

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FULL YEARLY RESULTS**Issuer/ Manager**

IPS SECUREX HOLDINGS LIMITED

Securities

IPS SECUREX HOLDINGS LIMITED - SG1BJ0000005 - 42N

Stapled Security

No

Announcement Details**Announcement Title**

Financial Statements and Related Announcement

Date & Time of Broadcast

26-Aug-2020 17:52:50

Status

New

Announcement Sub Title

Full Yearly Results

Announcement Reference

SG200826OTHR901C

Submitted By (Co./ Ind. Name)

Kelvin Lim Ching Song

Designation

Executive Director and Group Chief Executive Officer

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the attached.

Additional Details**For Financial Period Ended**

30/06/2020

Attachments[IPS%20-%20Full%20Year%20Result%20Announcement.pdf](#)[IPS%20-%20Press%20Release%20-%20FY2020.pdf](#)

Total size = 1331K MB



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

Full Year Financial Statements And Dividend Announcement For The Financial Year Ended 30 June ("FY") 2020

This announcement has been prepared by IPS Securex Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Mr David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

- 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.**

	Unaudited FY2020 S\$	Audited FY2019 S\$	Increase/ (Decrease) % change
Revenue	19,324,384	8,982,604	115.1
Cost of sales	(11,761,409)	(4,495,339)	161.6
Gross profit	7,562,975	4,487,265	68.5
Other operating income	363,101	61,733	488.2
Administrative expenses	(5,399,642)	(5,455,004)	(1.0)
Other operating expenses	(191,401)	(337,482)	(43.3)
Finance income	47,440	29,632	60.1
Finance costs	(90,990)	(24,238)	275.4
Profit/(Loss) before income tax	2,291,483	(1,238,094)	NM
Income tax (expense)/credit	(254,899)	26,530	NM
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year	2,036,584	(1,211,564)	NM

NM denotes not meaningful.

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

	Group		
	Unaudited FY2020 S\$	Audited FY2019 S\$	Increase/(Decrease) % change
After charging:			
Depreciation of plant and equipment	(854,364)	(1,057,913)	(19.2)
Plant and equipment written off	-	(480)	NM
Inventories written off	(19,010)	(369)	5,051.8
Rental expense	(219,552)	(223,583)	(1.8)
Allowance for doubtful debts (net)	(115,427)	(324,039)	(64.4)
Allowance for inventories obsolescence	(44,717)	-	NM
Interest expense	(90,990)	(24,238)	275.4
Finance costs	(90,990)	(24,238)	275.4
and crediting:			
Miscellaneous income	14,150	2,897	388.4
Bad debts recovered	10,165	-	NM
Write-back of allowance for inventories	-	7,674	NM
Government grant and subsidies	338,786	51,162	562.2
Other operating income	363,101	61,733	488.2
Over provision of income tax in respect of prior year	-	17,000	NM
Foreign exchange gain (net)	42,059	14,177	196.7
Interest income	5,381	15,455	(65.2)
Finance income	47,440	29,632	60.1

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 30.06.2020 S\$	Audited As at 30.06.2019 S\$	Unaudited As at 30.06.2020 S\$	Audited As at 30.06.2019 S\$
ASSETS				
Current assets				
Cash and cash equivalents	4,128,203	3,869,130	141,251	122,106
Trade and other receivables	5,148,913	2,692,855	2,173,512	2,748,849
Loans to subsidiaries	-	-	1,429,576	1,545,000
Inventories	1,628,538	2,201,764	-	-
Contract cost	213,441	289,739	-	-
Contract assets	882,154	219,775	-	-
Total current assets	12,001,249	9,273,263	3,744,339	4,415,955
Non-current assets				
Investment in subsidiaries	-	-	5,344,199	4,844,199
Plant and equipment	1,390,083	2,184,685	-	-
Other investments	7,605	7,605	-	-
	1,397,688	2,192,290	5,344,199	4,844,199
Total assets	13,398,937	11,465,553	9,088,538	9,260,154
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,381,367	2,448,366	462,170	255,252
Contract liabilities	1,620,535	2,393,484	-	-
Lease liability (2019: Finance lease)	18,151	18,151	-	-
Bank borrowings	23,545	-	-	-
Income tax payable	87,843	-	-	-
Total current liabilities	4,131,441	4,860,001	462,170	255,252
Non-current liabilities				
Bank borrowings	476,455	-	-	-
Lease liability (2019: Finance lease)	34,507	52,658	-	-
Deferred tax liabilities	172,930	5,874	-	-
	683,892	58,532	-	-
Capital and reserves				
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	(142,950)	(2,179,534)	(900,185)	(521,651)
	8,583,604	6,547,020	8,626,368	9,004,902
Total liabilities and equity	13,398,937	11,465,553	9,088,538	9,260,154

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 30.06.2020		As at 30.06.2019	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Group				
Amount repayable in one year or less, or on demand	41,696	-	18,151	-
Amount repayable after one year	510,962	-	52,658	-
	<u>552,658</u>	<u>-</u>	<u>70,809</u>	<u>-</u>

Details of the collaterals:

The Group's borrowings are secured by corporate guarantees provided by IPS Securex Holdings Limited. The Group's lease liability (2019: 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.

	Group	
	Unaudited FY2020 S\$	Audited FY2019 S\$
Operating activities		
Profit/(Loss) before tax	2,291,483	(1,238,094)
Adjustments for:		
Interest income	(5,381)	(15,455)
Interest expense	90,990	24,238
Depreciation of plant and equipment	854,364	1,057,913
Plant and equipment written off	-	480
Inventories written off	19,010	369
Allowance for/(Write-back of) allowance for inventories	44,717	(7,674)
Allowance for doubtful debts (net)	115,427	324,039
Net foreign exchange gain	(10,620)	(2,064)
Operating cash flows before working capital changes	3,399,990	143,752
Trade and other receivables	(2,570,820)	(155,041)
Inventories	509,499	(1,004,195)
Contract cost	76,298	(137,073)
Contract assets	(662,379)	(54,966)
Trade and other payables	(281,055)	(52,892)
Contract liabilities	(772,949)	2,025,606
Cash (used in)/generated from operations	(301,416)	765,191
Income tax received	-	17,000
Interest received	4,715	15,455
Net cash (used in)/from operating activities	(296,701)	797,646
Investing activities		
Purchase of plant and equipment	(59,762)	(53,626)
Net cash used in investing activities	(59,762)	(53,626)
Financing activities		
Interest paid	(90,980)	(24,559)
Proceeds from bank borrowings	500,000	-
Repayments of bank borrowings	-	(410,921)
Repayments of lease liabilities (2019: finance leases)	(18,151)	(18,151)
Increase in trade financing facilities	216,220	-
Change in restricted cash and fixed deposit pledged	(33,751)	(1,453,244)
Net cash from/(used in) financing activities	573,338	(1,906,875)
Net increase/(decrease) in cash and cash equivalents	216,875	(1,162,855)
Effect of exchange rate changes on the balance of cash held in foreign currencies	8,447	(4,125)
Cash and cash equivalents at beginning of the year	2,370,299	3,537,279
Cash and cash equivalents at end of the year	2,595,621	2,370,299
Cash and cash equivalents in the Group's cash flow statements comprise the following:		
Cash at bank and on hand	2,595,621	2,370,299
Fixed deposit pledged	1,418,650	18,000
Restricted cash	113,932	1,480,831
Cash and cash equivalents at end of the year	4,128,203	3,869,130

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	Other reserves	Accumulated profit/(losses)	Total
Group					
Balance at 1 July 2019	9,405,906	(89,353)	(589,999)	(2,179,534)	6,547,020
Total comprehensive income for the year					
Profit for the period, representing total comprehensive income for the period	-	-	-	2,036,584	2,036,584
Balance at 30 June 2020	9,405,906	(89,353)	(589,999)	(142,950)	8,583,604
Balance at 1 July 2018	9,405,906	(89,353)	(589,999)	(967,970)	7,758,584
Total comprehensive loss for the year					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,211,564)	(1,211,564)
Balance at 30 June 2019	9,405,906	(89,353)	(589,999)	(2,179,534)	6,547,020
Company					
Balance at 1 July 2019	9,405,906	(89,353)	210,000	(521,651)	9,004,902
Total comprehensive loss for the year					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(378,534)	(378,534)
Balance at 30 June 2020	9,405,906	(89,353)	210,000	(900,185)	8,626,368
Balance at 1 July 2018	9,405,906	(89,353)	210,000	(344,328)	9,182,225
Total comprehensive loss for the year					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(177,323)	(177,323)
Balance at 30 June 2019	9,405,906	(89,353)	210,000	(521,651)	9,004,902

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 30 June 2020 and 30 June 2019. The number of shares held as treasury shares as at 30 June 2020 and 30 June 2019 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 30 June 2020 and 30 June 2019 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	
	30.06.2020	30.06.2019
Total number of issued shares excluding treasury shares and subsidiary holdings	484,844,100	484,844,100

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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for FY2020 as that of the audited financial statements for FY2019, except for the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the financial year beginning 1 July 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 3 and SFRS(I) 11 Previously Held Interest in a Joint Operation
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-12 Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to SFRS(I) 1-19 Plan Amendment, Curtailment or Settlement
- Amendments to SFRS(I) 1-23 Borrowing Costs Eligible for Capitalisation
- Amendments to SFRS(I) 1-28 Long-Term Interests in Associates and Joint Ventures

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group.

Application of SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group has adopted SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach, with no restatement of comparative information.

The Group as lessee

The Group has entered into lease agreements for rental of office, other equipment and foreign workers' accommodation.

The lease rental of office and all other lease agreements were signed for a period of 12 months with no renewal options. Applying the exemption for short-term leases, there are no right-of-use assets and lease liabilities being accounted. The lease rental expense will be charged out to the income statement as incurred.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases, and to account for this type of lease using the existing operating lease accounting model.

Based on the information currently available, no significant impact on the financial statements is expected for the Group's activity as a lessor.

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	
	Unaudited FY2020	Audited FY2019
Earnings per ordinary share ("EPS")		
Profit/(Loss) attributable to owners of the Company (S\$)	2,036,584	(1,211,564)
Weighted average number of ordinary shares ⁽¹⁾	484,844,100	484,844,100
Earnings/(Loss) per share - Basic and diluted (cents) ⁽²⁾	0.42	(0.25)

Notes:

⁽¹⁾ The basic and diluted earnings per share were the same as there were no dilutive instruments as at 30 June 2019 and 30 June 2020.

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 30.06.2020	Audited As at 30.06.2019	Unaudited As at 30.06.2020	Audited As at 30.06.2019
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	1.8	1.4	1.8	1.9

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 increased by approximately S\$10.3 million or 115.1% from S\$9.0 million in FY2019 to S\$19.3 million in FY2020.

Revenue from the Security Solutions Business increased by approximately S\$10.9 million or 409.3% from S\$2.7 million in FY2019 to S\$13.6 million in FY2020. This was mainly attributable to (i) an increase in revenue from the sale of security products to customers in Singapore of S\$685,000, in Indochina⁽¹⁾ of S\$65,000, in Rest of Southeast Asia⁽²⁾ of S\$152,000, and in East Asia⁽³⁾ of S\$388,000; and (ii) an increase in revenue from providing integrated security solutions in Singapore of S\$8.1 million, and in the Rest of Southeast Asia⁽²⁾ of S\$1.6 million.

Revenue from the Maintenance and Leasing Business decreased by approximately S\$602,000 or 9.5% from S\$6.3 million in FY2019 to S\$5.7 million in FY2020. This was mainly attributable to the absence of revenue from (i) the ad-hoc replacement in the second quarter ended 31 December 2018 ("2Q-2019") of a component in a security system for a customer in Singapore of S\$380,000; (ii) the non-renewal of maintenance contract with a customer in Indochina⁽¹⁾ of S\$189,000; and (iii) a delay in commencement of a maintenance contract by one of our customers in the Rest of Southeast Asia⁽²⁾ of S\$345,000, and partially offset by an increase in revenue from the provision of maintenance support services to customers in Singapore of S\$312,000.

Cost of sales

Cost of sales increased by approximately S\$7.3 million or 161.6% from S\$4.5 million in FY2019 to S\$11.8 million in FY2020. This was mainly due to the net increase in direct material costs incurred in line with the increase in revenue and a higher proportion of integrated security solutions undertaken by the Group which had a higher cost base relative to revenue.

Gross profit

Gross profit increased by approximately S\$3.1 million or 68.5% from S\$4.5 million in FY2019 to S\$7.6 million in FY2020 as a result of the factors discussed above.

Other operating income

Other operating income increased by approximately S\$301,000 or 488.2% from S\$62,000 in FY2019 to S\$363,000 in FY2020. This was mainly due to the increase in government grants and subsidies of S\$288,000, increase in bad debts recovered of S\$10,000, increase in miscellaneous income of S\$11,000, and partially offset by the absence of a write-back of allowance for inventories of S\$8,000 recognised in FY2019.

Notes:

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

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

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

Administrative expenses

Administrative expenses remained relatively stable at S\$5.4 million in both FY2019 and FY2020.

Other operating expenses

Other operating expenses decreased by approximately S\$146,000 or 43.3% from S\$337,000 in FY2019 to S\$191,000 in FY2020. This was mainly due to a decrease in allowance for doubtful debts of S\$209,000 to provide for overdue outstanding balances from certain customers in Singapore, resulting in a lower allowance provided for outstanding balances as at 30 June 2020, miscellaneous expenses of S\$3,000, and partially offset by an increase in allowance for inventories obsolescence of S\$45,000, inventories written off of S\$19,000 and bank charges of S\$2,000.

Finance income

Finance income increased by approximately S\$18,000 or 60.1% from S\$30,000 in FY2019 to S\$47,000 in FY2020. This was mainly due to an increase in net foreign exchange gain of S\$28,000 arising from the settlement of trade payables denominated in United States dollar attributable to the depreciation of the United States dollar which occurred in FY2020 against the Singapore dollar and partially offset by a decrease in interest earned from bank of S\$10,000.

Finance costs

Finance costs increased by approximately S\$67,000 or 275.4% from S\$24,000 in FY2019 to S\$91,000 in FY2020. This was mainly due to higher utilisation of trade financing facilities.

Tax (expense)/credit

Tax expense increased by approximately S\$281,000 from a tax credit of S\$27,000 in FY2019 to a tax expense of S\$255,000 in FY2020. The increase in tax expense was attributable to the significant profit before tax that the Group recorded in and the absence of the recognition of unabsorbed losses in FY2020.

Review of the Group's financial position

Current assets

Current assets increased by approximately S\$2.7 million from S\$9.3 million as at 30 June 2019 to S\$12.0 million as at 30 June 2020. The increase in current assets was mainly due to:-

- (a) an increase in cash and cash equivalents of S\$260,000;
- (b) the net increase in trade and other receivables of S\$2.5 million mainly due to higher sales made on credit terms from the integrated solutions business towards the end of FY2020 of S\$2.8 million, an increase in prepayment for the purchase of parts for the maintenance support service of S\$32,000 and partially offset by a decrease in staff advances for overseas system training of S\$35,000, a decrease in deposits placed with suppliers for purchases of security products of S\$189,000, a decrease in prepayment for travelling expenses of S\$23,000 and an increase in recognition of allowance for doubtful debts of S\$115,000;
- (c) an increase in contract assets of S\$662,000 mainly attributable to revenue recognised for work completed but where billings had yet to be raised as at 30 June 2020,

partially offset by:-

- (d) a decrease in inventories of S\$573,000 arising from higher utilisation of parts and components for projects undertaken during the year of S\$509,000, inventories written off of S\$19,000 and allowance for inventories obsolescence of S\$45,000; and
- (e) a decrease in contract costs of S\$76,000 mainly due to the decrease in costs incurred to fulfill contracts where the goods and services had yet to be transferred to the customers.

Non-current assets

Non-current assets decreased by approximately S\$794,000 from S\$2.2 million as at 30 June 2019 to S\$1.4 million as at 30 June 2020. The decrease in non-current assets was due to depreciation charges of \$854,000, partially offset by the purchase of plant and equipment of \$60,000.

Current liabilities

Current liabilities decreased by approximately S\$729,000 from S\$4.9 million as at 30 June 2019 to S\$4.1 million as at 30 June 2020. The decrease in current liabilities was mainly due to:-

- (a) trade and other payables is S\$2.4 million which remains relatively stable both in FY2019 and FY2020.
- (b) a decrease in contract liabilities of S\$773,000 mainly due to delivery of services for which consideration had been received in advance previously,

partially offset by:-
 - (c) an increase in bank borrowings of S\$24,000 mainly arising from the short term working capital loan secured by the Group.
 - (d) an increase in income tax payable of S\$88,000 mainly due to profit before tax generated by the Group in FY2020.

Non-current liabilities

Non-current liabilities increased by approximately S\$625,000 from S\$59,000 as at 30 June 2019 to S\$684,000 as at 30 June 2020. This was due to an increase in bank borrowings of S\$476,000 mainly arising from the working capital loan secured by the Group, an increase in deferred tax liabilities of S\$167,000 due to the full utilisation of tax losses, and partially offset by the repayment of finance lease of S\$18,000.

Capital and reserves

Capital and reserves increased by approximately S\$2.0 million from S\$6.5 million as at 30 June 2019 to S\$8.6 million as at 30 June 2020. This was mainly due to the net profit recognised in FY2020 of S\$2.0 million.

Review of the Group's cashflows

Net cash used in operating activities

In FY2020, the net cash used in operating activities was approximately S\$297,000, which consisted of operating cashflow before working capital changes of S\$3.4 million, net working capital outflow of S\$3.7 million and interest received of S\$5,000.

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

- (a) the net increase in trade and other receivables of S\$2.6 million mainly due to higher sales made on credit terms from the integrated solutions business towards the end of FY2020 of S\$2.8 million, an increase in prepayment for the purchase of parts for the maintenance support service of S\$32,000 and partially offset by a decrease in staff advances for overseas system training of S\$35,000, a decrease in deposits placed with suppliers for purchases of security products of S\$189,000 and a decrease in prepayment for travelling expenses of S\$23,000;
- (b) a decrease in inventories of S\$509,000 arising from higher utilisation of parts and components for projects during the year;
- (c) an increase in contract assets of S\$662,000 mainly attributable to revenue recognised for work completed but where billings had yet to be raised as at 30 June 2020;
- (d) a decrease in contract costs of S\$76,000 mainly due to the decrease in costs incurred to fulfill contracts where the goods and services had yet to be transferred to the customers;
- (e) a decrease in trade and other payables of S\$281,000 mainly due to payment using trade financing facilities. and
- (f) a decrease in contract liabilities of S\$773,000 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\$60,000 in FY2020 arising from the purchase of plant and equipment.

Net cash from financing activities

Net cash from financing activities amounted to approximately S\$573,000 in FY2020 which was mainly due to the proceeds from bank borrowings of S\$500,000 and an increase in trade financing facilities of S\$216,000. This was partially offset by a repayment of finance lease liabilities of S\$18,000, an interest paid of S\$91,000 and an increase in restricted cash of \$34,000.

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 COVID-19 pandemic has disrupted social normalcy all over the world as governments and states sought different solutions and control measures to contain the spread of the virus. Though the pandemic is a top priority for them on the health and medical front, the presence, possibility and risk of conflicts, political unrest and turmoil still prevail. In fact, unrest may be exacerbated by the COVID-19 situation as seen in several western countries with the resistance towards mask wearing. Thus, defence and security remain an important area which governments have to constantly contend with.

During Singapore's Circuit Breaker ("CB") period, the Group was able to continue business as per usual. This was due to its business activities falling within the scope of the Essential Services Exemption as allowable activities under the Defence and Security; Construction, Facilities Management and Critical Public Infrastructure; and Information and Communications sectors, which was announced by the Company on 13 April 2020.

Though the direct impact of the COVID-19 pandemic on its businesses was minimal, the Group had to comply with governmental regulations and safety measures. In Singapore, these measures include

flexible work arrangements such as the splitting of teams and working remotely, regular monitoring of employees and visitors' temperature, regular reminders for the proper washing and sanitisation of hands, social distancing of employees and visitors at the workspace and in elevators, and the use of video and teleconference facilities and phone calls to minimise physical meetings.

As Singapore opens during the CB Phase 2 period, the Group will continue to adhere to these measures so that staff can continue to attend to their work commitments safely and ensure that business operations function with little or no business disruption.

The Group, however, has had to deal with the cessation of business travel between countries due to each having their own control measures like the imposition of quarantine on travellers. News of a supposed second wave of COVID-19 has not alleviated the situation. Nevertheless, as countries slowly move towards regaining some degree of normalcy with regard to their social and economic activities, previous tenders that were on hold as well as potential future projects within Singapore and the region are also gradually resuming. The Group will continue to engage its customers in discussions to understand their needs, providing them with the latest security products and solutions, and quality services.

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 and provide the reasons for the decision not to declare/recommend any dividend.

No dividend has been declared or recommended for FY2020 in light of the need to conserve cash due to the uncertain economy caused by the coronavirus disease-19 pandemic which is still rapidly evolving and surging in many parts of the world.

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.

	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)	
<u>Provision of group services (such as human resources, administration support and rental expense) by:-</u>	FY2020 S\$	FY2019 S\$
IPS Realty Pte Ltd	(211,713)	(216,000)
IPS Group Pte. Ltd.	(77,586)	(75,156)

PART II - ADDITIONAL INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

14. 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.

	Security solutions		Maintenance and leasing		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
External revenue	13,617,123	2,673,798	5,707,261	6,308,806	19,324,384	8,982,604
Inter-segment revenue	1,094,367	356,445	126,350	233,050	1,220,717	589,495
Other income	42	90	-	-	42	90
Interest income	1,225	-	-	-	1,225	-
Interest expense	(89,470)	(14,906)	(50)	-	(89,520)	(14,906)
Depreciation	-	-	(590,896)	(766,566)	(590,896)	(766,566)
Allowance for doubtful debts	(115,018)	(325,532)	(409)	1,493	(115,427)	(324,039)
Reportable segment profit/(loss) before tax	<u>3,129,800</u>	<u>336,729</u>	<u>4,163,740</u>	<u>3,812,224</u>	<u>7,293,540</u>	<u>4,148,953</u>
Reportable segment assets	<u>7,378,233</u>	<u>5,030,105</u>	<u>3,018,098</u>	<u>3,090,368</u>	<u>10,396,331</u>	<u>8,120,473</u>
Reportable segment liabilities	<u>(2,538,721)</u>	<u>(3,455,470)</u>	<u>(390,367)</u>	<u>(603,337)</u>	<u>(2,929,088)</u>	<u>(4,058,807)</u>

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items		
	2020	2019
	\$	\$
Revenues		
Total revenue for reportable segments	20,545,101	9,572,099
Elimination of inter-segment revenue	(1,220,717)	(589,495)
Consolidated revenue	<u>19,324,384</u>	<u>8,982,604</u>
Profit or loss		
Total profit for reportable segments	7,293,540	4,148,953
Elimination of inter-segment profits	-	(546)
Unallocated amounts:		
- Other income	363,059	61,643
- Administrative expenses	(5,335,534)	(5,455,004)
- Other expenses	(74,327)	(13,440)
- Net finance income/(costs)	44,745	20,300
Consolidated loss before tax	<u>2,291,483</u>	<u>(1,238,094)</u>
Assets		
Total assets for reportable segments	10,396,331	8,120,473
Unallocated amounts:		
- Plant and equipment	432,755	636,462
- Cash and cash equivalents	2,594,811	2,370,300
- Others	(24,960)	338,318
Consolidated total assets	<u>13,398,937</u>	<u>11,465,553</u>
Liabilities		
Total liabilities for reportable segments	(2,929,088)	(4,058,807)
Unallocated amounts:		
- Bank borrowings	(500,000)	-
- Finance lease liabilities	(52,658)	(70,809)
- Other payables	(1,072,814)	(783,043)
- Deferred tax liabilities	(172,930)	(5,874)
- Income tax payable	(87,843)	-
Consolidated total liabilities	<u>(4,815,333)</u>	<u>(4,918,533)</u>

	Reportable segment	Unallocated amounts	Consolidated
<u>Other material items</u>	\$	\$	\$
2020			
Other income	42	363,059	363,101
Interest income	1,225	4,156	5,381
Interest expense	(89,470)	(1,470)	(90,940)
Depreciation of plant and equipment	(590,896)	(263,468)	(854,364)
Capital expenditure	-	(59,762)	(59,762)
Allowance for doubtful debt	(115,427)	-	(115,427)
	<u>(115,427)</u>	<u>-</u>	<u>(115,427)</u>
2019			
Other income	90	61,643	61,733
Interest income	-	15,455	15,455
Interest expense	(14,906)	(9,332)	(24,238)
Depreciation of plant and equipment	(766,566)	(291,347)	(1,057,913)
Capital expenditure	-	(53,626)	(53,626)
Allowance for doubtful debt	(324,039)	-	(324,039)
	<u>(324,039)</u>	<u>-</u>	<u>(324,039)</u>

	2020	2019
<u>Geographical information</u>	\$	\$
Revenue		
Singapore	16,396,331	7,638,703
East Asia ⁽¹⁾	472,925	91,619
Indochina ⁽²⁾	193,523	458,602
Rest of Southeast Asia ⁽³⁾	2,254,552	793,680
Other countries	7,053	-
Consolidated revenue	<u>19,324,384</u>	<u>8,982,604</u>
Non-currents assets ⁽⁴⁾		
Singapore	1,397,688	2,192,290
Rest of Southeast Asia ⁽³⁾	-	-
	<u>1,397,688</u>	<u>2,192,290</u>

⁽¹⁾ Includes China, Hong Kong and Japan.

⁽²⁾ Includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

⁽³⁾ Includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

⁽⁴⁾ Non-current assets presented consist of plant and equipment, other investment and non-current trade and other receivables.

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

Please refer to paragraph 8 above.

16. A breakdown of sales.

	Group		
	FY2020	FY2019	% change
	S\$	S\$	
Revenue - First Half Year	8,819,376	4,675,952	88.6
Revenue - Second Half Year	10,505,008	4,306,652	143.9
Revenue - Total	<u>19,324,384</u>	<u>8,982,604</u>	115.1
Profit/(Loss) after tax - First Half Year	768,310	(320,643)	(339.6)
Profit/(Loss) after tax - Second Half year	1,268,274	(890,921)	(242.4)
Profit/(Loss) after tax - Total	<u>2,036,584</u>	<u>(1,211,564)</u>	(268.1)

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

Not applicable.

18. 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 are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. 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.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer
26 August 2020



IPS Securex Holdings Limited
Company Registration Number: 201327639H
Incorporated in the Republic of Singapore
213 Henderson Road, #04-09,
Henderson Industrial Park
Singapore 159553
www.ips-securex.com

Media Release

IPS Securex's FY2020 results rebound with a net profit of S\$2.0 million

- Propelled by strong revenue growth of 409.3% in Security Solutions Business

SINGAPORE, 26 August 2020 – IPS Securex Holdings Limited (“IPS Securex” or the “Company” and, together with its subsidiaries, the “Group”), a leading provider of security products and integrated security solutions with an established regional presence in the Asia Pacific, today announced its financial results for the full year ended 30 June 2020 (“FY2020”).

Financial Highlights

In S\$'million unless otherwise stated	Full Year ended 30 June 2020 (“FY2020”)	Full Year ended 30 June 2019 (“FY2019”)	Change (%)
Revenue	19.3	9.0	115.1
Gross profit	7.6	4.5	68.5
Profit/(loss) before tax	2.3	(1.2)	N.M.
Profit/(loss) for the year	2.0	(1.2)	N.M.

NM denotes not meaningful.

Commenting on the FY2020 results, Mr Kelvin Lim (林青宋), Executive Director and Chief Executive Officer of IPS Securex said, ***“The COVID-19 pandemic poses unprecedented challenges not just to IPS Securex, but to global markets and industries as well. However, our recent turnover growth demonstrates that security remains critical and essential to our customers despite the occasional project delay. Given today’s complex threat scenario, customer needs are constantly evolving and our role is to understand these needs and to provide relevant, leading-edge security products and solutions that address their individual situations.”***

On a full year basis, the Group's revenue increased by approximately 115.1% to S\$19.3 million in FY2020 from S\$9.0 million in the full year ended 30 June 2019 ("FY2019").

Revenue for the Group's Security Solutions Business increased by approximately 409.3% from S\$2.7 million in FY2019 to S\$13.6 million in FY2020. The increase in FY2020 revenue for the Security Solutions Business was mainly due to the increase in the sale of security products to customers in Singapore, Indochina¹, the Rest of Southeast Asia² and East Asia³. In addition, there was also an increase in revenue from providing integrated security solutions in Singapore and in the Rest of Southeast Asia.

On the other hand, revenue for the Group's Maintenance and Leasing Business decreased by approximately 9.5% from S\$6.3 million in FY2019 to S\$5.7 million in FY2020. This was mainly due to the absence of revenue from the ad-hoc replacement in the second quarter ended 31 December 2018 ("2Q-2019") of a component in a security system for a customer in Singapore, the non-renewal of a maintenance contract with a customer in Indochina, and a delay in the commencement of a maintenance contract by a customer in the Rest of Southeast Asia, of which these were partially offset by a revenue increase from the provision of maintenance support services to customers in Singapore.

Correspondingly, the Group's gross profit increased by approximately 68.5% from S\$4.5 million in FY2019 to S\$7.6 million in FY2020. Other operating income for FY2020 increased by approximately 488.2% from S\$62,000 in FY2019 to S\$363,000 in FY2020.

Administrative expenses remained relatively stable at S\$5.4 million in both FY2020 and FY2019, whereas other operating expenses decreased by approximately 43.3% from S\$337,000 in FY2019 to S\$191,000 in FY2020. The decrease was mainly attributable to the decrease in allowance for doubtful debts to provide for overdue outstanding balances from certain customers in Singapore and miscellaneous expenses, which are partially offset by an increase in allowance for inventory obsolescence, inventory write-offs and bank charges.

¹ "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

² "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

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

Finance income increased by approximately 60.1% from S\$30,000 in FY2019 to S\$47,000 in FY2020. This was mainly due to an increase in net foreign exchange gain arising from the settlement of trade payables denominated in United States dollar (“US dollar”) attributable to the depreciation of the US dollar which occurred in FY2020 against the Singapore dollar, which is partially offset by a decrease in interest earned from the bank.

Finance costs increased by approximately 275.4% from S\$24,000 in FY2019 to S\$91,000 in FY2020, which was mainly due to higher utilisation of trade financing facilities.

As a result of the above, the Group posted an overall net profit of S\$2.0 million in FY2020 from an overall net loss of S\$1.2 million in FY2019.

Financial Position

As at 30 June 2020, the Group’s net assets were approximately S\$8.6 million, with cash and cash equivalents standing at approximately S\$4.1 million compared to approximately S\$3.9 million as at 30 June 2019.

Looking Ahead

The COVID-19 pandemic has disrupted social normalcy all over the world as governments and states sought different solutions and control measures to contain the spread of the virus. Though the pandemic is a top priority for them on the health and medical front, the presence, possibility and risk of conflicts, political unrest and turmoil still prevail. In fact, unrest may be exacerbated by the COVID-19 situation as seen in several western countries with the resistance towards mask wearing. Thus, defence and security remain an important area which governments have to constantly contend with.

During Singapore’s Circuit Breaker (“CB”) period, the Group was able to continue business as per usual. This was due to the Group’s business activities falling within the scope of the Essential Services Exemption as allowable activities under the Defence and Security; Construction, Facilities Management and Critical Public Infrastructure; and Information and Communications sectors, which was announced by the Company on 13 April 2020.

Though the direct impact of the COVID-19 pandemic on its businesses was minimal, the Group had to comply with governmental regulations and safety measures. As Singapore opens during the CB Phase 2 period, the Group will continue to adhere to these measures so that staff can continue to attend to their work commitments safely and ensure that business operations function with little or no business disruption.

The Group, however, has had to deal with the cessation of business travel between countries due to each having their own control measures like the imposition of quarantine on travellers. News of a supposed second wave of COVID-19 has not alleviated the situation.

Nevertheless, as countries slowly move towards regaining some degree of normalcy with regard to their social and economic activities, previous tenders that were on hold, as well as potential future projects within Singapore and the region are also gradually resuming. The Group will continue to engage its customers in discussions to understand their needs, providing them with the latest security products and solutions, and quality services.

End.

Note to Media: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About IPS Securex Holdings Limited (www.ips-securex.com)

IPS Securex is one of Singapore's leading providers of security products and integrated security solutions to commercial entities and government bodies and agencies in the Asia Pacific.

Since 2000, it has been providing security products and integrated security solutions for various security requirements including checkpoint security, law enforcement and the protection and surveillance of buildings and critical infrastructure. It is a one-stop security solutions provider - from the supply of a broad range of security products, the design, installation, testing and commissioning of integrated security solutions, to the provision of maintenance support and leasing services to its customers. Carrying over 100 types of security products, the Group has distribution rights for some of its products spanning across 17 countries in the Asia-Pacific including Singapore, Cambodia, Brunei, Vietnam, Indonesia, Malaysia, Thailand, Myanmar, Philippines, Laos, China (Hong Kong and Macau), Australia, India, Sri Lanka, Japan, South Korea and Taiwan.

Over the years, IPS Securex has received several sales, business and branding awards and built an accomplished reputation in the security products and solutions industry. Some of its awards include the Enterprise 50 Award in 2009, the Singapore SME 500 Company Award in 2010, the Top 100 Singapore Excellence Award (Platinum) in 2013, the Asia Pacific Brands Award in 2014 and Singapore Corporate Award 2015 – Merit Award for Best Investor Relations (First-Year Listed Companies).

Issued on behalf of : **IPS Securex Holdings Limited**
By : Cogent Communications Pte Ltd
51 Goldhill Plaza, #22-05, Singapore 308900
Contact : Ms Candy Soh / Mr Gerald Woon
Office : (65) 6704 9288
Email / DID / Mobile : candysoh@kogentcomms.com / (65) 6704 9284 / (65) 9816 8391
woon@kogentcomms.com / (65) 6704 9268 / (65) 9694 8364

This media release has been prepared by IPS Securex Holdings Limited ("Company") and has been reviewed by the Company's sponsor, United Overseas Bank Limited ("Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

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

The contact person for the Sponsor is Mr. David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.