one year but not later than five years	1,424,218	1,384,828	1,222,200	1,206,000
Later than five years	8,593,594	8,781,188	8,593,594	8,781,187
	<u>10,605,614</u>	<u>10,735,920</u>	<u>10,120,826</u>	<u>10,286,678</u>

### (c) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its leasehold factory building. These cancellable lease has remaining lease term of less than a year.

Future minimum rental receivables under cancellable operating lease as at 31 December are as follows:

	Group	
	2017	2016
	\$	\$
Not later than one year	<u>283,253</u>	<u>346,846</u>
	<u>283,253</u>	<u>346,846</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 29. Related party disclosures

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017	2016
	\$	\$
Interest payable to holding company	13,000	13,000

### (b) Compensation of key management personnel

	Group	
	2017	2016
	\$	\$
Short-term employee benefits	1,807,878	1,857,475
Central Provident Fund contributions	89,844	97,289
Total compensation paid to key management personnel	1,897,722	1,954,764
<i>Comprise amounts paid to:</i>		
Directors of the Company	1,057,326	1,087,907
Other key management personnel	840,396	866,857
	1,897,722	1,954,764

The remuneration of key management personnel are determined by the remuneration committee having regards to the performance of individuals and market trends.

### 30. **Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

#### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from interest-bearing bank loans. The Group's policy is to obtain the most favourable interest rates available. The Group's interest-bearing bank loans are repriced at interval of change in the prime ceiling rate.

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, assuming that all other variables remain constant except that the INR interest rate had been 100 basis points lower/higher, the Group's loss net of tax would have been \$33,874 (2016: \$30,784) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

#### ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the Board of Directors to finance the Group's and the Company's operations and mitigate the effects of fluctuation in cash flows. The Group and the Company will ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 30. Financial risk management objectives and policies (cont'd)

### Liquidity risk (cont'd)

Group 2017	One year or less \$	One to five years \$	Over five years \$	Total \$
<b>Financial assets:</b>				
Trade receivables	7,592,640	–	–	7,592,640
Other receivables and deposits	812,650	406,804	–	1,219,454
Cash and bank balances	4,027,531	–	–	4,027,531
Total undiscounted financial assets	12,432,821	406,804	–	12,839,625
<b>Financial liabilities:</b>				
Trade and other payables	6,056,792	–	–	6,056,792
Accruals	2,116,402	–	–	2,116,402
Interest-bearing bank loans	3,613,588(a)	–	–	3,613,588
Non-interest bearing loan	358,656	–	–	358,656
Amount due to holding company (loan)	746,500(b)	–	–	746,500
Amount due to directors of company	410,000	–	–	410,000
Total undiscounted financial liabilities	13,301,938	–	–	13,301,938
Total net undiscounted financial (liabilities)/assets	(869,117)	406,804	–	(462,313)

(a) Including interest payable within one year amounting to \$290,115

(b) Including interest payable within one year amounting to \$13,000

### 2016

#### Financial assets:

Trade receivables	6,316,751	–	–	6,316,751
Other receivables and deposits	773,163	420,273	–	1,193,436
Cash and bank balances	8,024,450	–	–	8,024,450
Total undiscounted financial assets	15,114,364	420,273	–	15,534,637

#### Financial liabilities:

Trade and other payables	5,474,988	–	–	5,474,988
Accruals	2,078,096	–	–	2,078,096
Interest-bearing bank loans	3,511,428	–	–	3,511,428
Non-interest bearing loan	365,554	–	–	365,554
Amount due to holding company (loan)	733,500	–	–	733,500
Amount due to directors of company	145,000	–	–	145,000
Total undiscounted financial liabilities	12,308,566	–	–	12,308,566
Total net undiscounted financial assets	2,805,798	420,273	–	3,226,071



### 30. Financial risk management objectives and policies (cont'd)

#### Liquidity risk (cont'd)

Company 2017	One year or less \$	One to five years \$	Over five years \$	Total \$
<b>Financial assets:</b>				
Trade receivables	1,345,913	–	–	1,345,913
Other receivables and deposits	338,812	–	–	338,812
Amount due from subsidiaries (non-trade)	3,332,412	–	–	3,332,412
Cash and bank balances	729,316	–	–	729,316
Total undiscounted financial assets	5,746,453	–	–	5,746,453
<b>Financial liabilities:</b>				
Trade and other payables	646,183	–	–	646,183
Accruals	941,978	–	–	941,978
Amount due to subsidiaries (non-trade)	22,007	–	–	22,007
Amount due to holding company (loan)	746,500	–	–	746,500
Amount due to directors of company	410,000	–	–	410,000
Total undiscounted financial liabilities	2,766,668	–	–	2,766,668
Total net undiscounted financial assets	2,979,785	–	–	2,979,785
<b>Company 2016</b>				
<b>Financial assets:</b>				
Trade receivables	1,491,667	–	–	1,491,667
Other receivables and deposits	355,720	–	–	355,720
Amount due from subsidiaries (non-trade)	4,167,839	–	–	4,167,839
Cash and bank balances	930,406	–	–	930,406
Total undiscounted financial assets	6,945,632	–	–	6,945,632
<b>Financial liabilities:</b>				
Trade and other payables	508,912	–	–	508,912
Accruals	1,015,523	–	–	1,015,523
Amount due to subsidiaries (non-trade)	30,285	–	–	30,285
Amount due to holding company (loan)	733,500	–	–	733,500
Amount due to directors of company	145,000	–	–	145,000
Total undiscounted financial liabilities	2,433,220	–	–	2,433,220
Total net undiscounted financial assets	4,512,412	–	–	4,512,412

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 30. Financial risk management objectives and policies (cont'd)

### *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group believes that its credit risk in trade receivables is mitigated by its credit evaluation process, credit control and collection procedure.

### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2017		2016	
	\$	% of total	\$	% of total
<i>By country:</i>				
India	2,989,780	39	2,130,599	34
People's Republic of China	2,179,721	29	1,749,062	28
Vietnam	1,223,979	16	909,627	14
Malaysia	574,044	8	697,136	11
Singapore	413,257	5	419,409	6
Australia	77,429	1	172,791	3
United States of America	37,211	1	50,196	1
Other countries	97,219	1	187,931	3
	<u>7,592,640</u>	<u>100</u>	<u>6,316,751</u>	<u>100</u>

### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due or impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

### 30. Financial risk management objectives and policies (cont'd)

#### *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollars (SGD), Ringgit Malaysia (RM), Renminbi (RMB), Australian Dollar (AUD), Indian Rupees (INR) and Vietnam Dong (VND). The foreign currencies in which these transactions are denominated are mainly the United States Dollars (USD).

The Group and the Company also hold cash and cash equivalents denominated in foreign currency for working capital purposes. Information regarding cash and cash equivalents denominated in foreign currency is disclosed in Note 13.

The Group is also exposed to currency translation risk arising from its net investments in the foreign operations, including Malaysia, People's Republic of China ("PRC"), Australia, India and Vietnam. These assets are long-term in nature and the exchange differences from translation are taken directly to the translation reserve. The exchange rates are monitored regularly.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, AUD and EUR exchange rates against respective functional currencies of the Group entities, with all other variables held constant.

	<b>Increase/(decrease)</b>	
	<b>Loss after tax</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><i>United States Dollar/Singapore Dollars</i></b>		
– strengthened 8.0% (2016: 8.0%)	165	159
– weakened 8.0% (2016: 8.0%)	(165)	(159)
<b><i>Australian Dollar/Singapore Dollars</i></b>		
– strengthened 4.0% (2016: 7.0%)	20	35
– weakened 4.0% (2016: 7.0%)	(20)	(35)
<b><i>Eurodollars/Singapore Dollars</i></b>		
– strengthened 9.0% (2016:4.0%)	59	24
– weakened 9.0% (2016:4.0%)	(59)	(24)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

As disclosed in Note 20, a subsidiary is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to the approval by the relevant PRC authorities. This externally imposed capital requirement had been complied with by the subsidiary for the financial years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less restricted reserves.

	Note	Group 2017 \$	Group 2016 \$
Trade and other payables	14	6,056,792	5,474,988
Interest-bearing bank loans	16	3,323,473	3,183,525
Non-interest bearing loan	17	358,656	365,554
Amount due to holding company	11	733,500	720,500
Amount due to directors of company	12	410,000	145,000
Less: Cash and bank balances	13	(4,027,531)	(8,024,450)
Net debt		<u>6,854,890</u>	<u>1,865,117</u>
Equity attributable to owners of the Company		47,393,227	52,481,758
Less: Restricted reserves	20	(512,588)	(942,287)
Total capital		<u>46,880,639</u>	<u>51,539,471</u>
<b>Capital and net debt</b>		<u>53,735,529</u>	<u>53,404,588</u>
<b>Gearing ratio</b>		<u>12.8%</u>	<u>3.5%</u>

## 32. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group 2017	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
<b>Assets measured at fair value measurements</b>				
<b>Non-financial assets:</b>				
<u>Property, plant and equipment</u>				
Leasehold factory buildings	–	–	33,509,162	33,509,162
Total property, plant and equipment	–	–	33,509,162	33,509,162
<b>Non-financial assets as at 31 December 2017</b>				
	–	–	33,509,162	33,509,162

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 32. Fair value of assets and liabilities (cont'd)

### (b) Assets and liabilities measured at fair value (cont'd)

Group 2016	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
<b>Assets measured at fair value measurements</b>				
<b>Non-financial assets:</b>				
<u>Property, plant and equipment</u>				
Leasehold factory buildings	–	–	34,438,314	34,438,314
Freehold factory building	–	–	668,755	668,755
Total property, plant and equipment	–	–	35,107,069	35,107,069
<b>Non-financial assets as at 31 December 2016</b>	–	–	35,107,069	35,107,069

Company 2017	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
<b>Assets measured at fair value measurements</b>				
<b>Non-financial assets:</b>				
<u>Property, plant and equipment</u>				
Leasehold factory building	–	–	31,111,112	31,111,112
Total property, plant and equipment	–	–	31,111,112	31,111,112
<b>Non-financial assets as at 31 December 2017</b>	–	–	31,111,112	31,111,112

32. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Company 2016	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
<b>Assets measured at fair value measurements</b>				
<b>Non-financial assets:</b>				
<u>Property, plant and equipment</u>				
Leasehold factory building	–	–	32,083,334	32,083,334
Total property, plant and equipment	–	–	32,083,334	32,083,334
<b>Non-financial assets as at 31 December 2016</b>	–	–	32,083,334	32,083,334

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair Value at 31 December 2017	Valuation techniques	Unobservable inputs	Range
<b>Recurring fair value measurements</b>				
<u>Property, plant and equipment</u>				
Purpose built 6-storey industrial building	\$31,111,112	Direct comparison method	Transacted price of comparable properties (psqm)	\$2,000-\$5,000
Single-storey factory and warehouse with 1 attached double-storey office	\$2,398,050	Direct comparison method/ Depreciated replacement cost	Difference in time factor, size and tenure	-21.0% to 5.0% Every 1% increase or decrease in the adjustments would result in decrease or increase in fair value by \$40,077

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 32. Fair value of assets and liabilities (cont'd)

### (c) Level 3 fair value measurements (cont'd)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description	Fair Value at 31 December 2016	Valuation techniques	Unobservable inputs	Range
<b>Recurring fair value measurements</b>				
<u>Property, plant and equipment</u>				
Purpose built 6-storey industrial building	\$32,083,334	Direct comparison method	Transacted price of comparable properties (psqm)	\$3,273-\$5,634
Single-storey factory and warehouse with 1 attached double-storey office	\$2,354,980	Direct comparison method	Transacted price of comparable properties (psqm)	\$399-\$455
Two-storey industrial building	\$668,755	Direct comparison method	Transacted price of comparable properties (psqm)	\$2,893-\$3,823

(ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for assets measured at fair value based on significant unobservable inputs (Level 3):

Fair value measurements using significant unobservable inputs (Level 3)

Group	<u>Property, plant and equipment</u> <u>Leasehold and freehold</u> <u>factory buildings</u> \$
At 1 January 2016	36,017,966
Total gains or losses for the period included in other comprehensive income:	
– Net surplus on revaluation of building	96,780
Depreciation	(987,696)
Exchange differences	(40,180)
At 31 December 2016 and 1 January 2017	35,086,870
Reclassification to assets held for sale	(635,593)
Depreciation	(984,319)
Exchange differences	42,204
At 31 December 2017	33,509,162



## 32. Fair value of assets and liabilities (cont'd)

### (c) Level 3 fair value measurements (cont'd)

#### (iii) Valuation policies and procedures

The Group Financial Controller (GFC), who is assisted by the Head of Finance from the respective subsidiaries (collectively referred to as the "GFC office"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant observable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The GFC office is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the GFC office reviews the appropriateness of the valuation methodologies and assumptions adopted. The GFC office also evaluates the appropriateness and reliability of the inputs (including those adopted internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. During the year, valuations are performed to ensure that the carrying amounts do not differ materially from the fair value of the leasehold buildings at the end of the reporting period.

Significant changes in fair value measurements from period to period are evaluated by the GFC office for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

### (d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances, trade receivables, other receivables and deposits, amounts due from subsidiaries, trade and other payables, accruals, amounts due to subsidiaries, amount due to holding company, interest-bearing bank loans, non-interest bearing loan and amount due to a director of a subsidiary.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

#### Loan to subsidiaries

It is non-practical to estimate the fair value of the non-current loan to subsidiaries due principally to a lack of a repayment term entered by the parties involved, and without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 32. Fair value of assets and liabilities (cont'd)

### (e) Carrying amounts of financial instruments by categories

The table below is an analysis of the carrying amounts of financial instruments by categories as at 31 December:

Group	Note	2017 \$	2016 \$
<i>Loans and receivables</i>			
Trade receivables	9	7,592,640	6,316,751
Other receivables and deposits	10	1,219,454	1,193,436
Cash and bank balances	13	4,027,531	8,024,450
		12,839,625	15,534,637
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	14	6,056,792	5,474,988
Accruals	15	2,116,402	2,078,096
Interest-bearing bank loans	16	3,323,473	3,183,525
Non-interest bearing loan	17	358,656	365,554
Amount due to holding company (loan)	11	733,500	720,500
Amount due to directors of company	12	410,000	145,000
		12,998,823	11,967,663
	Note	2017 \$	2016 \$
<i>Loans and receivables</i>			
Trade receivables	9	1,345,913	1,491,667
Other receivables and deposits	10	338,812	355,720
Cash and bank balances	13	729,316	930,406
Amounts due from subsidiaries (non-trade)	11	3,332,412	4,167,839
		5,746,453	6,945,632
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	14	646,183	508,912
Accruals	15	941,978	1,015,523
Amounts due to subsidiaries (non-trade)	11	22,007	30,285
Amount due to holding company (loan)	11	733,500	720,500
Amount due to directors of company	12	410,000	145,000
		2,753,668	2,420,220

### 33. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- i. The supply chain management segment provides a wide range of value-added services which includes supply chain solutions, print and media products which include material procurement, inventory management, logistics management, software replication and order fulfilment.
- ii. The investment holding segment holds investment, whether quoted or unquoted.
- iii. The computer systems integration and consultation services segment focuses on mobile contents including digital product shelf displays and other related activities.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets consist primarily of fixed assets, certain inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to fixed assets.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 33. Segment information (cont'd)

2017	By business segment			Computer systems integration and consultancy services \$'000	Adjustments and eliminations \$'000	Notes	Per consolidated financial statements \$'000
	Supply chain management \$'000	Investment holdings \$'000					
<b>Turnover:</b>							
External customers	32,799	–	–	–			32,799
Inter-segment	6,054	–	–	(6,054)	A		–
Total turnover	38,853	–	–	(6,054)			32,799
<b>Results:</b>							
Interest income	86	–	–	–			86
Interest expense	(306)	–	–	–			(306)
Depreciation	(2,145)	–	–	–			(2,145)
Impairment loss	(9)	–	–	–			(9)
Other non-cash expenses	(151)	–	–	–	B		(151)
Segment loss	(5,183)	(12)	(8)	(24)	C		(5,227)
Additions to non-current assets	1,045	–	–	–	D		1,045
Segment assets	57,686	252	–	146	E		58,084
Segment liabilities	12,254	6	5	1,205			13,470

### 33. Segment information (cont'd)

2016	By business segment			Adjustments and eliminations	Notes	Per consolidated financial statements
	Supply chain management	Investment holdings	Computer systems integration and consultancy services			
	\$'000	\$'000	\$'000	\$'000		\$'000
<b>Turnover:</b>						
External customers	37,886	–	–	–		37,886
Inter-segment	6,235	–	–	(6,235)	A	–
Total turnover	44,121	–	–	(6,235)		37,886
<b>Results:</b>						
Interest income	80	–	–	–		80
Interest expense	(319)	–	–	–		(319)
Depreciation	(2,154)	–	–	–		(2,154)
Impairment loss	(1)	–	(416)	–		(417)
Other non-cash expenses	(154)	–	(22)	–	B	(176)
Segment loss	(2,355)	(12)	(407)	4	C	(2,770)
Additions to non-current assets	924	–	–	–	D	924
Segment assets	61,866	258	–	155	E	62,279
Segment liabilities	11,274	6	7	1,267		12,554

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 33 Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

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

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
(Gain)/loss on disposal of fixed assets	(2)	9
Fixed assets written off	66	60
Bad debts written off	26	44
Allowance for other receivables written off	27	–
Allowance for doubtful trade receivables	3	78
Allowance for doubtful trade receivables written back	(29)	(5)
Allowance for inventory obsolescence	124	166
Allowance for inventory obsolescence written back	(170)	(276)
Inventories written off	106	105
Write back of inventories previously written off	–	(5)
	<hr/>	<hr/>
	151	176
	<hr/>	<hr/>

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

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Consolidation adjustments	<hr/> (24)	<hr/> 4

D Additions to non-current assets consists of additions to property, plant and equipment and intangible asset.

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

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	679	676
Consolidation adjustments	<hr/> (533)	<hr/> (521)
	<hr/>	<hr/>
	146	155
	<hr/>	<hr/>

### 33. Segment information (cont'd)

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

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax liabilities	369	372
Provision for taxation	103	175
Unallocated inter-segment liabilities	733	720
	<hr/>	<hr/>
	1,205	1,267
	<hr/>	<hr/>

### Geographical information

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

	<b>Group</b>					
	<b>Turnover</b>		<b>Loss after tax</b>		<b>Non-current assets</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Singapore	2,616	7,028	(5,380)	(3,813)	31,561	32,320
Malaysia	3,968	3,697	(24)	618	2,608	2,651
People's Republic of China	7,817	8,089	711	534	395	532
India	12,289	13,156	(444)	(127)	4,745	5,371
Australia	829	1,604	(83)	48	1	682
Vietnam	5,280	4,312	106	(48)	912	1,238
Eliminations and adjustments	–	–	(305)	40	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	32,799	37,886	(5,419)	(2,748)	40,222	42,794
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2017

## 34. Reclassification of prior year presentation

The following balance sheet comparative figures have been reclassified to conform with current year's presentation:

	<b>As previously classified 2016</b>	<b>As reclassified 2016</b>
	\$	\$
<b>Group</b>		
<b>Current assets</b>		
Other receivables and deposits	1,217,540	1,452,437
Tax recoverable	572,717	337,820

The presentation of the balance sheet as at the beginning of the earliest comprehensive period has not been prepared as these reclassifications do not materially affect the presentation of the comparatives.

## 35. Authorisation of financial statements

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 29 March 2018.



# SHAREHOLDINGS STATISTICS

As at 15 March 2018

Issued and fully paid up capital	–	S\$49,549,249
Total number of issued shares	–	439,222,000
Class of shares	–	Ordinary shares
Voting rights	–	1 vote per ordinary share

The Company does not hold any treasury shares, nor any subsidiary holdings.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2018, 19.54% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited has been complied with.

## ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.04	2	0.00
100 – 1,000	378	13.90	377,300	0.09
1,001 – 10,000	1,598	58.75	7,488,800	1.70
10,001 – 1,000,000	723	26.58	47,304,498	10.77
1,000,001 and above	20	0.73	384,051,400	87.44
	2,720	100.00	439,222,000	100.00

## TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	International Press Holdings Pte Ltd	286,839,480	65.31
2	Low Song Take or Leong Shook Wah	29,541,600	6.73
3	Woo Khai Chong	14,770,800	3.36
4	Woo Khai San	14,770,800	3.36
5	Low Ka Choon Kevin	7,484,320	1.70
6	Maybank Kim Eng Securities Pte Ltd	7,287,000	1.66
7	Raffles Nominees (Pte) Ltd	3,048,900	0.69
8	DBS Nominees Pte Ltd	2,962,000	0.67
9	Tham Hwee Sing Josephine	2,000,000	0.46
10	Yeo Ah Moey	2,000,000	0.46
11	Ang Hao Yao (Hong Haoyao)	1,866,700	0.43
12	Lim Tee Ming or Low Sai Lee	1,665,000	0.38
13	Chua Ah Bah	1,530,000	0.35
14	United Overseas Bank Nominees Pte Ltd	1,456,000	0.33
15	Chicken Delight Private Limited	1,239,000	0.28
16	Ng Keat Leong	1,173,000	0.27
17	Chan Yee Liang	1,150,000	0.26
18	Cheong Chee Kin	1,150,000	0.26
19	Chew Ah Kong	1,069,800	0.24
20	Tong Din Eu	1,047,000	0.24
		384,051,400	87.44

# SHAREHOLDINGS STATISTICS (CONT'D)

As at 15 March 2018

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	%	Deemed Interest	%	Total Interest	%
International Press Holdings Pte Ltd <sup>(1)</sup>	286,839,480	65.31	–	–	286,839,480	65.31
Low Song Take or Leong Shook Wah <sup>(1) (2)</sup>	29,541,600	6.73	286,839,480	65.31	316,381,080	72.04
Woo Khai Chong <sup>(3)</sup>	14,770,800	3.36	286,839,480	65.31	301,610,280	68.67
Woo Khai San <sup>(3)</sup>	14,770,800	3.36	286,839,480	65.31	301,610,280	68.67
Low Ka Choon Kevin <sup>(1)</sup>	7,484,320	1.70	286,839,480	65.31	294,323,800	67.01

### Notes:

- (1) The Company's holding company is International Press Holdings Pte Ltd. Messrs. Low Song Take and Low Ka Choon Kevin are deemed to have an interest in the shares held by Ze Hua Holdings Pte. Ltd. in International Press Holdings Pte Ltd and its subsidiaries. Mr. Low Ka Choon Kevin is the son of Mr. Low Song Take.
- (2) Madam Leong Shook Wah is the spouse of Mr. Low Song Take.
- (3) Messrs. Woo Khai Chong and Woo Khai San are deemed to have an interest in the shares held by Chee Chun Holdings Pte. Ltd. in International Press Holdings Pte Ltd and its subsidiaries. Mr. Woo Khai San is the brother of Mr. Woo Khai Chong.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting (“**AGM**”) of **INTERNATIONAL PRESS SOFTCOM LIMITED** (the “**Company**”) will be held at 26 Kallang Avenue, Conference Room, Level 2 International Press Building, Singapore 339417 on Thursday, 26 April 2018 at 9.00 a.m. for the following purposes:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors’ Statement and Auditors’ Report thereon. **Resolution 1**
2. To approve the payment of Directors’ fees of S\$265,000 for the financial year ended 31 December 2017 (2016: S\$265,000). **Resolution 2**
3. To re-elect Mr. Woo Khai Chong who is retiring under Article 117 of the Company’s Constitution. [See **Explanatory Note (i)**] **Resolution 3**
4. To re-elect Mr. Low Song Take who is retiring under Article 117 of the Company’s Constitution. [See **Explanatory Note (ii)**] **Resolution 4**
5. To re-elect Mr. Loh Yih who is retiring under Article 117 of the Company’s Constitution. [See **Explanatory Note (iii)**] **Resolution 5**
6. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
7. To transact any other ordinary business which may be properly transacted at an AGM.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

8. Authority to allot and issue shares (“**Share Issue Mandate**”) **Resolution 7**

“THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Section B: Rules of Catalist (“**Catalist Rules**”), the Directors of the Company be authorised and empowered to:-

  - a. (i) allot and issue shares in capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and- b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2)), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2));
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing of this Resolution, after adjusting for:-
  - (a) new Shares arising from the conversion or exercise of Instruments or any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) all applicable requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier. [See **Explanatory Note (iv)**]

BY ORDER OF THE BOARD



**TEH ENG CHAI**  
Company Secretary

Date: 11 April 2018  
Singapore

### Explanatory Notes:

- (i) If re-elected under Resolution 3, Mr. Woo Khai Chong will remain as a Vice Chairman of the Company. Mr. Woo Khai Chong is the brother of Mr. Woo Khai San, the Executive Director of the Group. Mr. Woo Khai Chong has a direct interest in 14,770,800 Shares (or 3.36%) and is deemed interested in 286,839,480 Shares (or 65.31%) held by International Press Holdings Pte. Ltd. and its subsidiaries. Further information on Mr. Woo Khai Chong can be found under “Board of Directors” and “Corporate Governance” in the Annual Report. Information on Mr. Woo Khai Chong can be found on page 26 of the Annual Report. Save as disclosed, Mr. Woo Khai Chong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.
- (ii) If re-elected under Resolution 4, Mr. Low Song Take will remain as an Executive Director of the Board of Directors and a member of the Nominating Committee. Mr. Low Song Take is the father of Mr. Low Ka Choon Kevin, the Managing Director / CEO of the Group. Mr. Low Song Take has a direct interest in 29,541,000 Shares (or 6.73%) and is deemed interested in 286,839,480 Shares (or 65.31%) held by International Press Holdings Pte. Ltd. and its subsidiaries. Further information on Mr. Low Song Take can be found under “Board of Directors” and “Corporate Governance” in the Annual Report. Information on Mr. Low Song Take can be found on page 26 of the Annual Report. Save as disclosed, Mr. Low Song Take does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.
- (iii) If re-elected under Resolution 5, Mr. Loh Yih will remain as an Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. The Board considers Mr. Loh Yih to be independent for the purposes of Rule 704(7) of the Catalist Rules. Further information on Mr. Loh Yih can be found under “Board of Directors” and “Corporate Governance” in the Annual Report. Information on Mr. Loh Yih can be found on page 26 of the Annual Report. Save as disclosed therein, Mr. Loh Yih does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.
- (iv) Resolution 7 is to empower the Directors of the Company from the date of this AGM until the date of the next AGM, to allot and issue Shares and convertible securities in the Company. The number of Shares and convertible securities which the Directors may allot and issue under this Resolution would not exceed 100% of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company at the time of passing this Resolution. For issue of Shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM or by the date by which the next AGM is required by law to be held, whichever is the earlier.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## Notes:-

1. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of share shall be specified)

“Relevant intermediary” means:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a member of the Company.
  3. The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 72 hours before the time for holding the AGM or any adjournment thereof.

## Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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# International Press Softcom Limited

(Company Registration No. 197201169E)  
(Incorporated in the Republic of Singapore)

## PROXY FORM Annual General Meeting

### IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

I / We \_\_\_\_\_ (Name), \_\_\_\_\_ (NRIC/Passport/Registered No.)

of \_\_\_\_\_ (Address)

being a member(s) of International Press Softcom Limited (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding (%)
Address		

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholding (%)
Address		

or failing whom the Chairman of the Annual General Meeting (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting to be held at 26 Kallang Avenue, Conference Room, Level 2 International Press Building, Singapore 339417 on Thursday, 26 April 2018 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

The resolutions put to vote at the Meeting shall be decided by poll.

No.	Ordinary Resolution	Number of votes For*	Number of votes Against*
<b>Ordinary Business</b>			
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Auditors' Report.		
2.	Approval of Directors' fees amounting to S\$265,000 for the financial year ended 31 December 2017.		
3.	Re-election of Mr. Woo Khai Chong as Director of the Company.		
4.	Re-election of Mr. Low Song Take as Director of the Company.		
5.	Re-election of Mr. Loh Yih as Director of the Company.		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company.		
<b>Special Business</b>			
7.	Approval of Share Issue Mandate.		

\* Note: If you wish to exercise all your votes "For" or "Against" the above resolution, please tick "√" within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total Number of Shares held (see Note 1)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Signature(s) of Member(s)/Common Seal  
of Corporate Member

## Notes to Proxy Form

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).  
"Relevant intermediary" means:
  - (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A proxy need not be a member of the Company.
4. An instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 72 hours before the time for holding the Meeting or any adjournment thereof.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Please  
Affix  
Postage  
here

The Company Secretary  
**INTERNATIONAL PRESS SOFTCOM LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 197201169E)  
80 Robinson Road #02-00 Singapore 068898

2<sup>nd</sup> fold here

**INTERNATIONAL PRESS SOFTCOM LIMITED**

International Press Building, 26 Kallang Avenue, Singapore 339417

Tel: (65) 6298 3800 Fax: (65) 6297 1668

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