



**IPS Securex Holdings Limited
and its subsidiaries**
(Registration Number: 201327639H)

**Condensed interim financial statements
For the six months ended
31 December 2022**

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.

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A. Consolidated interim statement of profit or loss and other comprehensive income

	Note	The Group		
		Unaudited 1H-2023 ⁽¹⁾	Unaudited 1H-2022 ⁽²⁾	Increase/ (Decrease) % change
		S\$	S\$	%
Revenue	3.2	3,897,867	8,907,510	(56.2)
Cost of sales		(2,270,053)	(5,852,217)	(61.2)
Gross profit		1,627,814	3,055,293	(46.7)
Other income	5.1	54,350	329,158	(83.5)
Administrative expenses		(2,805,867)	(2,677,465)	4.8
Other operating expenses		(57,305)	(28,977)	97.8
Finance income	5.1	246	1,750	(85.9)
Finance costs	5.1	(57,458)	(64,816)	(11.4)
(Loss)/profit before income tax	5.1	(1,238,220)	614,943	N.M
Income tax expense	6	-	(56,214)	N.M
(Loss)/profit for the period, representing total comprehensive (loss)/income for the period		(1,238,220)	558,729	N.M
<u>(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period</u>				
Basic and diluted (cents) ⁽³⁾		(0.26)	0.12	

Notes:

⁽¹⁾ "1H-2023" refers to the half year ended 31 December 2022.

⁽²⁾ "1H-2022" refers to the half year ended 31 December 2021.

⁽³⁾ The basic and diluted (loss)/earnings per share were the same as there were no dilutive instruments as at 31 December 2021 and 31 December 2022.

B. Interim statements of financial position

	Note	The Group		The Company	
		Unaudited	Audited	Unaudited	Audited
		As at 31.12.2022	As at 30.06.2022	As at 31.12.2022	As at 30.06.2022
		S\$	S\$	S\$	S\$
ASSETS					
Current assets					
Restricted fixed deposits		452,226	470,145	-	-
Inventories	9	4,481,668	2,724,338	-	-
Contract assets		238,098	314,048	-	-
Contract costs		366,171	56,983	-	-
Trade and other receivables	8	3,038,285	4,716,546	2,134,628	2,216,059
Loans to subsidiaries		-	-	951,347	1,029,072
Cash and cash equivalents		5,639,171	8,481,479	212,156	153,090
Total current assets		14,215,619	16,763,539	3,298,131	3,398,221
Non-current assets					
Investment in subsidiaries	10	-	-	3,000,199	4,000,039
Plant and equipment	11	392,561	165,691	-	-
Other investments		7,605	7,605	-	-
		400,166	173,296	3,000,199	4,000,039
Total assets		14,615,785	16,936,835	6,298,330	7,398,260
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	12	2,793,531	3,275,460	249,935	291,389
Contract liabilities		832,674	767,145	-	-
Lease liabilities	13	10,251	10,011	-	-
Bank borrowings	13	1,249,675	1,234,020	-	-
Income tax payable		65,865	114,339	-	-
Total current liabilities		4,951,996	5,400,975	249,935	291,389
Non-current liabilities					
Bank borrowings	13	1,933,107	2,561,772	-	-
Lease liabilities	13	24,920	30,106	-	-
Deferred tax liabilities		1,490	1,490	-	-
		1,959,517	2,593,368	-	-
Capital and reserves					
Share capital	14	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 profits/(losses)		(1,022,282)	215,938	(3,478,158)	(2,419,682)
		7,704,272	8,942,492	6,048,395	7,106,871
Total liabilities and equity		14,615,785	16,936,835	6,298,330	7,398,260

C. Interim statements of changes in equity

S\$ Group	Share capital	Treasury shares	Other reserves	Accumulated profit/(losses)	Total
Balance at 1 July 2022	9,405,906	(89,353)	(589,999)	215,938	8,942,492
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,238,220)	(1,238,220)
Balance at 31 December 2022	9,405,906	(89,353)	(589,999)	(1,022,282)	7,704,272
Balance at 1 July 2021	9,405,906	(89,353)	(589,999)	(47,513)	8,679,041
Profit for the period, representing total comprehensive income for the period	-	-	-	558,729	558,729
Balance at 31 December 2021	9,405,906	(89,353)	(589,999)	511,216	9,237,770
Company					
Balance at 1 July 2022	9,405,906	(89,353)	210,000	(2,419,682)	7,106,871
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,058,476)	(1,058,476)
Balance at 31 December 2022	9,405,906	(89,353)	210,000	(3,478,158)	6,048,395
Balance at 1 July 2021	9,405,906	(89,353)	210,000	(2,334,896)	7,191,657
Loss for the period, representing total comprehensive loss for the period	-	-	-	(57,546)	(57,546)
Balance at 31 December 2021	9,405,906	(89,353)	210,000	(2,392,442)	7,134,111

D. Consolidated interim statements of cash flows

	Note	The Group	
		Unaudited 1H-2023 S\$	Unaudited 1H-2022 S\$
Operating activities			
(Loss)/Profit before tax		(1,238,220)	614,943
Adjustments for:			
Interest income	5.1	(246)	(726)
Interest expense	5.1	55,085	64,816
Depreciation of plant and equipment	5.1	42,947	357,820
Gain on disposal of plant and equipment	5.1	(240)	(280)
Inventories written off	5.1	239	477
Allowance for inventory obsolescence	5.1	27,797	7,975
Allowance/(Write-back of allowance) for impairment loss on trade receivables (net)	5.1	10,737	(137,877)
Net foreign exchange loss/(gain)		26,320	(2,886)
Operating cash flows before working capital changes		(1,075,581)	904,262
Trade and other receivables		1,666,614	(1,843,134)
Inventories		(1,791,916)	2,090,885
Contract cost		(309,188)	494,077
Contract assets		75,950	(60,357)
Trade and other payables		181,866	(211,362)
Contract liabilities		65,529	(331,786)
Cash (used in)/generated from operations		(1,186,726)	1,042,585
Taxes (paid)/received		(48,474)	40,143
Interest received		5	4
Net cash (used in)/from operating activities		(1,235,195)	1,082,732
Investing activities			
Purchase of plant and equipment		(268,639)	(92,420)
Proceeds from disposal of plant and equipment		5,612	280
Net cash used in investing activities		(263,027)	(92,140)
Financing activities			
Interest paid		(59,271)	(63,838)
Repayments of bank borrowings		(613,010)	(479,467)
Payments of lease liabilities		(4,946)	(4,717)
Utilisation of trade financing facilities		1,084,416	1,141,364
Repayment of trade financing facilities		(1,733,005)	(803,399)
Restricted cash released		18,159	-
Restricted cash pledged		(41,681)	(709)
Net cash used in financing activities		(1,349,338)	(210,766)
Net (decrease)/increase in cash and cash equivalents		(2,847,560)	779,826
Effect of exchange rate changes on the balance of cash held in foreign currencies		(36,429)	5,568
Cash and cash equivalents at beginning of the period		8,367,547	6,616,727
Cash and cash equivalents at end of the period		5,483,558	7,402,121
Cash and cash equivalents in the Group's cash flow statements comprise the following:			
Cash at bank and on hand		5,465,399	7,402,121
Fixed deposit with a financial institution		18,159	-
Fixed deposit pledged		452,226	1,421,856
Restricted cash		155,613	113,932
Cash and cash equivalents at end of the period		6,091,397	8,937,909

E. Notes to the condensed interim financial statements

1. Corporate information

IPS Securex Holdings Limited (the “Company”) is incorporated in the Republic of Singapore and whose shares are publicly traded on the Catalist Board of the Singapore Exchange Securities Trading Limited. These condensed interim financial statements as at and for the six months ended 31 December 2022 cover the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Company are that of an investment holding company, business and management consultancy services, provision of services and trading of security products.

The principal activities of the subsidiaries are:

- a. distribution, installation and commissioning of security equipment;
- b. provision of maintenance support; and
- c. leasing services.

The latest audited annual financial statements for the reporting year ended 30 June 2022 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual financial statements for the financial year ended 30 June 2022. The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1. Accordingly, these condensed interim financial statements are to be read in conjunction with the annual financial statements for the financial year ended 30 June 2022. The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

2.1 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the financial statements of the Group and the Company.

- *SFRS(I) 17 Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)*

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 30 June 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

3. Segment and revenue information

The Group is organised into the following main business segments:

- Security Solutions; and
- Maintenance and leasing.

These operating segments are reported in a manner consistent with internal reporting provided to the Group's Chief Executive Officer, Kelvin Lim Ching Song, who is responsible for allocating resources and assessing performance of the operating segments.

3.1 Reportable Segments

	Security solutions		Maintenance and leasing		Total	
	1H-2023	1H-2022	1H-2023	1H-2022	1H-2023	1H-2022
	S\$	S\$	S\$	S\$	S\$	S\$
External revenue	2,096,863	6,753,536	1,801,004	2,153,974	3,897,867	8,907,510
Inter-segment revenue		-	-	174,800	-	174,800
Other income	228	-	-	-	228	-
Interest income	-	707	13	-	13	707
Interest expense	(9,559)	(4,167)	-	(45)	(9,559)	(4,212)
Depreciation	-	-	-	(289,014)	-	(289,014)
(Allowance)/Write-back of doubtful debts	(10,737)	136,722	-	1,155	(10,737)	137,877
Reportable segment profit before tax	<u>298,486</u>	<u>1,682,307</u>	<u>1,229,246</u>	<u>1,424,036</u>	<u>1,527,732</u>	<u>3,106,343</u>
Reportable segment assets	<u>7,406,730</u>	<u>8,473,126</u>	<u>1,114,782</u>	<u>1,179,776</u>	<u>8,521,512</u>	<u>9,652,902</u>
Reportable segment liabilities	<u>(2,178,183)</u>	<u>(2,663,295)</u>	<u>(675,817)</u>	<u>(424,785)</u>	<u>(2,854,000)</u>	<u>(3,088,080)</u>

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items		
	1H-2023	1H-2022
	S\$	S\$
Revenues		
Total revenue for reportable segments	3,897,867	9,082,310
Elimination of inter-segment revenue	-	(174,800)
Consolidated revenue	<u>3,897,867</u>	<u>8,907,510</u>
Profit or loss		
Total profit for reportable segments	1,527,732	3,106,343
Elimination of inter-segment profits	-	-
Unallocated amounts:		
- Other income	54,350	191,281
- Administrative expenses	(2,753,875)	(2,602,225)
- Other expenses	(18,532)	(20,895)
- Net finance costs	(47,895)	(59,561)
Consolidated (loss)/profit before tax	<u>(1,238,220)</u>	<u>614,943</u>
Assets		
Total assets for reportable segments	8,521,512	9,652,902
Unallocated amounts:		
- Plant and equipment	392,561	272,755
- Cash and cash equivalents	5,483,557	7,402,121
- Others	218,155	223,156
Consolidated total assets	<u>14,615,785</u>	<u>17,550,934</u>
Liabilities		
Total liabilities for reportable segments	(2,854,000)	(3,088,080)
Unallocated amounts:		
- Bank borrowings	(3,182,783)	(4,401,461)
- Finance lease liabilities	(35,171)	(44,947)
- Other payables	(772,204)	(638,305)
- Deferred tax liabilities	(1,490)	(110,171)
- Income tax payable	(65,865)	(30,200)
Consolidated total liabilities	<u>(6,911,513)</u>	<u>(8,313,164)</u>

3.2 Disaggregation of Revenue

	Security solutions		Maintenance and leasing		Total	
	1H-2023	1H-2022	1H-2023	1H-2022	1H-2023	1H-2022
	S\$	S\$	S\$	S\$	S\$	S\$
Geographical markets						
Singapore	1,990,612	6,538,010	1,140,988	1,499,551	3,131,600	8,037,561
Indochina ⁽¹⁾	68,661	-	-	-	68,661	-
Rest of Southeast Asia ⁽²⁾	6,433	213,769	660,016	654,423	666,449	868,192
East Asia ⁽³⁾	26,330	1,757	-	-	26,330	1,757
Other Markets ⁽⁴⁾	4,827	-	-	-	4,827	-
Total	2,096,863	6,753,536	1,801,004	2,153,974	3,897,867	8,907,510
Major product/service lines						
Sales of goods	2,096,863	6,753,536	-	-	2,096,863	6,753,536
Maintenance and leasing services	-	-	1,801,004	2,153,974	1,801,004	2,153,974
	2,096,863	6,753,536	1,801,004	2,153,974	3,897,867	8,907,510
Timing of revenue recognition						
At a point in time	2,096,863	6,753,536	-	-	2,096,863	6,753,536
Over time	-	-	1,801,004	2,153,974	1,801,004	2,153,974
	2,096,863	6,753,536	1,801,004	2,153,974	3,897,867	8,907,510

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, South Korea and Japan.

⁽⁴⁾ "Other Markets" includes Australia, United States of America and India

4. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 30 June 2022:

	Carrying amount			Fair value S\$
	Amortised cost S\$	Other financial liabilities S\$	Total carrying amount S\$	
Group				
31 December 2022				
Financial assets not measured at fair value				
Trade and other receivables [^]	2,888,221	-	2,888,221	
Cash and cash equivalents	5,639,171	-	5,639,171	
Restricted fixed deposits	452,226	-	452,226	
	<u>8,979,618</u>	<u>-</u>	<u>8,979,618</u>	
Financial liabilities not measured at fair value				
Trade and other payables	-	2,793,531	2,793,531	
Bank borrowings	-	3,182,782	3,182,782	3,147,855
	<u>-</u>	<u>5,976,313</u>	<u>5,976,313</u>	
30 June 2022				
Financial assets not measured at fair value				
Trade and other receivables [^]	4,637,897	-	4,637,897	
Cash and cash equivalents	8,481,479	-	8,481,479	
Restricted fixed deposits	470,145	-	470,145	
	<u>13,589,521</u>	<u>-</u>	<u>13,589,521</u>	
Financial liabilities not measured at fair value				
Trade and other payables	-	3,275,460	3,275,460	
Bank borrowings	-	3,795,792	3,795,792	3,754,575
	<u>-</u>	<u>7,071,252</u>	<u>7,071,252</u>	

[^] Excludes prepayments.

5. Profit before taxation

5.1 Significant items

	The Group	
	Unaudited 1H-2023 S\$	Unaudited 1H-2022 S\$
Income		
Miscellaneous income	194	19,017
Write-back of allowance for impairment loss on trade receivables	-	137,877
Gain on disposal of plant and equipment	240	280
Government grant and subsidies	53,916	171,984
Other income	54,350	329,158
Foreign exchange gain (net)	-	1,024
Interest income	246	726
Finance income	246	1,750
Expenses		
Depreciation of plant and equipment	(42,947)	(357,820)
Inventories written-off	(239)	(477)
Rental expense	(109,800)	(115,080)
Allowance for impairment loss on trade receivables (net)	(10,737)	-
Allowance for inventories obsolescence	(27,797)	(7,975)
Interest expense	(55,085)	(64,816)
Foreign exchange loss (net)	(2,373)	-
Finance costs	(57,458)	(64,816)

5.2 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with related parties:

	Group	
	Unaudited 1H-2023 S\$	Unaudited 1H-2022 S\$
Related parties which a director has controlling interest		
Sales	5,723	-
Accounting and administrative services	38,604	39,030
Rental expenses	108,000	108,000
Recharge of expenses	3,769	5,482

6. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Unaudited 1H-2023 S\$	Unaudited 1H-2022 S\$
Current tax expense		
Current period	-	110,170
Deferred tax credit		
Origination and reversal of temporary differences	-	(53,956)
	<u>-</u>	<u>56,214</u>
Reconciliation of effective tax rate		
(Loss)/Profit before tax	<u>(1,238,220)</u>	<u>614,943</u>
Tax using the Singapore tax rate of 17%	(210,497)	104,540
Effect of tax rates in foreign jurisdiction	239	(28)
Non-deductible expenses	30,721	10,191
Non-taxable income	(3,593)	(41,064)
Tax exempt income	(2,952)	(17,425)
Tax losses for which deferred tax assets were not recognised	186,082	-
	<u>-</u>	<u>56,214</u>

7. Net Asset Value

	Group		Company	
	Unaudited As at 31.12.2022	Audited As at 30.06.2022	Unaudited As at 31.12.2022	Audited As at 30.06.2022
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	<u>1.6</u>	<u>1.8</u>	<u>1.2</u>	<u>1.5</u>

8. Trade and other receivables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 31.12.2022	As at 30.06.2022	As at 31.12.2022	As at 30.06.2022
	S\$	S\$	S\$	S\$
Trade receivables	2,913,278	3,876,735	-	-
Impairment loss on trade receivables	(334,924)	(324,188)	-	-
	<u>2,578,354</u>	<u>3,552,547</u>	-	-
Other receivables	6,937	1,798	-	-
Amounts due from subsidiaries (non-trade)	-	-	2,064,761	2,166,702
Deposits	302,930	1,083,552	40,820	40,820
	<u>2,888,221</u>	<u>4,637,897</u>	<u>2,105,581</u>	<u>2,207,522</u>
Prepayments	150,064	78,649	29,047	8,537
	<u>3,038,285</u>	<u>4,716,546</u>	<u>2,134,628</u>	<u>2,216,059</u>

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

9. Inventories

	Group	
	Unaudited	Audited
	As at 31.12.2022	As at 30.06.2022
	S\$	S\$
Inventories, net of write-down of inventories	<u>4,481,668</u>	<u>2,724,338</u>

The movements in the allowance for inventories obsolescence during the period/year was as follows:

At 1 July	214,528	191,863
Write-down during the year	27,797	22,665
At 31 December/ 30 June	<u>242,325</u>	<u>214,528</u>

During the period, inventories of S\$1,704,575 (1H-2022: S\$5,291,655) were recognised as an expense and included in “cost of sales”.

10. Investments in subsidiaries

	Company	
	Unaudited	Audited
	As at 31.12.2022	As at 30.06.2022
	S\$	S\$
Unquoted equity shares, at cost	5,344,199	5,344,199
Allowance for impairment	(2,344,000)	(1,344,160)
	<u>3,000,199</u>	<u>4,000,039</u>

Movements in the allowance for impairment of subsidiaries are as follows:

At 1 July	1,344,160	1,344,160
Charged to profit and loss	999,840	-
At 31 December/ 30 June	<u>2,344,000</u>	<u>1,344,160</u>

The Company assesses at each reporting date whether there is any indication that the investment in subsidiaries is impaired. To determine whether there is indication of impairment, the Company considers factors such as a significant deterioration in the financial position of the subsidiaries or the subsidiaries are experiencing significant financial difficulties.

In 1H-2023, impairment loss of S\$999,840 (FY2022: Nil) was made arising from the impairment exercise performed at period end. Management had performed an assessment on the recoverable amount based on the cash flow estimates of the underlying assets.

11. Plant and equipment

Group	Computers and office equipment S\$	Furniture, fixtures and office renovation S\$	Tools and equipment S\$	Motor vehicles S\$	Alert alarm systems S\$	Construction-in-progress S\$	Total S\$
Cost							
At 1 July 2021	610,659	749,729	67,424	410,184	4,160,772	16,080	6,014,848
Additions	11,521	8,487	73,551	-	-	1,200	94,759
Transfers	17,280	-	448	-	-	(17,280)	448
Disposals/Write-off	(31,087)	(545)	(7,545)	(146,263)	-	-	(185,440)
At 30 June 2022	608,373	757,671	133,878	263,921	4,160,772	-	5,924,615
Additions	14,996	2,350	-	251,293	-	-	268,639
Transfers	6,550	-	-	-	-	-	6,550
Disposals/Write-off	-	-	(887)	(96,445)	-	-	(97,332)
At 31 December 2022	629,919	760,021	132,991	418,769	4,160,772	-	6,102,472
Accumulated depreciation and impairment losses							
At 1 July 2021	532,323	722,275	66,549	275,749	3,781,472	8,040	5,386,408
Depreciation for the year	34,264	28,520	15,052	26,102	379,300	-	483,238
Transfers	8,040	-	-	-	-	(8,040)	-
Disposals/Write-off	(31,087)	(177)	(7,545)	(71,913)	-	-	(110,722)
At 30 June 2022	543,540	750,618	74,056	229,938	4,160,772	-	5,758,924
Depreciation for the period	16,183	850	7,530	18,384	-	-	42,947
Disposals/Write-off	-	-	(89)	(91,871)	-	-	(91,960)
At 31 December 2022	559,723	751,468	81,497	156,451	4,160,772	-	5,709,911
Carrying amounts							
At 1 July 2021	78,336	27,454	875	134,435	379,300	8,040	628,440
At 30 June 2022	64,833	7,053	59,822	33,983	-	-	165,691
At 31 December 2022	70,196	8,553	51,494	262,318	-	-	392,561

During the period ended 31 December 2022, the depreciation of the alert alarm systems and other plant and equipment was S\$Nil (31 December 2021: S\$289,014) and S\$42,947 (31 December 2021: S\$68,806) respectively.

During the period ended 31 December 2022, the Group acquired assets amounting to S\$268,639 (30 June 2022: S\$94,759) and disposed and wrote off of assets amounting to S\$97,332 (30 June 2022: S\$185,440).

During the period ended 31 December 2022, the Group transferred office equipment (30 June 2022: tools and equipment) with carrying amount of S\$6,550 (30 June 2022: S\$448) from inventories to plant and equipment.

12. Trade and other payables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 31.12.2022	As at 30.06.2022	As at 31.12.2022	As at 30.06.2022
	S\$	S\$	S\$	S\$
Trade payables	943,730	1,100,930	-	-
Bills payable	496,442	1,145,031	-	-
Other payables	85,658	168,600	52,613	27,220
Amounts due to:				
– Subsidiary (non-trade)	-	-	-	3,446
– Related parties (non-trade)	54,512	52,999	52,289	52,289
Accruals	1,213,189	807,900	107,233	170,634
	2,793,531	3,275,460	212,135	253,589
Deposit received	-	-	37,800	37,800
	2,793,531	3,275,460	249,935	291,389

The non-trade amounts due to subsidiary and related parties are unsecured, interest-free and are repayable on demand.

Deposit received from subsidiaries are non-trade, unsecured, interest-free and are repayable on demand.

13. Loans and borrowings

	Group			
	Unaudited		Audited	
	As at 31.12.2022		As at 30.06.2022	
<u>Amount repayable in one year or less, or on demand</u>	Secured	Unsecured	Secured	Unsecured
	S\$	S\$	S\$	S\$
Bank borrowings	1,249,675	-	1,234,020	-
Lease liabilities	10,251	-	10,011	-
	1,259,926	-	1,244,031	-
<u>Amount repayable after one year</u>				
Bank borrowings	1,933,107	-	2,561,772	-
Lease liabilities	24,920	-	30,106	-
	1,958,027	-	2,591,878	-
	3,217,953	-	3,835,909	-

Details of collaterals

The Group's borrowings are secured by corporate guarantees provided by IPS Securex Holdings Limited. The Group's lease liabilities are secured by the plant and equipment purchased under the lease.

14. Share Capital

	Group and Company			
	Unaudited	Audited	Unaudited	Audited
	As at 31.12.2022	As at 30.06.2022	As at 31.12.2022	As at 30.06.2022
	Number of ordinary shares		S\$	S\$
Issued and fully paid ordinary shares, with no par value:				
At beginning and end of the financial period/year	486,000,000	486,000,000	9,405,906	9,405,906

There were no outstanding convertibles and subsidiary holdings held by the Company as at 31 December 2022 and 30 June 2022. The number of shares held as treasury shares as at 31 December 2022 and 30 June 2022 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 2022 and 30 June 2022 is 0.24%.

F. Other Information Required by Listing Rule Appendix 7C

1. Review

The condensed interim statements of financial position of IPS Securex Holdings Limited and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

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

The Group's revenue decreased by approximately S\$5.0 million or 56.2% from S\$8.9 million in 1H-2022 to S\$3.9 million in 1H-2023.

Security Solutions Business: 1H-2023

Revenue from the Security Solutions Business decreased by approximately S\$4.6 million or 69.0% from S\$6.7 million in 1H-2022 to S\$2.1 million in 1H-2023. This was mainly attributable to a decrease in revenue in 1H-2023 from providing integrated security solutions in Singapore of S\$4.5 million due to the absence of revenue in 1H-2023 from an integrated security solutions project that was completed in 1H-2022 which was partially offset by other new integrated security solutions projects that were secured in 1H-2023.

The decrease in revenue in the Security Solutions Business was also attributable to a decrease in revenue from the sales of security products to customers in Rest of Southeast Asia⁽²⁾ of S\$207,000; and partially offset by an increase in Indochina⁽¹⁾ of S\$69,000; in East Asia⁽³⁾ of S\$24,000 and in Other markets⁽⁴⁾ of S\$5,000.

Generally, the Group's Security Solutions Business had been affected in 1H-2023 by procurement disruptions, delays in the calling of tenders by its customers in the region and delays in ongoing projects during the still present COVID-19 pandemic and amidst geo-political uncertainties.

Maintenance and Leasing Business: 1H-2023

Revenue from the Maintenance and Leasing Business decreased by approximately S\$353,000 or 16.4% from S\$2.1 million in 1H-2022 to S\$1.8 million in 1H-2023. This was attributable to the expiry of a long-term 7-year lease-and-maintenance contract entered into with the Housing Development Board in October 2014 for the Alert Alarm System in several blocks of residential housing for senior citizens of S\$553,000, and partially offset by an increase in revenue from the provision of maintenance support services to customers in Singapore of S\$195,000 and in Rest of Southeast Asia⁽²⁾ of S\$5,000.

Cost of sales

Cost of sales decreased by approximately S\$3.6 million or 61.2% from S\$5.9 million in 1H-2022 to S\$2.3 million in 1H-2023. This was mainly due to the decrease in direct material costs incurred due to the decline in the Group's turnover.

Gross profit

Gross profit decreased by approximately S\$1.4 million or 46.7% from S\$3.1 million in 1H-2022 to S\$1.6 million in 1H-2023 as a result of the factors discussed above.

Gross margin increased from 34.3% in 1H-2022 to 41.8% in 1H-2023 mainly attributable to higher margins from the Maintenance and Leasing Business in 1H-2023.

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, South Korea and Japan.

(4) "Other markets" includes Australia, United States of America and India.

Other income

Other income decreased by approximately S\$275,000 or 83.5% from S\$329,000 in 1H-2022 to S\$54,000 in 1H-2023. This was mainly due to the decrease in government grants and subsidies of S\$118,000 attributable to the Jobs Support Scheme, the decrease in the write-back of allowance for impairment loss on trade receivables of S\$138,000, and the decrease in miscellaneous income of S\$19,000.

Administrative expenses

Administrative expenses increased by approximately S\$128,000 or 4.8% from S\$2.7 million in 1H-2022 to S\$2.8 million in 1H-2023. This was mainly due to an increase in employees' remuneration and benefit expenses.

Other operating expenses

Other operating expenses increased by approximately S\$28,000 or 97.8% from S\$29,000 in 1H-2022 to S\$57,000 in 1H-2023. This was mainly due to an increase in allowance for doubtful debts of S\$10,000, an increase in allowance for inventories obsolescence of S\$20,000; and partially offset by a decrease in bank charges of S\$2,000.

Finance income

Finance income decreased by approximately S\$1,500 or 85.9% from S\$1,700 in 1H-2022 to S\$200 in 1H-2023. This was mainly due to an absence in 1H-2023 of a net foreign exchange gain of S\$1,000, which arose from the settlement of trade payables denominated in United States dollars due to the depreciation of United States dollar against the Singapore dollar in 1H-2022.

Finance costs

Finance costs decreased by approximately S\$7,000 or 11.4% from S\$65,000 in 1H-2022 to S\$57,000 in 1H-2023. This was mainly due to the net decrease in interest expense of S\$9,000 due to lower utilization of credit facilities, and partially offset by an increase in foreign exchange loss (net) arising from the revaluation of bank balances held in United States Dollars due to the depreciation of the United States dollar against the Singapore dollar.

Tax expense

Tax expense decreased by S\$56,000 from a tax expense of S\$56,000 in 1H-2022 to nil in 1H-2023 as the Group recorded a loss before tax in 1H-2023.

Review of the Group's financial position**Current assets**

Current assets decreased by approximately S\$2.5 million from S\$16.8 million as at 30 June 2022 to S\$14.2 million as at 31 December 2022. The decrease in current assets was mainly due to:

- (i) a decrease in cash and cash equivalents of S\$2.9 million;

- (ii) a decrease in trade and other receivables of S\$1.7 million mainly due to receipt of payment from customers of S\$963,000, a decrease in deposits placed with suppliers for purchase of security products of S\$780,000; and partially offset by an increase in prepayment for insurance premiums of S\$28,000, prepayment for travelling expenses of S\$40,000, and increase in other receivables mainly attributable to GST receivables of S\$5,000;
- (iii) a decrease in contract assets of S\$76,000 mainly attributable to an increase in billing upon the completion of integrated security solutions projects;

partially offset by:

- (iv) an increase in inventories of S\$1.8 million arising from an increase in the purchase of parts and components for the Security Solutions Business during the period; and
- (v) an increase in contract costs of S\$300,000 mainly attributable to an increase in costs incurred to fulfil the contracts where the goods and services had yet to be transferred to the customers.

Non-current assets

Non-current assets increased by approximately S\$227,000 from S\$173,000 as at 30 June 2022 to S\$400,000 as at 31 December 2022. The increase in non-current assets was due to the purchase of plant and equipment of S\$269,000 and partially offset by depreciation charges on plant and equipment of \$43,000 .

Current liabilities

Current liabilities decreased by approximately S\$449,000 from S\$5.4 million as at 30 June 2022 to S\$5.0 million as at 31 December 2022. The decrease in current liabilities was mainly due to:

- (i) a decrease in trade and other payables of S\$482,000 mainly attributable to a decrease in trade financing facilities of S\$649,000, decrease in amount payable to trade suppliers of S\$157,000, decrease in other payables of S\$83,000 which comprised mainly GST payables and payables for staff reimbursements, and partially offset by an increase in accrual of project cost for integrated security solutions projects of S\$376,000 and accrual of operating expenses of S\$31,000;
- (ii) a decrease in income tax payable of S\$48,000 mainly attributable to the payment of taxes;

partially offset by:

- (iii) an increase in contract liabilities of S\$65,000 mainly due to advanced consideration received from customers in Singapore in relation to the provision of integrated security solutions; and
- (iv) an increase in bank borrowings of S\$16,000 mainly due to reclassification of long-term bank borrowings to current liabilities as these would become due in the next 12 months from 31 December 2022.

Non-current liabilities

Non-current liabilities decreased by approximately S\$634,000 from S\$2.6 million as at 30 June 2022 to S\$2.0 million as at 31 December 2022. This was due to repayment of bank borrowings of S\$613,000 in respect of the loan secured by the Group for general corporate purposes, reclassification of long term bank borrowings of S\$16,000 to current liabilities as these would become due in the next 12 months from 31 December 2022 and payment of lease liabilities of S\$5,000.

Capital and reserves

Capital and reserves decreased by approximately S\$1.2 million from S\$8.9 million as at 30 June 2022 to S\$7.7 million as at 31 December 2022. This was due to losses incurred in 1H-2023.

Review of the Group's cashflows

Net cash used in operating activities

In 1H-2023, the net cash used in operating activities was approximately S\$1.2 million, which consisted of operating cash outflow before working capital changes of S\$1.1 million, net working capital outflow of S\$111,000 and income tax payment of S\$48,000.

The net working capital outflow arose mainly from the following:

- (i) a decrease in trade and other receivables of S\$1.7 million mainly due to receipt of payment from customers of S\$963,000, a decrease in deposits placed with suppliers for purchase of security products of S\$780,000; and partially offset by an increase in prepayment for insurance premiums of S\$28,000; prepayment for travelling expenses of S\$40,000; and increase in other receivables mainly attributable to GST receivables of S\$5,000;
- (ii) an increase in inventories of S\$1.8 million arising from an increase in the purchase of parts and components for the Security Solutions Business during the period;
- (iii) an increase in contract costs of S\$300,000 mainly attributable to an increase in costs incurred to fulfil the contracts where the goods and services had yet to be transferred to the customers;
- (iv) a decrease in contract assets of S\$76,000 mainly attributable to an increase in billing upon the completion of integrated security solutions projects;
- (v) an increase in trade and other payables of S\$182,000 mainly attributable to an increase in accrual of project cost for integrated security solutions projects of S\$376,000, and partially offset by a decrease in amount payable to trade suppliers of S\$157,000 and a decrease in other payables of S\$37,000; and
- (vi) an increase in contract liabilities of S\$65,000 mainly due to advanced consideration received from customers in Singapore in relation to the provision of integrated security solutions.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$263,000 in 1H-2023 mainly arising from the purchase of plant and equipment of S\$269,000 and partially offset by proceeds from disposal of plant and equipment of S\$6,000.

Net cash used in financing activities

Net cash used in financing activities amounted to approximately S\$1.3 million in 1H-2023. This was mainly due to the decrease in net trade financing facilities utilized of S\$649,000, the repayment of bank borrowings of S\$613,000, payment of lease liabilities of S\$5,000, interest paid of S\$59,000 and net restricted cash pledged of S\$24,000.

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

Not applicable.

4. 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.

As disclosed previously, terrorism in Southeast Asia still presents a clear and present danger despite being overshadowed by the COVID-19 pandemic and other geopolitical uncertainties such as the Myanmar coup, the Russia-Ukraine war, and the rising rivalry between China and the United States of America. As the pandemic slowly recedes, country borders have opened and travel has picked up strongly, raising concerns of the re-emergence of terrorist attacks.¹ At the same time, the resultant economic impact from the abovementioned geo-political uncertainties can cause greater unhappiness and instability within countries, especially with the occurrence of mass protests that can turn violent.

As authorities in Southeast Asia update their security equipment and systems to monitor and deal with the abovementioned risks and others, the Group expects more tenders to progressively come out. With the resumption of travel, the Group has started to physically re-engage with its overseas customers and suppliers.

Singapore's relaxation of its COVID-19 rules and regulations, has allowed the Group's work processes and resource allocation for ongoing projects to return to normal, but projects have been delayed because of supply chain issues or delays at the main contractor level, which has affected expected revenue recognition for 1H-2023.

As logistics disruptions and inflationary pressures continue to persist due to the still present COVID-19 pandemic and geo-political uncertainties, the Group will continue to closely monitor its operating environment and work with its principals and customers to mitigate equipment costs increases and supply chain disruptions.

Even as the global environment becomes more challenging and uncertain, the Group will continue to manage its operating costs and seek out opportunities in Asia by continuing to engage with its customers to understand their current and evolving needs. At the same time, the Group will continue to acquire and broaden its suite of security products and solutions to keep its customers on the cutting edge of technology. This allows the Group to continue to provide its customers with the relevant and latest security products and solutions supported by excellent support services.

In 1H-2023, the Group saw a decrease in its revenue which was attributable to procurement disruptions, delays in the calling of tenders by its customers in the region, and delays in ongoing projects during the still present COVID-19 pandemic and amidst geo-political uncertainties. Whilst the Group is monitoring the situation closely and in close contact with customers, there is no assurance provided by customers that the tenders and projects previously delayed will resume in the second half of the financial year ended 30 June 2023 ("FY2023").

¹ <https://thediplomat.com/2022/04/as-southeast-asia-reopens-will-transnational-terrorism-return/>

5. Dividend Information

(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.

6. 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 1H-2023 in light of the need to conserve cash due to the uncertain economy caused by the COVID-19 pandemic which is still rapidly evolving and surging in many parts of the world.

7. Interested person transactions

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)	
	1H-2023 S\$	1H-2022 S\$
<u>Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense) by:-</u>		
IPS Realty Pte Ltd	(108,000)	(108,000)
IPS Group Pte. Ltd.	(38,604)	(39,030)

8. 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.

9. 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-2023 to be false or misleading in any material aspect.

10. 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(13) of the Listing Manual, IPS Securex Holdings Limited confirms that 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.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer
9 February 2023