



**IPS SECUREX HOLDINGS LIMITED**  
 (Company Registration No.:201327639H)  
 (Incorporated in the Republic of Singapore)

**Unaudited Second Quarter And Six-Month Financial Statements And Dividend Announcement For The Financial Period Ended 31 December 2018**

*This announcement has been prepared by IPS Securex Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently 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 correctness of any of the statements or opinions made or reports contained in this announcement.*

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**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1,Q2 AND Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

- 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.

	Group Unaudited					
	2Q-2019 <sup>(1)</sup> S\$	2Q-2018 <sup>(2)</sup> S\$	Increase/ (Decrease) % change	1H-2019 <sup>(3)</sup> S\$	1H-2018 <sup>(4)</sup> S\$	Increase/ (Decrease) % change
Revenue	2,531,996	2,630,715	(3.8)	4,675,952	4,948,437	(5.5)
Cost of sales	(1,156,974)	(1,287,461)	(10.1)	(2,289,238)	(2,638,474)	(13.2)
<b>Gross profit</b>	1,375,022	1,343,254	2.4	2,386,714	2,309,963	3.3
Other income	26,783	494,049	(94.6)	21,414	594,153	(96.4)
Administrative expenses	(1,369,353)	(1,245,367)	10.0	(2,709,383)	(2,583,810)	4.9
Other operating expenses	(2,329)	(3,365)	(30.8)	(14,343)	(7,039)	103.8
Finance income	7,005	8,748	(19.9)	18,839	13,647	38.0
Finance costs	(13,571)	(68,227)	(80.1)	(13,945)	(108,956)	(87.2)
<b>Profit/(Loss) before tax</b>	23,557	529,092	(95.5)	(310,704)	217,958	(242.6)
Tax (expense)/ credit	(39,539)	(53,818)	(26.5)	(9,939)	37,425	(126.6)
<b>(Loss)/profit for the period, representing total comprehensive (loss)/profit for the period</b>	(15,982)	475,274	(103.4)	(320,643)	255,383	(225.6)

NM denotes not meaningful.

<sup>(1)</sup> "2Q-2019" refers to the second quarter ended 31 December 2018.

<sup>(2)</sup> "2Q-2018" refers to the second quarter ended 31 December 2017.

<sup>(3)</sup> "1H-2019" refers to the half year ended 31 December 2018.

<sup>(4)</sup> "1H-2018" refers to the half year ended 31 December 2017.

The profit/(loss) for the period attributable to shareholders of the Company includes the following (charges)/credits:

	Group					
	Unaudited					
	2Q-2019 S\$	2Q-2018 S\$	Increase/ (Decrease) % change	1H-2019 S\$	1H-2018 S\$	Increase/ (Decrease) % change
<b>After charging:</b>						
Depreciation of plant and equipment	(265,328)	(262,838)	0.9	(530,313)	(525,216)	1.0
Plant and equipment written off	(480)	(1,982)	(75.8)	(480)	(1,982)	(75.8)
Inventories written off	(7)	(107)	(93.5)	(10)	(134)	(92.5)
Rental expense	(55,998)	(54,465)	2.8	(111,596)	(108,930)	2.4
Allowance for doubtful debts (net)	-	-	-	(7,158)	-	NM
Interest expense	(5,632)	(10,305)	(45.3)	(13,945)	(20,261)	(31.2)
Foreign exchange loss (net)	(7,939)	(57,922)	(86.3)	-	(88,695)	NM
Finance costs	(13,571)	(68,227)	(80.1)	(13,945)	(108,956)	(87.2)
<b>and crediting:</b>						
Miscellaneous income	-	15,171	NM	1,742	47,527	(96.3)
Bad debts recovered	10,302	472,858	(97.8)	-	502,858	NM
Government grant and subsidies	16,481	6,020	173.8	19,672	43,768	(55.1)
Other income	26,783	494,049	(94.6)	21,414	594,153	(96.4)
Over provision of income tax in respect of prior year	-	77,564	NM	-	77,564	NM
Foreign exchange gain (net)	-	-	-	4,925	-	NM
Interest income	7,005	8,748	(19.9)	13,914	13,647	2.0
Finance income	7,005	8,748	(19.9)	18,839	13,647	38.0

NM denotes not meaningful.

**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.**

	Group		Company	
	Unaudited As at 31.12.2018 S\$	Audited As at 30.06.2018 S\$	Unaudited As at 31.12.18 S\$	Audited As at 30.06.2018 S\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	3,260,847	3,582,866	188,310	257,731
Trade and other receivables	2,372,993	2,701,222	3,129,815	3,307,770
Loans to subsidiary corporation	-	-	1,288,400	1,508,400
Inventories	1,287,370	1,036,746	-	-
Contract assets	415,544	631,624	-	-
<b>Total current assets</b>	<b>7,336,754</b>	<b>7,952,458</b>	<b>4,606,525</b>	<b>5,073,901</b>
<b>Non-current assets</b>				
Investment in subsidiary corporations	-	-	4,844,199	4,844,199
Plant and equipment	2,695,215	3,189,452	-	-
Other investments	7,605	7,605	-	-
	<b>2,702,820</b>	<b>3,197,057</b>	<b>4,844,199</b>	<b>4,844,199</b>
<b>Total assets</b>	<b>10,039,574</b>	<b>11,149,515</b>	<b>9,450,724</b>	<b>9,918,100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	2,240,903	2,717,939	236,043	324,954
Contract liabilities	121,937	157,707	-	-
Finance lease	18,151	18,151	-	-
Bank borrowings	133,566	410,921	133,566	410,921
<b>Total current liabilities</b>	<b>2,514,557</b>	<b>3,304,718</b>	<b>369,609</b>	<b>735,875</b>
<b>Non-current liabilities</b>				
Finance lease	61,733	70,809	-	-
Deferred tax liabilities	25,343	15,404	-	-
	<b>87,076</b>	<b>86,213</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves</b>				
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Treasury shares	(89,353)	(89,353)	(89,353)	(89,353)
Capital reserves	(589,999)	(589,999)	210,000	210,000
Accumulated losses	(1,288,613)	(967,970)	(445,438)	(344,328)
	<b>7,437,941</b>	<b>7,758,584</b>	<b>9,081,115</b>	<b>9,182,225</b>
<b>Total liabilities and equity</b>	<b>10,039,574</b>	<b>11,149,515</b>	<b>9,450,724</b>	<b>9,918,100</b>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	As at 31.12.2018		As at 30.06.2018	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
<b>Group</b>				
Amount repayable in one year or less, or on demand	151,717	-	429,072	-
Amount repayable after one year	61,733	-	70,809	-
	<u>213,450</u>	<u>-</u>	<u>499,881</u>	<u>-</u>

Details of the collaterals:

The Group's borrowings are secured by corporate guarantees provided by IPS Securex Holdings Limited and IPS Securex Pte. Ltd.. The Group's finance lease is secured by the respective plant and equipment purchased under the lease.

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

	<b>Group Unaudited</b>			
	<b>2Q-2019</b>	<b>2Q-2018</b>	<b>1H-2019</b>	<b>1H-2018</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>Operating activities</b>				
Profit/(Loss) before tax	23,557	529,092	(310,704)	217,958
Adjustments for:				
Interest income	(7,005)	(8,748)	(13,914)	(13,647)
Interest expense	5,632	10,305	13,945	20,261
Depreciation of plant and equipment	265,328	262,838	530,313	525,216
Plant and equipment written off	480	1,982	480	1,982
Inventories written off	7	107	10	134
Bad debts recovered	(10,302)	-	-	-
Allowance for doubtful debts (net)	-	-	7,158	-
Net foreign exchange loss	10,784	86,541	8,448	114,101
Operating cash flows before working capital changes	288,481	882,117	235,736	866,005
Trade and other receivables	(280,722)	(569,766)	320,025	(940,310)
Inventories	(351,395)	(35,782)	(250,634)	(323,519)
Contract assets	166,556	346,011	216,080	216,860
Trade and other payables	(181,650)	(348,102)	(482,163)	(345,890)
Contract liabilities	57,914	(15,409)	(35,770)	6,710
Cash (used in)/generated from operations	(300,816)	259,069	3,274	(520,144)
Income tax paid	-	(13,022)	-	(13,590)
Interest received	5,850	3,169	11,617	6,956
<b>Net cash (used in)/ from operating activities</b>	<b>(294,966)</b>	<b>249,216</b>	<b>14,891</b>	<b>(526,778)</b>
<b>Investing activities</b>				
Purchase of plant and equipment	(21,271)	(21,456)	(36,556)	(27,935)
Acquisition of other investment	-	(1,605)	-	(1,605)
Acquisition of subsidiaries, net of cash acquired	-	-	-	(373,200)
<b>Net cash used in investing activities</b>	<b>(21,271)</b>	<b>(23,061)</b>	<b>(36,556)</b>	<b>(402,740)</b>
<b>Financing activities</b>				
Interest paid	(6,349)	(10,293)	(14,527)	(20,797)
Repurchase of own shares	-	-	-	(89,353)
Repayments of bank borrowings	(155,540)	(243,750)	(277,355)	(455,656)
Repayments of finance leases	(4,538)	(22,922)	(9,076)	(82,402)
<b>Net cash used in financing activities</b>	<b>(166,427)</b>	<b>(276,965)</b>	<b>(300,958)</b>	<b>(648,208)</b>
Net decrease in cash and cash equivalents	<b>(482,664)</b>	<b>(50,810)</b>	<b>(322,623)</b>	<b>(1,577,726)</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,749)	(31,993)	604	(59,552)
Cash and cash equivalents at beginning of the period	3,699,673	3,333,202	3,537,279	4,887,677
<b>Cash and cash equivalents at end of the period</b>	<b>3,215,260</b>	<b>3,250,399</b>	<b>3,215,260</b>	<b>3,250,399</b>
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	3,215,260	3,250,399	3,215,260	3,250,399
Restricted cash	45,587	18,000	45,587	18,000
Cash and cash equivalents at end of the period	3,260,847	3,268,399	3,260,847	3,268,399

- 1(d)(i) A statement (for the issuer and the 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.

#### Statement of changes in equity

S\$	Share capital	Treasury shares	Capital reserves	Accumulated profit/(losses)	Total
<b>Group</b>					
Balance at 1 July 2018	9,405,906	(89,353)	(589,999)	(967,970)	7,758,584
<b>Total comprehensive loss for the period</b>					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(320,643)	(320,643)
Balance at 31 December 2018	9,405,906	(89,353)	(589,999)	(1,288,613)	7,437,941
Balance at 1 July 2017	9,405,906	-	(589,999)	322,848	9,138,755
<b>Total comprehensive income for the period</b>					
Profit for the period, representing total comprehensive income for the period	-	-	-	255,383	255,383
<b>Transactions with owners, recognised directly in equity</b>					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 31 December 2017	9,405,906	(89,353)	(589,999)	578,231	9,304,785
<b>Company</b>					
Balance at 1 July 2018	9,405,906	(89,353)	210,000	(344,328)	9,182,225
<b>Total comprehensive loss for the period</b>					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(101,110)	(101,110)
Balance at 31 December 2018	9,405,906	(89,353)	210,000	(445,438)	9,081,115
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
<b>Total comprehensive loss for the period</b>					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(98,189)	(98,189)
<b>Transactions with owners, recognised directly in equity</b>					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 31 December 2017	9,405,906	(89,353)	210,000	(210,726)	9,315,827

**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.**

There were no outstanding convertibles and subsidiary holdings held by the Company as at 31 December 2018 and 31 December 2017. The number of shares held as treasury shares as at 31 December 2018 and 31 December 2017 is 1,155,900 treasury shares. The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 31 December 2018 and 31 December 2017 is 0.24%.

**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.**

	As at	
	31.12.2018	30.06.2018
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>484,844,100</u>	<u>484,844,100</u>

**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.

**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.

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

The figures have not been audited or reviewed by the auditors of the Company.

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

Not applicable.

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

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I) issued by the ASC, and IFRS issued by the IASB.

The Group has applied the same accounting policies and methods of computation in the financial statements for 1H-2019 as that of the audited financial statements for the year ended 30 June 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 July 2018 as follows:

- SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*;
- SFRS(I)15 *Revenue from Contracts with Customers*;
- SFRS(I) 9 *Financial Instruments*;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 - *Classification and measurement of share-based payment transactions*;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 -*Deletion of short-term exemptions for first-time adopters*; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

#### SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

SFRS(I) requires that the Group applies SFRS(I) on a retrospective basis and restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual Financial Reporting Standards (FRS) applied to FRS financial statements. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 does not have any significant impact on the Group's financial statements.

#### SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 using the retrospective approach and applies all of the requirements of SFRS(I) 15 retrospectively, except for the practical expedients used for completed contracts. Under these practical expedients, completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The adoption of SFRS(I) 15 is assessed to have no significant impact on the results of the Group's financial statements for 1H-2019.

#### *Presentation of contract assets and liabilities*

Under SFRS(I) 15, for each revenue contract entered into, the Group presents contract assets or contract liabilities in its statement of financial position when the Group has performed the transfer of goods/services to the customer and has established the right to payment for the transfer (contract asset), or the customer had paid a consideration in advance for the transfer of goods/services to the Group (contract liability). As a result of the adoption of SFRS(I) 15, the Group reclassified S\$631,624 from trade and other receivables to contract assets and S\$157,707 from trade and other payables to contract liabilities in its statement of financial position as at 30 June 2018. As at 31 December 2018, the Group classified S\$415,544 as contract assets and S\$121,937 as contract liabilities in the statement of financial position.

#### SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. The Group elected the SFRS(I) exemption in SFRS(I) 1 allowing it not to restate comparative information in SFRS(I) financial statements for the financial year ending 30 June 2019. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 July 2018.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables and any contract assets arising from the application of SFRS(I) 15.



The adoption of SFRS(I) 9 is assessed to have no significant impact on the results of the Group's financial statements for 1H-2019.

**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 Item 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			
	2Q-2019	2Q-2018	1H-2019	1H-2018
Earnings per ordinary share ("EPS")				
(Loss)/profit attributable to owners of the Company (S\$)	(15,982)	475,274	(320,643)	255,383
Weighted average number of ordinary shares <sup>(1)</sup>	<u>484,844,100</u>	<u>485,154,518</u>	<u>484,844,100</u>	<u>485,154,518</u>
EPS - Basic and diluted (cents) <sup>(2)</sup>	<u>(0.00)</u>	<u>0.10</u>	<u>(0.07)</u>	<u>0.05</u>

<sup>(1)</sup> During the period from 1 July 2017 to 31 December 2017, the Company purchased 1,155,900 shares as treasury shares with the resultant that the number of issued shares was reduced from 486,000,000 shares as at 1 July 2017 to 484,844,100 shares as at 31 December 2017 and 31 December 2018. For the purpose of computing earnings per share, the weighted average number of shares of the Company for 1H-2019 and 1H-2018 had been computed using the share capital as at 1 July 2018 and 1 July 2017 adjusted for the share purchases of 1,155,900 shares and as weighted over 1H-2019 and 1H-2018 during which time such shares were outstanding, in arriving at the weighted average of 484,844,100 shares and 485,154,518 shares, respectively.

<sup>(2)</sup> The basic and diluted earnings per share were the same as there were no dilutive instruments 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	
	Unaudited As at 31.12.2018	Audited As at 30.06.2018	Unaudited As at 31.12.2018	Audited As at 30.06.2018
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	<u>1.5</u>	<u>1.6</u>	<u>1.9</u>	<u>1.9</u>

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.**

### **Review of the Group's performance**

The Group has two major business segments, namely (i) Security Solutions Business, and (ii) Maintenance and Leasing Business.

#### **Revenue**

The Group's revenue decreased by approximately S\$99,000 or 3.8% from S\$2.6 million in 2Q-2018 to S\$2.5 million in 2Q-2019; and decreased by approximately S\$272,000 or 5.5% from S\$4.9 million in 1H-2018 to S\$4.7 million in 1H-2019

Revenue from the Security Solutions Business decreased by approximately S\$551,000 or 50.1% from S\$1.1 million in 2Q-2018 to S\$523,000 in 2Q-2019. This was mainly attributable to the decrease in demand for integrated security solutions in Singapore of S\$576,000, partially offset by an increase in the sales of security products to customers in East Asia<sup>(3)</sup> and Singapore of S\$25,000.

Revenue from the Security Solutions Business decreased by approximately S\$643,000 or 33.8% from S\$1.9 million in 1H-2018 to S\$1.2 million in 1H-2019. This was mainly attributable to the decrease in the sales of security products to customers in the Rest of Southeast Asia<sup>(1)</sup>, Indochina<sup>(2)</sup> and East Asia<sup>(3)</sup> of S\$465,000 and decrease in demand for integrated security solutions in Singapore of S\$178,000.

Revenue from the Maintenance and Leasing Business increased by approximately S\$452,000 or 28.3% from S\$1.6 million in 2Q-2018 to S\$2.0 million in 2Q-2019 and increased by approximately S\$371,000 or 12.0% from S\$3.1 million in 1H-2018 to S\$3.5 million in 1H-2019. This was mainly attributable to the increase in fees earned of S\$380,000 due to the ad-hoc replacement of a component in a security system for a public sector customer in Singapore in 2Q-2019.

#### **Cost of sales**

Cost of sales decreased by approximately S\$130,000 or 10.1% from S\$1.3 million in 2Q-2018 to S\$1.2 million in 2Q-2019 and decreased by approximately S\$349,000 or 13.2% from S\$2.6 million in 1H-2018 to S\$2.3 million in 1H-2019. This was mainly due to the decrease in direct material costs incurred due to the decline in the Group's turnover as well as bulk discounts received on the purchase of direct materials.

#### **Gross profit**

Gross profit increased by approximately S\$32,000 or 2.4% from S\$1.3 million in 2Q-2018 to S\$1.4 million in 2Q-2019 and increased by approximately S\$77,000 or 3.3% from S\$2.3 million in 1H-2018 to S\$2.4 million in 1H-2019 due to the factors discussed above.

#### **Other income**

Other income decreased by approximately S\$467,000 or 94.6% from S\$494,000 in 2Q-2018 to S\$27,000 in 2Q-2019. The decrease was mainly due to the absence of the recovery of outstanding debts previously provided as doubtful debts of S\$462,000 in 2Q-2018, decrease in miscellaneous income of S\$15,000, and partially offset by an increase in governments grants and subsidies of S\$10,000.

Other income decreased by approximately S\$573,000 or 96.4% from S\$594,000 in 1H-2018 to S\$21,000 in 1H-2019. The decrease was mainly due to the absence of the recovery of outstanding debts previously provided as doubtful debts of S\$503,000 in 1H-2018, decrease in miscellaneous income of S\$46,000 and decrease in government grants and subsidies of S\$24,000.

(1) "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

(2) "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

(3) "East Asia" includes China, Hong Kong and South Korea.

## **Administrative expenses**

Administrative expenses increased by approximately S\$124,000 or 10.0% from S\$1.2 million in 2Q-2018 to S\$1.4 million in 2Q-2019. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$108,000 mainly due to staff bonuses accrued in 2Q-2019; and
- b) distribution and marketing expenses of S\$13,000 and office related expenses of S\$3,000.

Administrative expenses increased by approximately S\$126,000 or 4.9% from S\$2.6 million in 1H-2018 to S\$2.7 million in 1H-2019. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$60,000 mainly due to staff bonuses accrued in 1H-2019;
- b) distribution and marketing expenses of S\$49,000 and office related expenses of S\$16,000.

## **Other operating expenses**

Other operating expenses decreased by approximately S\$1,000 or 30.8% from S\$3,000 in 2Q-2018 to S\$2,000 in 2Q-2019. This was mainly due to the absence of plant and equipment written off of S\$1,000 which was recognised in 2Q-2018.

Other operating expenses increased by approximately S\$7,000 or 103.8% from S\$7,000 in 1H-2018 to S\$14,000 in 1H-2019. This was mainly due to the recognition of allowance for doubtful debts of S\$7,000, an increase in bank charges of S\$1,000, and partially offset by the absence of plant and equipment written off of S\$1,000 which was recognised in 1H-2018.

## **Finance income**

Finance income decreased by approximately S\$2,000 or 19.9% from S\$9,000 in 2Q-2018 to S\$7,000 in 2Q-2019. This was mainly due to the difference between the carrying value and fair value of certain trade receivables attributable to an instalment repayment plan agreed with a customer.

Finance income increased by approximately S\$5,000 or 38.0% from S\$14,000 in 1H-2018 to S\$19,000 in 1H-2019. This was mainly due to an increase in foreign exchange gain of S\$5,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar.

## **Finance costs**

Finance costs decreased by approximately S\$55,000 or 80.1% from S\$68,000 in 2Q-2018 to S\$14,000 in 2Q-2019. This was mainly due to the lower net foreign exchange loss of S\$50,000 recognised in 2Q-2019 and lower interest expenses incurred of S\$5,000. Net foreign exchange loss was lower in 2Q-2019 because of the absence of a net foreign exchange loss of S\$50,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar that was recognised in 2Q-2018 while interest expenses were lower in 2Q-2019 because of the repayment of the term loan taken by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte. Ltd. which was completed on 1 April 2016 (the "Acquisition").

Finance costs decreased by approximately S\$95,000 or 87.2% from S\$109,000 in 1H-2018 to S\$14,000 in 1H-2019. This was mainly due to the absence of net foreign exchange loss of S\$89,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar that was recognised in 1H-2018 and lower interest expenses incurred of S\$6,000 as a result of the repayment of the term loan taken by the Group to fund the Acquisition.

## **Tax (expense)/credit**

The tax expense in 1H-2019 versus the tax income in 1H-2018 was mainly due to the absence in 1H-2019 of the recognition in 1H-2018 of unabsorbed tax losses as deferred tax assets. The lower tax expense in 2Q-2019 versus 2Q-2018 was mainly due to the lower profit before tax recorded in 2Q-2019.

## **Review of the Group's financial position**

### **Current assets**

Current assets decreased by approximately S\$616,000 from S\$8.0 million as at 30 June 2018 to S\$7.3 million as at 31 December 2018. The decrease in current assets was mainly due to:-

- a) a decrease in cash and cash equivalents of S\$322,000;
- b) a net decrease in trade and other receivables of S\$328,000 mainly due to the receipt of payment from customers of S\$243,000, a decrease in prepaid maintenance support services of S\$169,000, and partially offset by an increase in deposits placed with suppliers for purchases of security products of S\$31,000, prepayment for insurance premiums of S\$17,000, and other general expenses of S\$36,000;
- c) a decrease in contract assets of S\$216,000 mainly attributable to an increase in billings upon project completion; and  
partially offset by:-
- d) an increase in inventories of S\$251,000 due to increase in purchase of parts and components.

### **Non-current assets**

Non-current assets decreased by approximately S\$494,000 from S\$3.2 million as at 30 June 2018 to S\$2.7 million as at 31 December 2018. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S\$494,000 primarily attributable to depreciation charges.

### **Current liabilities**

Current liabilities decreased by approximately S\$790,000 from S\$3.3 million as at 30 June 2018 to S\$2.5 million as at 31 December 2018. The decrease in current liabilities was mainly due to:-

- a) the decrease in trade and other payables of S\$477,000 mainly due to payments made to suppliers of S\$416,000 and decrease in the accruals of operating expenses of S\$61,000;
- b) a decrease in contract liabilities of S\$36,000 mainly due to delivery of services for which consideration had been received in advance previously; and
- c) the repayment of bank borrowings of S\$277,000.

### **Non-current liabilities**

Non-current liabilities increased by approximately S\$1,000 from S\$86,000 as at 30 June 2018 to S\$87,000 as at 31 December 2018. This was due to an increase in deferred tax liabilities of S\$10,000; and partially offset by the repayment of finance lease amounting to S\$9,000.

### **Capital and reserves**

Capital and reserves decreased by approximately S\$321,000 from S\$7.8 million as at 30 June 2018 to S\$7.4 million as at 31 December 2018. This was due to losses incurred in 1H-2019 of S\$321,000.

## **Review of the Group's cashflows**

### **Net cash from operating activities**

In 1H-2019, the net cash from operating activities was approximately S\$15,000, which consisted of operating cashflows before working capital changes of S\$236,000, net working capital outflow of S\$232,000 and interest received of S\$12,000.

The net working capital outflow arose mainly from the following:-

- a) a net decrease in trade and other receivables of S\$320,000 mainly due to the receipt of payment from customers of S\$243,000, a decrease in prepaid maintenance support services of S\$169,000; and partially offset by an increase in deposits placed with suppliers for purchases of security products of S\$31,000, prepayment for insurance premiums of S\$17,000, increase in other general expenses of S\$41,000 and an exchange difference of S\$3,000;
- b) an increase in inventories of S\$251,000 due to increase in purchase of parts and components;
- c) a decrease in contract assets of S\$216,000 mainly attributable to an increase in billings upon project completion;
- d) the decrease in trade and other payables of S\$482,000 mainly due to payments made to suppliers of S\$416,000, decrease in accruals of operating expenses of S\$61,000 and an exchange difference of S\$5,000; and
- e) a decrease in contract liabilities of S\$36,000 mainly due to delivery of services for which consideration had been received in advance previously.

### **Net cash used in investing activities**

Net cash used in investing activities amounted to approximately S\$37,000 in 1H-2019 due to the purchase of plant and equipment.

### **Net cash used in financing activities**

Net cash used in financing activities amounted to approximately S\$301,000 in 1H-2019 which was mainly due to repayment of bank borrowings and finance leases in aggregate of S\$286,000, and interest paid of S\$15,000.

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

Not applicable.

**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 persistence of terrorism as a global threat and its evolving nature puts great challenges on governments' security measures in terms of detection and prevention. In response, governments around the world continue to enhance their security capabilities and procedures to deal with current and future threats. This creates a constant demand for integrated security solutions that enable better coordination in terms of threat identification, assessment and response, in order to derive better outcomes.

The operating and political environment in which the Group currently operates in is varied as countries are facing different political and economic situations, and the governments are trying to resolve the issues both internally and externally. This may lead to slowdowns or delays in government projects and tenders which have affected the Group's business, leading to a lower turnover and profitability in recent quarters.

With the resolution of some of these slowdowns and delays in time to come, the Group looks forward to the eventual normalisation of its business and operating environment. The Company recently announced that its wholly-owned subsidiary, IPS Securex Pte. Ltd., has received a Letter of Acceptance from a government agency in Southeast Asia for a contract worth potentially a total of up to approximately S\$19.1 million. The Company will make the appropriate announcements to update its shareholders, as and when necessary.

On its part, the Group will continue to market and participate in the tenders of its customers in efforts to build up its project pipeline. It will also source for cutting-edge security products and solutions worldwide, especially those which can be integrated with its existing range of products and solutions, so as to meet the evolving needs of current and future customers.

**11. Dividend**

(a) Whether any interim (final) ordinary dividend has been declared (recommended)

No.

(b) Any dividend declared (recommended) for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for 1H-2019.

**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 Group does not have a general mandate from shareholders for interested person transactions (“IPT”) pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (“Catalist Rules”). However, pursuant to Rule 905 of the Catalist Rules, the following is disclosed.

	<b>Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules)</b>	
	<b>1H-2019</b>	<b>1H-2018</b>
	<b>S\$</b>	<b>S\$</b>
<u>Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense)</u>		
<u>by:-</u>		
IPS Realty Pte Ltd	(108,000)	(108,000)
IPS Group Pte. Ltd.	(37,230)	(29,496)

**14. Confirmation by the Issuer pursuant to Rule 720(1)**

The Company confirms that it has procured undertakings from all of its directors (“Directors”) and executive officers as required under Rule 720(1) of the Catalist Rules.

**15. Negative confirmation by the Board pursuant to Rule 705(5)**

The board of Directors (the “Board”) hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board, which may render the unaudited financial statements of the Group for 1H-2019 to be false or misleading in any material aspect.

By Order of the Board

Kelvin Lim Ching Song  
 Executive Director and Group Chief Executive Officer  
 1 February 2019