



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
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Date: 27 May 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. On page 1 of the annual report, the company stated that its mission is “[t]o be the leading global technology-based provider of value chain services, print and media products for our customers”.

This was the same mission statement printed in the 2005 annual report, and probably left unchanged since the company was listed in 1999.

On 10 April 2019, the company announced that it has received a notice of termination of Microsoft Replication and Services Agreement with effect on 30 June 2019. Yet, almost a year later at the time of writing in the middle of May 2020, the company still lists itself as a Microsoft Authorized Replicator on the corporate website.

With digitalisation happening across all industries, print and media products have been rapidly phased out. Businesses, such as Microsoft, have changed their business models to offer cloud-based solutions and software subscription services (SAAS) delivered direct to their global consumers online and instantly.

The company reported an adjusted net loss after tax of \$(4.9) million for FY2019 which is comparable to the adjusted net loss after tax of \$(4.8) million in FY2018. With one-off impairment losses associated with the Indian subsidiary and the Singapore property, the group recorded a net loss after tax to S\$9.9 million for FY2019.

The 5-year summary of its financial highlights can be found on page 8 of the annual report and reproduced below.



(Source: company annual report)

- (i) **Would the board be refreshing the group’s mission given the technological changes and innovation in the past 20 years?**

Should the proposed sale of 26 Kallang Avenue be completed, the company has estimated that there will be net proceeds of \$25.55 million.

- (ii) **What safeguards have the independent directors put in place to ensure that the proceeds, if re-invested into the business, would lead to value creation for all shareholders?**

- (iii) **Would the board, especially the independent directors, consider declaring a (substantial) special dividend to reward shareholders?** The last dividend declared by the company was in 2009 for \$0.0025 per share and the company had carried out a dilutive 2:3 rights issue at \$0.011 per rights share in 2018.

Q2. The group has cash and cash equivalents amounting to \$3.0 million as at 31 December 2019. While the group and the buyer have entered into a sale and purchase agreement (“SPA”) for the property at Kallang Avenue, it has yet to be completed.

- (i) **Are there clauses in the SPA that would allow the potential buyer to back out of the agreement given the COVID-19 pandemic? Is there a risk that the transaction may be delayed or voided?**

In the financial year, the group has a negative operating cash flow of \$(899,342) and its gearing ratio increased to 24.2% (page 124). This is after the company raised new capital of \$3.07 million from shareholders during the rights issue in 2018.

As shown in Note 32 (page 118 – Liquidity risk), the group is in a net current liability position of \$(3.86) million.

- (ii) **Has management evaluated its financial position and assessed if it has sufficient liquidity to tide it over the pandemic?**

Q3. The board comprises of seven directors, including three independent directors. The profile of directors could be found on page 43 of the annual report.

Provision 2.4 of the Code of Corporate Governance 2018 provides for the board and board committees to be of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

The provision also states that the board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.

While the board has acknowledged that it has a policy to achieve an appropriate mix of members with complementary skills, core competencies and experience for the group, regardless of gender, the current board and even the key management team have no female representation.

In fact, two independent directors and Mr Low Ka Choon, as managing director/chief executive officer, have close relationships in other listed companies as well. Mr Neo Gim Kiong and Mr Loh Yih sit on the boards of two other listed companies, namely Ban Leong Technologies Limited and Acesian Partners Limited, where the latter is the executive chairman. Mr Low Ka Choon sits on the board of Sen Yue where Mr Neo Gim Kiong is the chairman.

The close relationships of the directors are shown in Table 4.5 below:

Name of Director	Listed Company Directorships	Principal Commitments
Mr. Tiong Choon Heng Steven	-	-
Mr. Woo Khai Chang	-	-
Mr. Low Song Take	-	-
Mr. Low Ka Choon Kevin	Sen Yue Holdings Limited	-
Mr. Woo Khai San	-	-
Mr. Neo Gim Kiong	(i) Ban Leong Technologies Limited (ii) Sen Yue Holdings Limited (iii) Acesian Partners 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
Mr. Loh Yih	(i) Ban Leong Technologies Limited (ii) Acesian Partners Limited	(i) Managing Partner of MGF Management Pte. Ltd. (ii) Group Executive Chairman of Acesian Partners Limited

(Source: company annual report)

- (i) **Has the board also evaluated other aspects of diversity on the board, such as age and skillsets (such as modern logistics, dropshipping, e-commerce, automation, artificial intelligence, social media/marketing etc)?**
- (ii) **Has the nominating committee evaluated if the interlinked relationships of the independent directors and the executive director will encourage familiarity and groupthink?**
- (iii) **Given that the profile of the current board is fairly homogenous, how does the board ensure that there is no groupthink and that it pro-actively achieves constructive debate?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)