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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(i) CONSOLIDATED INCOME STATEMENT

	Note	Group		%+/-
		S\$'000		
		FY2018 (unaudited)	FY2017 (restated)	
Turnover		32,681	32,799	-0.4
Other operating income		1,002	1,055	-5.0
Changes in stocks of finished goods and work in progress	1	(171)	(106)	61.3
Raw materials and consumables used	1	(16,924)	(17,459)	-3.1
Personnel expenses		(9,634)	(9,923)	-2.9
Depreciation		(2,155)	(2,145)	0.5
Rental, property tax and utilities		(2,217)	(2,274)	-2.5
Freight, travelling and transportation expenses		(2,408)	(2,173)	10.8
Repair and maintenance expenses		(492)	(539)	-8.7
Subcontractor costs	2	(967)	(830)	16.5
Fixed assets written off		(35)	(66)	-47.0
Bad debts written off		(19)	(26)	-26.9
Other operating expenses		(2,869)	(3,044)	-5.7
Impairment loss		-	(8)	NM
Gain/(loss) on liquidation of subsidiary	3	12	(18)	NM
Financial expense – net	4	(258)	(220)	17.3
Loss before tax		(4,454)	(4,977)	-10.5
Tax expense	5	(413)	(192)	115.1
Loss, net of tax		(4,867)	(5,169)	-5.8
Loss attributable to:				
- Owners of the Company		(4,653)	(5,091)	-8.6
- Non-controlling interests	6	(214)	(78)	174.3
		(4,867)	(5,169)	-5.8

NM : not meaningful

NOTES TO THE CONSOLIDATED INCOME STATEMENT

One of the Group's wholly-owned subsidiary incorporated in Australia, namely IP Softcom (Australia) Pty Ltd, had completed its member's voluntary liquidation ("Liquidation") in December 2018 as part of the Group's corporate restructuring.

Note 1

Raw materials and consumables used (S\$16.9 million), and **changes in stocks of finished goods and work in progress** (S\$0.2 million) was lower at S\$17.1 million, or 2.7% lower yoy due to lower turnover in FY2018 and differences in sales mix.

Note 2

Subcontractor costs was 16.5% higher yoy at S\$1.0 million largely due to the higher business activities by the Group's wholly-owned Indian subsidiary that required outsourcing.

Note 3

Non-recurring **Gain/(loss) on liquidation of subsidiary** was in relation to the voluntary liquidation of the Group's Australia subsidiary in 2H2018 and China subsidiary, IP Softcom (Xiamen) Co., Ltd in 1H2017.

Note 4

Net financial expenses was 17.3% higher yoy mainly due to lower fixed deposits placed with banks.

Note 5

Current **tax expense** for FY2018 was higher, taking into consideration the chargeable income arising from the sale of the Group's Australia property in 1H2018 and higher taxable profit from subsidiaries that performed better in FY2018.

Note 6

Higher **minority interest** in FY2018 largely due to higher losses incurred by the Group's partially-owned subsidiary in India.

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

	Group		
	S\$'000		
	Note	FY2018	FY2017
Allowance for doubtful trade receivables		97	3
Allowance for doubtful trade receivables written back		(1)	(29)
Allowance for inventory obsolescence		259	125
Allowance for inventory obsolescence written back		(129)	(170)
Allowance for other receivables written off		41	27
Inventories written off		52	106
Gain on disposal of fixed assets		(102)	(2)
Gain from assets held for sales	7	(152)	-
Interest income		(38)	(86)
Interest expense		296	306
Exchange loss, net		251	515

Note 7

The **gain from assets held for sales** was in relation to the sale of the Group's freehold property and its related assets in Australia. The sales consideration was \$0.8 million and was completed in Jan 2018.

	Group	
	S\$'000	
	FY2018	FY2017
	(unaudited)	(restated)
Loss, net of tax	(4,867)	(5,169)
Other comprehensive income:		
<u>Items that will not be reclassified to profit or loss</u>		
Net tax effect on revaluation arising from asset held for sale	175	-
<u>Items that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation	40	(1)
Other comprehensive income for the year, net of tax	215	(1)
Total comprehensive Income for the year, net of tax	(4,652)	(5,170)
Total comprehensive income attributable to:		
- Owners of the Company	(4,587)	(5,148)
- Non-controlling interests	(65)	(22)
	(4,652)	(5,170)

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

1(b)(i) BALANCE SHEETS

	Note	Group		Company	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		(unaudited)	(restated)	(unaudited)	(audited)
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Fixed assets		33,708	37,361	30,518	31,561
Intangible assets		2,208	2,355	-	-
Investment in subsidiaries		-	-	10,592	11,422
Investment securities		-	-	-	-
Other receivables and deposits	8	919	654	-	-
Deferred tax assets		662	679	-	-
Current assets					
Assets held for sale	9	2,266	647	-	-
Inventories		2,424	2,517	106	131
Trade receivables		8,318	7,593	1,088	1,346
Contract assets	10	115	-	-	-
Other receivables and deposits	8	2,014	1,706	424	339
Prepayments		184	262	64	60
Amounts due from subsidiaries (non-trade)		-	-	3,030	3,333
Tax recoverable		211	216	-	-
Cash and bank balances		3,021	4,028	521	729
		18,553	16,969	5,233	5,938

	Group		Company		
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	(unaudited)	(restated)	(unaudited)	(audited)	
Note	S\$'000	S\$'000	S\$'000	S\$'000	
Current liabilities					
Trade and other payables		6,336	5,889	471	647
Contract liabilities	11	6	168	-	-
Accruals		2,145	2,116	730	942
Amounts due to subsidiaries (non-trade)		-	-	9	22
Amount due to directors of company		555	410	555	410
Interest-bearing bank loans		3,330	3,323	-	-
Non-interest bearing loan		336	359	100	-
Provision for taxation	12	202	103	-	-
Amount due to holding company (loan)	13	-	733	-	733
		12,910	13,101	1,865	2,754
Net current assets		5,643	3,868	3,368	3,184
Non-current liabilities					
Deferred tax liabilities	14	178	362	-	-
Net assets		42,962	44,555	44,478	46,167
Equity attributable to owners of the Company					
Share capital		52,619	49,549	52,619	49,549
Reserves	15	(6,810)	(2,215)	(8,141)	(3,382)
		45,809	47,334	44,478	46,167
Non-controlling interests		(2,847)	(2,779)	-	-
Total equity		42,962	44,555	44,478	46,167

NOTES TO THE BALANCE SHEET

* Reclassification of prior year presentation

The following balance sheet figures in FY2017 have been reclassified to conform with current year's presentation:

	As previously classified S\$'000	As reclassified S\$'000
Group		
<u>Current assets</u>		
Other receivables and deposits	1,920	1,706
<u>Non-current assets</u>		
Other receivables and deposits	440	654
<u>Current Liabilities</u>		
Trade and other payables	6,057	5,889
Contract Liabilities	-	168

Note 8

	Group		Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables and deposits				
Current	2,014	1,706	424	339
Non-current	919	654	-	-
Total	2,933	2,360	424	339

The Group's **current other receivables and deposits** was 18.1% higher yoy to S\$2.0 million largely due to the advance payments to suppliers in anticipation of an increase in raw material prices in the future by the Group's wholly-owned subsidiary in Vietnam and the amount due from the sales of fixed assets to third parties by the Group's wholly-owned subsidiary in China, offset by the utilisation of service tax receivables against the goods and services tax by the Group's Indian subsidiaries.

The Group's **non-current other receivables and deposits** was 40.5% higher yoy to S\$0.9 million mainly due to the custom duty deposit made by the Group's wholly-owned Indian subsidiary demanded as a pre-condition for the hearing of Appeal by the Customs, Excise and Service Tax Appellate Tribunal ("Appeal") and the increase in the value added tax ("VAT") carried forward by the Group's Vietnam subsidiary that could only be used to offset future VAT payables.

Note 9

Assets held for sale as at 31 December 2018 pertains to the leasehold factory building in Malaysia. As at 31 December 2017, freehold factory building in Australia was held for sale and completed in January 2018.

Note 10

Contract assets relates to the Group's right to consideration for services completed but not yet billed at reporting dates.

Note 11

Contract liabilities was lower as at 31 December 2018 largely due to decrease in advance from customers.

Note 12

The Group's **provision for taxation** was 96.1% higher yoy at \$0.2 million largely due to the higher chargeable income by the Group's wholly-owned Indian subsidiary in FY2018.

Note 13

The **amount due to holding company (loan)** was fully set off against the subscription monies paid by the holding company pursuant to the rights issuance in FY2018.

Note 14

The Group's **deferred tax liabilities** decreased to S\$0.2 million as at 31 December 2018 which mainly arose from the net effect of tax on the revaluation surplus in relation to the asset held for sale.

Note 15

The Group's and Company's overall **reserves** dipped further into negative reserves mainly due to the losses in FY2018.

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

Amount repayable in one year or less, or on demand

As at 31/12/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,330	891	3,323	769

Amount repayable after one year

As at 31/12/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

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

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

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

1(c) CONSOLIDATED STATEMENT OF CASH FLOW

	Group	
	FY2018	FY2017
	S\$'000	S\$'000
	(unaudited)	(restated)
Cash flows from operating activities		
Loss before tax	(4,454)	(4,977)
Adjustments for:		
Depreciation of fixed assets	2,155	2,145
Impairment loss on fixed assets	-	8
Gain on disposal of fixed assets	(102)	(2)
Gain from assets held for sales	(152)	-
Fixed assets written off	35	66
Interest income	(38)	(86)
Interest expense	296	306
Bad debts written off	19	26
Allowance for doubtful trade receivables	97	3
Allowance for doubtful trade receivables written back	(1)	(29)
Allowance for other receivables written off	41	27
Allowance for inventory obsolescence	259	125
Allowance for inventory obsolescence written back	(129)	(170)
Inventories written off	52	106
(Gain)/loss on liquidation of subsidiary	(12)	18
Unrealised exchange loss	95	205
Operating cash flows before working capital changes	(1,839)	(2,229)
<u>Changes in working capital:</u>		
Increase in inventories	(82)	(121)
Increase in trade receivables and contract assets	(951)	(1,273)
(Increase)/decrease in other receivables, deposits and prepayments	(545)	69
Increase in trade and other payables and contract liabilities	284	659
Increase/(decrease) in accruals	29	(1)
Increase in amount due to directors of company	145	265
Cash flows used in operations	(2,959)	(2,631)
Interest received	45	86
Interest paid	(375)	(294)
Tax paid	(320)	(170)
Net cash flows used in operating activities	(3,609)	(3,009)
Cash flows from investing activities		
Purchase of fixed assets	(1,163)	(1,121)
Proceeds from disposal of fixed assets	331	16
Proceeds from assets held for sales	776	-
Net cash flows used in investing activities	(56)	(1,105)
Cash flows from financing activities		
Proceeds from interest-bearing bank loans	214	200
Repayment of loan to holding company	(650)	-
Proceeds from issuance of new shares (net)	3,070	-
Net cash flows generated from financing activities	2,634	200
Net decrease in cash and cash equivalents	(1,031)	(3,914)
Effect of exchange rate changes on cash and cash equivalents	24	(82)
Cash and cash equivalents at beginning of year	4,028	8,024
Cash and cash equivalents at end of year (Note A)	3,021	4,028

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

	31/12/2018	31/12/2017
	S\$'000	S\$'000
Cash and bank balances	2,456	3,218
Fixed deposits	565	810
	<u>3,021</u>	<u>4,028</u>

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

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

	Share capital	Revaluation reserve	Translation reserve	Restricted reserve	Other reserves	Accumulated losses	Equity attributable to owners of Company, total	Non-controlling interests	Equity, total
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2018, as previously stated	49,549	23,299	(3,936)	513	2,568	(24,600)	47,393	(2,779)	44,614
Impact on adoption of new accounting policies	-	(59)	3,879	-	-	(3,879)	(59)	-	(59)
At 1 January 2018, as restated	49,549	23,240	(57)	513	2,568	(28,479)	47,334	(2,779)	44,555
Loss for the year	-	-	-	-	-	(4,653)	(4,653)	(214)	(4,867)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	(109)	-	-	-	(109)	149	40
Net tax effect on revaluation arising from asset held for sale	-	175					175	-	175
Other comprehensive income for the year, net of tax	-	175	(109)	-	-	-	66	149	215
Total comprehensive income for the year	-	175	(109)	-	-	(4,653)	(4,587)	(65)	(4,652)
<u>Contributions by and distribution to owners</u>									
Issuance of new ordinary shares	3,221	-	-	-	-	-	3,221	-	3,221
Expenses on issuance of new ordinary shares	(151)	-	-	-	-	-	(151)	-	(151)
Others	-	-	-	-	(8)	-	(8)	(3)	(11)
Total contributions by and distribution to owners	3,070	-	-	-	(8)	-	3,062	(3)	3,059
Total transactions with owners in their capacity as owners	3,070	-	-	-	(8)	-	3,062	(3)	3,059
At 31 December 2018	52,619	23,415	(166)	513	2,560	(33,132)	45,809	(2,847)	42,962

	Share capital	Revaluation reserve	Translation reserve	Restricted reserve	Other reserves	Accumulated losses	Equity attributable to owners of Company, total	Non-controlling interests	Equity, total
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017, as previously stated	49,549	23,240	(4,129)	942	2,568	(19,688)	52,482	(2,757)	49,725
Impact on adoption of new accounting policies	-	-	4,129	-	-	(4,129)	-	-	-
At 1 January 2017, as restated	49,549	23,240	-	942	2,568	(23,817)	52,482	(2,757)	49,725
Loss for the year	-	-	-	-	-	(5,091)	(5,091)	(78)	(5,169)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	(57)	-	-	-	(57)	56	(1)
Other comprehensive income for the year, net of tax	-	-	(57)	-	-	-	(57)	56	(1)
Total comprehensive income for the year	-	-	(57)	-	-	(5,091)	(5,148)	(22)	(5,170)
<u>Contributions by and distribution to owners</u>									
Realization of reserves upon liquidation of subsidiary	-	-	-	(429)	-	429	-	-	-
Total contributions by and distribution to owners	-	-	-	(429)	-	429	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	(429)	-	429	-	-	-
At 31 December 2017	49,549	23,240	(57)	513	2,568	(28,479)	47,334	(2,779)	44,555

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

The Company	Share capital S\$'000	Revaluation reserve S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total equity S\$'000
At 1 January 2018	49,549	22,173	341	(25,896)	46,167
Impact on adoption of new accounting policies	-	-	-	(545)	(545)
At 1 January 2018, as restated	49,549	22,173	341	(26,441)	45,622
Loss for the year, represents total comprehensive income for the year	-	-	-	(4,214)	(4,214)
<u>Contributions by and distribution to owners</u>					
Issuance of new ordinary shares	3,221	-	-	-	3,221
Expenses on issuance of new ordinary shares	(151)	-	-	-	(151)
Total contributions by and distribution to owners	3,070	-	-	-	3,070
Total transactions with owners in their capacity as owners	3,070	-	-	-	3,070
At 31 December 2018	52,619	22,173	341	(30,655)	44,478
At 31 January 2017	49,549	22,173	341	(21,755)	50,308
Loss for the year, represents total comprehensive income for the year	-	-	-	(4,141)	(4,141)
At 31 December 2017	49,549	22,173	341	(25,896)	46,167

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

	No. of Shares	Share Capital (S\$'000)
As at 30/06/2018	439,222,000	49,549
Issuance of new ordinary shares arising from the Rights Issue	292,814,666	3,070 *
As at 31/12/2018	732,036,666	52,619

*After excluding the expenses incurred in the issuance of new ordinary shares during the financial year.

During the financial year, the Company issued new ordinary shares via a rights issue on the basis of two (2) rights shares for every three (3) existing ordinary shares in the capital of the Company at an issued price of \$0.011 per rights share.

There were no outstanding options or convertibles as at 31 December 2018 and 31 December 2017.

There were no treasury shares and subsidiary holdings of the Company as at 31 December 2018 and 31 December 2017.

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

The total number of issued shares, excluding treasury shares, as at 31 December 2018 was 732,036,666 (31 December 2017: 439,222,000)

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

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

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

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

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

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

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

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

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

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s. SFRS(I)s comprise standard and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and is effective on 1 January 2018.

The accounting policies and methods of computation applied in the preparation of the financial statements for the current financial period are consistent with those disclosed in the audited annual financial statements for the year ended 31 December 2017, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2018 as follows:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 15 Revenue from Contracts with Customers

In adopting IFRS 1, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet under SFRS(I)s had been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I)s.

Application of SFRS(I) 1

a) Translation Reserve

The Group has elected for the optional exemption to reset its cumulative translation reserve to nil at the date of transition at 1 January 2017. As a result, cumulative translation losses of S\$4,129,000 was reclassified from translation reserve to accumulated losses as at 1 January 2017.

After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. Consequently, the loss on disposal of subsidiary for year ended 31 December 2017 was restated. As at 31 December 2017, cumulative translation losses of S\$3,879,000 was reclassified from translation reserve to accumulated losses.

b) Fair value as deemed cost exemption for fixed assets

The Group has elected to regard the fair values of the leasehold factory building as their deemed cost at the date of transition to SFRS(I) on 1 January 2017.

The effects of the adoption of SFRS(l) 1 are as follows:

	Group	
	FY2018	FY2017
Consolidated Income Statement	S\$	S\$
Decrease in depreciation	(1,937)	-
Decrease in loss on voluntary liquidation of subsidiary	-	(249,693)

	Group	
	As at 1 January 2018	As at 1 January 2017
Statement of financial position	S\$	S\$
Increase in translation reserve	3,879,691	4,129,021
Increase in accumulated losses	(3,879,691)	(4,129,021)
Decrease in revaluation reserves	(59,150)	-
Decrease in fixed assets	(66,613)	-
Decrease in deferred tax liability	7,462	-

SFRS(l) 15 Revenue from Contracts with Customers

SFRS(l) 15 is effective for financial year beginning on or after 1 January 2018. In accordance with the requirements of SFRS(l) 1, the Group has adopted SFRS(l) 15 retrospectively.

SFRS(l) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under SFRS(l) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Following the presentation requirements in SFRS(l) 15, the Group has presented contract assets separately from inventories and changed the terminology of 'advance billings' to 'contract liabilities'.

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

Please refer to paragraph 4 above.

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

	Group	
	FY2018	FY2017 (restated)
Loss per ordinary share for the financial year attributable to owners of the Company		
- (a) on weighted average number of ordinary shares on issue	(0.81) cents	(1.16) cents
- (b) on a fully diluted basis	(0.81) cents	(1.16) cents
- Weighted average number of ordinary shares outstanding at the end of the respective financial years	573,996,969	439,222,000

The basic and fully diluted loss per share were the same as there were no potentially dilutive ordinary shares in issue as at 31 December 2018 and 31 December 2017.

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

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

	Group		Company	
	31/12/2018	31/12/2017 (restated)	31/12/2018	31/12/2017
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares as at the respective financial year	6.26 cents	10.78 cents	6.08 cents	10.51 cents

The net asset value per ordinary share is calculated based on the 732,036,666 (FY2017: 439,222,000) ordinary shares outstanding at the end of the respective financial years.

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

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

GROUP FINANCIAL PERFORMANCE REVIEW

Turnover

FY2018 vs FY2017

Given a mixed performance in the supply chain management segment, revenue for FY2018 decreased 0.4% year-on-year ("yoy") to S\$32.7 million.

Turnover by geographical segment

	Turnover		
	FY2018	FY2017	
	S\$'000	S\$'000	% +/-
Singapore	1,865	2,616	-28.7
Malaysia	3,828	3,968	-3.5
People's Republic of China	7,451	7,817	-4.7
India	13,280	12,289	8.1
Australia	25	829	-97.0
Vietnam	6,232	5,280	18.0
Total	32,681	32,799	-0.4

After ceasing operations of the Group's wholly-owned subsidiary incorporated in Australia in 2H2018, its Australian subsidiary went into voluntary liquidation which was completed in December 2018. As a result, turnover from the Group's Australia operations fell 97.0% yoy to S\$0.03 million for FY2018. In addition, turnover from the Group's Singapore, China and Malaysia operations fell 28.7%, 4.7% and 3.5% yoy to S\$1.9 million, S\$7.5 million and S\$3.8 million respectively for FY2018 mainly due to weak demand and lesser orders from customers.

The decline in turnover from the above geographical regions was partially offset by growth from the Group's operations in Vietnam and India. Turnover from the Group's Vietnam operations continued to grow 18.0% yoy to S\$6.2 million for FY2018 due to growth in sales to new and existing customers. Turnover from the Group's India operations increased 8.1% yoy to S\$13.3 million for FY2018 largely due to an increase in sales from customers.

Profitability

FY2018 vs FY2017

For FY2018, the Group recorded a net loss after tax of S\$4.9 million as compared to a net loss after tax of S\$5.2 million for FY2017. Diluted loss per share attributable to owners of the Company was 0.81 Singapore cents for FY2018 (FY2017: 0.89⁽¹⁾ Singapore cents).

	Group Profit after tax		
	FY2018	FY2017	
	S\$'000	S\$'000	% +/-
Loss, net of tax	(4,867)	(5,169)	-5.8
Less: non-recurring gain on disposal of assets held for sale	(152)	-	NM
Adjusted loss, net of tax	(5,019)	(5,169)	-2.9

(1) For comparative purposes, the number of ordinary shares as at and for the year ended 31 December 2017 has been adjusted to include the effect of the issue of two (2) rights shares for every three (3) existing ordinary shares in July 2018.

Excluding the non-recurring gain recognised in FY2018 of S\$0.2 million on completion of the sale of the Group's freehold property in Australia, the decrease in the net loss after tax would have been S\$0.2 million.

While the Group's turnover decreased by S\$0.1 million or 0.4% yoy to S\$32.7 million, overall net loss after tax decreased by 2.9% to S\$5.0 million. Subcontractor costs increased 16.5% yoy to S\$1.0 million largely due to the increase in business activities that required outsourcing by the Group's wholly-owned Indian subsidiary. The Group's personnel expenses included an one-off S\$0.3 million redundancy expense for FY2018 from the restructuring exercise by one of the Group's subsidiaries operating in China. Current tax expense for FY2018 was higher, taking into the consideration the chargeable income arising from the sale of the Group's freehold property in Australia and higher taxable profit by subsidiaries that performed better in FY2018. The above was partially cushioned by a 5.7% yoy decrease in other operating expenses to S\$2.9 million for FY2018. The decrease was due to (i) lower exchange losses and (ii) higher gain from disposal of fixed assets partially offset by net allowance for doubtful trade receivables and inventory obsolescence written off in FY2018.

The key financial results of the Group's operations for FY2018 were as follows:

1. While current turnover from the Group's Malaysia operations decreased 3.5%, net profit after tax was S\$0.3 million for FY2018 as compared to breakeven results for FY2017. This was largely due to (i) decrease in turnover with margin mix products, (ii) foreign exchange gain in FY2018 as compared to a loss in FY2017 and (iii) lower inventory and fixed assets write-offs for FY2018.
2. The Group's Australia operations recorded a net profit after tax of S\$0.1 million for FY2018, reversing a net loss after tax of S\$0.1 million for FY2017 mainly due to the gain recognised on the sales of its freehold property, offset by the expenses and current tax incurred on the completion of the sale. Some expenses were also incurred in completing the liquidation.
3. While turnover from the Group's Vietnam operations increased by 18.0%, the net profit after tax was S\$0.1 million for both FY2018 and FY2017. This was largely due to higher personnel expenses, higher allowance for other receivables and higher operating costs in FY2018.
4. Despite a decrease in turnover, the Group's Singapore operations recorded a net loss after tax of S\$5.2 million for FY2018, a slight improvement as compared to a loss after tax of S\$5.4 million for FY2017. The deterioration in business activity was cushioned by a 27.8% yoy decline in other operating expenses to S\$0.8 million for FY2018 from S\$1.2 million for FY2017, due largely to a foreign exchange gain recognised in FY2018 as compared to a foreign exchange loss in FY2017.
5. While turnover from the Group's India operations increased 8.1% yoy to S\$13.3 million for FY2018, the net loss after tax was S\$0.7 million for FY2018 as compared to S\$0.4 million net loss after tax for FY2017, largely due to a foreign exchange loss for FY2018 as compared to a gain for FY2017.
6. The Group's China operations registered a lower profit after tax of S\$0.3 million for FY2018 (FY2017: S\$0.7 million) due to lower turnover and cost incurred in the restructuring of the China operations.

Financial Position

The Group's total net assets decreased 4.0% yoy to S\$42.8 million as at 31 December 2018. The Group's net current assets improved 45.9% yoy to S\$5.6 million as at 31 December 2018.

Non-current assets

Total non-current assets (excluding deferred tax assets) for the Group declined to S\$36.8 million as at 31 December 2018, primarily due to the reclassification of the Group's leasehold property in Malaysia to assets held for sale and depreciation charge on fixed assets. The decline was partially cushioned by the one-off Indian customs deposit in relation

to the Appeal and the increase in the value added tax ("VAT") carried forward by the Group's Vietnam subsidiary that could only be used to offset future VAT payables.

Current assets

The Group's current assets increased S\$1.6 million from S\$17.0 million as at 31 December 2017 to S\$18.6 million as at 31 December 2018. The increase was largely due to (i) the Group's leasehold property that was held for sale in FY2018, (ii) higher advance payments to suppliers anticipating future raw material price increases, and (iii) amount due from a third party for the sale of fixed assets as part of the restructuring exercise undertaken by the Group's wholly-owned China subsidiary. The above was partially offset by the utilisation of service tax receivables against the goods and services tax by the Group's Indian subsidiaries.

Current liabilities

The Group's current liabilities decreased S\$0.2 million from S\$13.1 million as at 31 December 2017 to S\$12.9 million as at 31 December 2018. The decrease was largely due to the settlement of loan from its holding company, partially offset by higher tax provision arising from higher taxable profit from subsidiaries in FY2018.

Non-current liabilities

The Group's deferred tax liabilities decreased to S\$0.2 million as at 31 December 2018 which mainly arose from the net effect of tax on the revaluation surplus in relation to the asset held for sale.

Cashflows

For FY2018, net cash used in operations amounted to S\$3.6 million, as compared to S\$3.0 million in FY2017 largely due to the decrease in business activity and losses recorded by the Group.

Net cash used in investing activities amounted to S\$56,000 largely due to the purchase of fixed assets by the Group's wholly-owned Indian subsidiary, offset by the proceeds from the sale of the Group's freehold factory building in Australia and the proceeds from the sale of fixed assets from China restructuring.

Net cash generated from financing activities amounted to S\$2.6 million for FY2018 mainly due to the (i) proceeds from the issuance of new ordinary shares in July 2018 and (ii) draw down of interest-bearing bank loans by the Indian subsidiaries, offset by the repayment of a loan to the holding company.

As a result of the above, the Group's cash and cash equivalents stood at S\$3.0 million as at 31 December 2018, down S\$1.0 million from 31 December 2017.

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

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

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

The global economic outlook continues to be characterised by uncertainty due to growing trade tensions between the US and China. Coupled with signs of slowing economic growth and softening global demand, these headwinds should continue to weigh on the Group's performance going forward.

In light of these challenging market conditions, the Group will focus on guiding the business back to profitability by further streamlining its costs and adopting a lean business model. Furthermore, the Group will adopt a prudent approach when prospecting for new opportunities to grow its business operations.

11. If a decision regarding dividend has been made:

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

None.

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

Not applicable.

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

Not applicable.

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

Not applicable.

(d) The date the dividend is payable

Not applicable.

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

Not applicable.

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

No dividend has been declared or recommended for FY2018 as the Company is in a loss-making position.

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

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

There was no IPT of S\$100,000 and above for FY2018.

14. Use of Proceeds from the Rights Issue

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

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

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

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

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

Not applicable.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

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

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

BY BUSINESS SEGMENT	Supply Chain Management	Investment Holdings	Computer systems integration and consultancy services	Adjustments & Eliminations	Notes	Per consolidated financial statements
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
<u>FY2018</u>						
Turnover:						
External customers	32,681	-	-	-	A	32,681
Inter-segment	4,813	-	-	(4,813)		-
Total turnover	37,494	-	-	(4,813)		32,681
Results:						
Interest income	38	-	-	-	B C	38
Interest expense	(296)	-	-	-		(296)
Depreciation	(2,155)	-	-	-		(2,155)
Impairment loss	-	-	-	-		-
Other non-cash expenses	(271)	-	-	-		(271)
Segment loss	(4,470)	(11)	(10)	37		(4,454)
Additions to non-current assets	1,163	-	-	-	D	1,163
Segment assets	55,566	148	-	336	E	56,050
Segment liabilities	12,696	11	1	380	F	13,088

BY BUSINESS SEGMENT	Supply Chain Management	Investment Holdings	Computer systems integration and consultancy services	Adjustments & Eliminations	Notes	Per consolidated financial statements
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
<u>FY2017</u>						
Turnover:						
External customers	32,799	-	-	-	A	32,799
Inter-segment	6,054	-	-	(6,054)		-
Total turnover	38,853	-	-	(6,054)		32,799
Results:						
Interest income	86	-	-	-	B C	86
Interest expense	(306)	-	-	-		(306)
Depreciation	(2,145)	-	-	-		(2,145)
Impairment loss	(8)	-	-	-		(8)
Other non-cash expenses	(152)	-	-	-		(152)
Segment loss	(4,933)	(12)	(8)	(24)		(4,977)
Additions to non-current assets	1,045	-	-	-	D	1,045
Segment assets	57,620	252	-	146	E	58,018
Segment liabilities	12,254	6	5	1,198	F	13,463

SEGMENT INFORMATION

Note A

Inter-segment revenues are eliminated on consolidation.

Note B

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

	Group	
	FY2018 S\$'000	FY2017 S\$'000
Gain on disposal of fixed assets	(102)	(2)
Fixed assets written off	35	66
Bad debts written off	19	26
Allowance for other receivables written off	41	27
Allowance for doubtful trade receivables	97	3
Allowance for doubtful trade receivables written back	(1)	(29)
Allowance for inventory obsolescence	259	125
Allowance for inventory obsolescence written back	(129)	(170)
Inventories written off	52	106
	<u>271</u>	<u>152</u>

Note C

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

	Group	
	FY2018 S\$'000	FY2017 S\$'000
Consolidation adjustments	37	(24)
	<u>37</u>	<u>(24)</u>

Note D

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

Note E

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

	Group	
	FY2018 S\$'000	FY2017 S\$'000
Deferred tax assets	662	679
Consolidation adjustments	(326)	(533)
	<u>336</u>	<u>146</u>

Note F

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

	Group	
	FY2018	FY2017
	S\$'000	S\$'000
Deferred tax liabilities	178	362
Provision for taxation	202	103
Unallocated inter-segment liabilities	-	733
	380	1,198

Geographical information

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

BY GEOGRAPHICAL SEGMENT	Turnover		Group Loss after tax		Non-current assets(*)	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	1,865	2,616	(5,171)	(5,380)	30,518	31,561
Malaysia	3,828	3,968	273	(24)	176	2,542
People's Republic of China	7,451	7,817	317	711	107	395
India	13,280	12,289	(715)	(444)	4,978	4,745
Australia	25	829	80	(83)	-	1
Vietnam	6,232	5,280	107	106	1,056	1,126
Eliminations and adjustments	-	-	242	(55)	-	-
At 31 December	32,681	32,799	(4,867)	(5,169)	36,835	40,370

(*) Excludes deferred tax assets

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

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

Turnover and profitability by business segments

FY2018 vs FY2017

As explained in paragraph 8 above, the Group's turnover declined 0.4% to S\$32.7 million for FY2018 generally due to the mixed performance in the supply chain management segment.

Supply Chain Management segment ("SCM")

The Group's SCM turnover declined 0.4% yoy to S\$32.7 million for FY2018 due to a decline in turnover recorded in Singapore, Malaysia, Australia and China. The decline in turnover from the above geographical regions was offset by the growth from operations in Vietnam and India. Turnover from the Group's Vietnam operations continued to grow 18.0% yoy to S\$6.2 million for FY2018 due to growth in sales to new and existing customers, while the turnover from the Group's India operations increased 8.1% yoy to S\$13.3 million for FY2018 largely due to an increase in sales from new and existing customers.

The Group's SCM segment recorded a net loss before tax of S\$4.5 million for FY2018 as compared to a net loss before tax of S\$4.9 million for FY2017. Subcontractor costs increased 16.5% yoy to S\$1.0 million largely due to an increase in business activities that required outsourcing. Personnel expenses included an one-off S\$0.3 million redundancy expense for FY2018 as part of the restructuring exercise in China. The above was partially cushioned by a 5.7% yoy decrease in other operating expenses to S\$2.9 million for FY2018. The decrease was due to (i) lower exchange losses and (ii) higher gain from disposal of fixed assets, partially offset by the net allowance for doubtful trade receivables and inventory obsolescence written off in FY2018.

Investment holding (“IH”)

There were no business activities in FY2018 and FY2017.

Computer systems integration and consultancy services (“CSI”)

The Group’s partially-owned Chinese subsidiary (Avantouch) in the CSI segment was dormant in FY2018.

19. A breakdown of sales as follows:

	FY2018	FY2017	%+/-
Group	S\$’000	S\$’000	
(a) Sales reported for first half year	15,889	16,461	-3.5
(b) Operating loss after tax before deducting minority interests reported for first half year	(2,447)	(3,058)	-20.0
(c) Sales reported for second half year	16,792	16,338	2.8
(d) Operating loss after tax before deducting minority interests reported for second half year	(2,420)	(2,111)	14.6

NM – not meaningful

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

	FY2018	FY2017
	S\$’000	S\$’000
Ordinary	-	-
Preference	-	-
Total	-	-

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

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

BY ORDER OF THE BOARD

Teh Eng Chai
Company Secretary
26 February 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) for compliance with the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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