



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

Unaudited Third Quarter And Nine-Month Financial Statements And Dividend Announcement For The Financial Period Ended 31 March 2019

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

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

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

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

	Group Unaudited					
	3Q-2019 ⁽¹⁾ S\$	3Q-2018 ⁽²⁾ S\$	Increase/ (Decrease) % change	9M-2019 ⁽³⁾ S\$	9M-2018 ⁽⁴⁾ S\$	Increase/ (Decrease) % change
Revenue	1,968,326	2,258,780	(12.9)	6,644,278	7,207,217	(7.8)
Cost of sales	(929,119)	(1,121,112)	(17.1)	(3,218,357)	(3,759,586)	(14.4)
Gross profit	1,039,207	1,137,668	(8.7)	3,425,921	3,447,631	(0.6)
Other income	31,316	19,526	60.4	52,730	613,658	(91.4)
Administrative expenses	(1,352,452)	(1,286,868)	5.1	(4,061,835)	(3,870,678)	4.9
Other operating expenses	(33,102)	(7,349)	350.4	(47,445)	(14,367)	230.2
Finance income	4,546	1,924	136.3	18,778	15,571	20.6
Finance costs	(9,159)	(63,870)	(85.7)	(18,497)	(172,826)	(89.3)
(Loss)/Profit before tax	(319,644)	(198,969)	60.7	(630,348)	18,989	NM
Tax credit	37,062	25,051	47.9	27,123	62,476	(56.6)
(Loss)/profit for the period, representing total comprehensive (loss)/income for the period	(282,582)	(173,918)	62.5	(603,225)	81,465	NM

NM denotes not meaningful.

(1) "3Q-2019" refers to the third quarter ended 31 March 2019.

(2) "3Q-2018" refers to the third quarter ended 31 March 2018.

(3) "9M-2019" refers to the nine-month period ended 31 March 2019.

(4) "9M-2018" refers to the nine-month period ended 31 March 2018.

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

	Group					
	Unaudited					
	3Q-2019 S\$	3Q-2018 S\$	Increase/ (Decrease) % change	9M-2019 S\$	9M-2018 S\$	Increase/ (Decrease) % change
After charging:						
Depreciation of plant and equipment	(266,334)	(264,011)	0.9	(796,647)	(789,227)	0.9
Plant and equipment written off	-	-	-	(480)	(1,981)	(75.8)
Inventories written off	-	(583)	NM	(10)	(696)	(98.6)
Bad debts written off	-	(5,760)	NM	-	(5,760)	NM
Rental expense	(55,995)	(54,465)	2.8	(167,591)	(163,395)	2.6
Allowance for doubtful debts (net)	(29,451)	-	NM	(36,609)	-	NM
Interest expense	(4,552)	(8,288)	(45.1)	(18,497)	(28,549)	(35.2)
Foreign exchange loss (net)	(4,607)	(55,582)	(91.7)	-	(144,277)	NM
Finance costs	(9,159)	(63,870)	(85.7)	(18,497)	(172,826)	(89.3)
and crediting:						
Miscellaneous income	-	-	-	1,742	47,506	(96.3)
Bad debts recovered	-	-	-	-	502,858	NM
Government grant and subsidies	31,316	19,526	60.4	50,988	63,294	(19.4)
Other income	31,316	19,526	60.4	52,730	613,658	(91.4)
Over provision of income tax in respect of prior year	17,000	2,062	724.4	17,000	79,626	(78.7)
Foreign exchange gain (net)	-	-	-	318	-	NM
Interest income	4,546	1,924	136.3	18,460	15,571	18.6
Finance income	4,546	1,924	136.3	18,778	15,571	20.6

NM denotes not meaningful.

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

	Group		Company	
	Unaudited As at 31.03.2019 S\$	Audited As at 30.06.2018 S\$	Unaudited As at 31.03.2019 S\$	Audited As at 30.06.2018 S\$
ASSETS				
Current assets				
Cash and cash equivalents	4,408,741	3,582,866	128,258	257,731
Trade and other receivables	2,505,217	2,701,222	3,040,357	3,307,770
Loans to subsidiary corporation	-	-	1,345,000	1,508,400
Inventories	1,492,663	1,036,746	-	-
Contract assets	484,842	631,624	-	-
Total current assets	8,891,463	7,952,458	4,513,615	5,073,901
Non-current assets				
Investment in subsidiary corporations	-	-	4,844,199	4,844,199
Plant and equipment	2,445,951	3,189,452	-	-
Other investments	7,605	7,605	-	-
	2,453,556	3,197,057	4,844,199	4,844,199
Total assets	11,345,019	11,149,515	9,357,814	9,918,100
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,077,276	2,717,939	272,438	324,954
Contract liabilities	1,990,034	157,707	-	-
Finance lease	18,151	18,151	-	-
Bank borrowings	41,722	410,921	41,722	410,921
Total current liabilities	4,127,183	3,304,718	314,160	735,875
Non-current liabilities				
Finance lease	57,196	70,809	-	-
Deferred tax liabilities	5,281	15,404	-	-
	62,477	86,213	-	-
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	(1,571,195)	(967,970)	(482,899)	(344,328)
	7,155,359	7,758,584	9,043,654	9,182,225
Total liabilities and equity	11,345,019	11,149,515	9,357,814	9,918,100

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

	As at 31.03.2019		As at 30.06.2018	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Group				
Amount repayable in one year or less, or on demand	59,873	-	429,072	-
Amount repayable after one year	57,196	-	70,809	-
	<u>117,069</u>	<u>-</u>	<u>499,881</u>	<u>-</u>

Details of the collaterals:

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

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

	Group			
	Unaudited			
	3Q-2019	3Q-2018	9M-2019	9M-2018
	S\$	S\$	S\$	S\$
Operating activities				
(Loss)/profit before tax	(319,644)	(198,969)	(630,348)	18,989
Adjustments for:				
Interest income	(4,546)	(1,924)	(18,460)	(15,571)
Interest expense	4,552	8,288	18,497	28,549
Depreciation of plant and equipment	266,334	264,011	796,647	789,227
Plant and equipment written off	-	-	480	1,981
Inventories written off	-	583	10	696
Allowance for doubtful debts (net)	29,451	-	36,609	-
Net foreign exchange loss	6,153	165,460	5,735	229,469
Operating cash flows before working capital changes	(17,700)	237,449	209,170	1,053,340
Trade and other receivables	(161,863)	248,964	161,641	(623,800)
Inventories	(205,293)	(232,744)	(455,927)	(556,242)
Contract assets	(69,298)	(109,562)	146,782	107,298
Trade and other payables	(178,674)	191,268	(638,659)	(229,619)
Contract liabilities	1,884,711	95,693	1,832,327	163,942
Cash generated from/(used in) operations	1,251,883	431,068	1,255,334	(85,081)
Income tax received/(paid)	17,000	-	17,000	(13,590)
Interest received	3,390	5,673	15,007	12,629
Net cash from/(used in) operating activities	1,272,273	436,741	1,287,341	(86,042)
Investing activities				
Purchase of plant and equipment	(17,070)	(29,817)	(53,626)	(57,752)
Acquisition of other investment	-	-	-	(1,605)
Acquisition of subsidiaries, net of cash acquired	-	-	-	(373,200)
Net cash used in investing activities	(17,070)	(29,817)	(53,626)	(432,557)
Financing activities				
Interest paid	(4,105)	(8,824)	(18,632)	(29,159)
Repurchase of own shares	-	-	-	(89,353)
Repayments of bank borrowings	(91,844)	(244,717)	(369,199)	(700,373)
Repayments of finance leases	(4,537)	(4,538)	(13,613)	(86,940)
Change in restricted cash	(1,453,244)	(27,587)	(1,453,244)	(27,587)
Net cash used in financing activities	(1,553,730)	(285,666)	(1,854,688)	(933,412)
Net (decrease)/increase in cash and cash equivalents	(298,527)	121,258	(620,973)	(1,452,011)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(6,823)	(38,932)	(6,396)	(102,941)
Cash and cash equivalents at beginning of the period	3,215,260	3,250,399	3,537,279	4,887,677
Cash and cash equivalents at end of the period	2,909,910	3,332,725	2,909,910	3,332,725
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	2,909,910	3,332,725	2,909,910	3,332,725
Fixed deposit pledged	18,000	18,000	18,000	18,000
Restricted cash	1,480,831	27,587	1,480,831	27,587
Cash and cash equivalents at end of the period	4,408,741	3,378,312	4,408,741	3,378,312

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

Statement of changes in equity

S\$	Share capital	Treasury shares	Capital reserves	Accumulated profit/(losses)	Total
Group					
Balance at 1 July 2018	9,405,906	(89,353)	(589,999)	(967,970)	7,758,584
Total comprehensive loss for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(603,225)	(603,225)
Balance at 31 March 2019	9,405,906	(89,353)	(589,999)	(1,571,195)	7,155,359
Company					
Balance at 1 July 2017	9,405,906	-	(589,999)	322,848	9,138,755
Total comprehensive income for the period					
Profit for the period, representing total comprehensive income for the period	-	-	-	81,465	81,465
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 31 March 2018	9,405,906	(89,353)	(589,999)	404,313	9,130,867
Balance at 1 July 2018	9,405,906	(89,353)	210,000	(344,328)	9,182,225
Total comprehensive loss for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(138,571)	(138,571)
Balance at 31 March 2019	9,405,906	(89,353)	210,000	(482,899)	9,043,654
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
Total comprehensive loss for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(148,386)	(148,386)
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 31 March 2018	9,405,906	(89,353)	210,000	(260,923)	9,265,630

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

There were no outstanding convertibles and subsidiary holdings held by the Company as at 31 March 2019 and 31 March 2018. The number of shares held as treasury shares as at 31 March 2019 and 31 March 2018 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 March 2019 and 31 March 2018 is 0.24%.

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

	As at	
	31.03.2019	30.06.2018
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>484,844,100</u>	<u>484,844,100</u>

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

Not applicable.

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

Not applicable.

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

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

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

Not applicable.

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

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

The Group has applied the same accounting policies and methods of computation in the financial statements for 9M-2019 as that of the audited financial statements for the year ended 30 June 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 July 2018 as follows:

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

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

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

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

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

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

The adoption of SFRS(I) 15 is assessed to have no significant impact on the results of the Group's financial statements for 9M-2019.

Presentation of contract assets and liabilities

Under SFRS(I) 15, for each revenue contract entered into, the Group presents contract assets or contract liabilities in its statement of financial position when the Group has performed the transfer of goods/services to the customer and has established the right to payment for the transfer (contract asset), or the customer had paid a consideration in advance for the transfer of goods/services to the Group (contract liability). As a result of the adoption of SFRS(I) 15, the Group reclassified S\$631,624 from trade and other receivables to contract assets and S\$157,707 from trade and other payables to contract liabilities in its statement of financial position as at 30 June 2018. As at 31 March 2019, the Group classified S\$484,842 as contract assets and S\$1,990,034 as contract liabilities in the statement of financial position.

SFRS(I) 9 *Financial Instruments*

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

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

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

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

Please refer to Item 4 above.

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

	Group Unaudited			
	3Q-2019	3Q-2018	9M-2019	9M-2018
Earnings per ordinary share ("EPS")				
(Loss)/profit attributable to owners of the Company (S\$)	(282,582)	(173,918)	(603,225)	81,465
Weighted average number of ordinary shares ⁽¹⁾	<u>484,844,100</u>	<u>484,844,100</u>	<u>484,844,100</u>	<u>485,052,556</u>
EPS - Basic and diluted (cents) ⁽²⁾	<u>(0.06)</u>	<u>(0.04)</u>	<u>(0.12)</u>	<u>0.02</u>

⁽¹⁾ During the period from 1 July 2017 to 31 December 2017, the Company purchased 1,155,900 shares as treasury shares with the resultant that the number of issued shares was reduced from 486,000,000 shares as at 1 July 2017 to 484,844,100 shares as at 31 March 2018 and 31 March 2019. For the purpose of computing earnings per share, the weighted average number of shares of the Company for 9M-2019 and 9M-2018 had been computed using the share capital as at 1 July 2018 and 1 July 2017 adjusted for the share purchases of 1,155,900 shares and as weighted over 9M-2019 and 9M-2018 during which time such shares were outstanding, in arriving at the weighted average of 484,844,100 shares and 485,052,556 shares, respectively.

⁽²⁾ The basic and diluted earnings per share were the same as there were no dilutive instruments as at 31 March 2018 and 31 March 2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	Unaudited As at 31.03.2019	Audited As at 30.06.2018	Unaudited As at 31.03.2019	Audited As at 30.06.2018
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	<u>1.5</u>	<u>1.6</u>	<u>1.9</u>	<u>1.9</u>

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of the Group's performance

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

Revenue

The Group's revenue decreased by approximately S\$290,000 or 12.9% from S\$2.3 million in 3Q-2018 to S\$2.0 million in 3Q-2019; and decreased by approximately S\$563,000 or 7.8% from S\$7.2 million in 9M-2018 to S\$6.6 million in 9M-2019.

Revenue from the Security Solutions Business decreased by approximately S\$209,000 or 27.5% from S\$760,000 in 3Q-2018 to S\$551,000 in 3Q-2019. This was mainly attributable to the decrease in demand in the sales of security products to customers in Indochina⁽²⁾.

Revenue from the Security Solutions Business decreased by approximately S\$874,000 or 33.6% from S\$2.6 million in 9M-2018 to S\$1.8 million in 9M-2019. This was mainly attributable to the decrease in the sales of security products to customers in the Rest of Southeast Asia⁽¹⁾, Indochina⁽²⁾ and East Asia⁽³⁾ of S\$675,000 and decrease in demand for integrated security solutions in Singapore of S\$199,000.

Revenue from the Maintenance and Leasing Business decreased by approximately S\$82,000 or 5.5% from S\$1.5 million in 3Q-2018 to S\$1.4 million in 3Q-2019. This was mainly attributable to the delay in commencement of a maintenance contract by one of the customers in the Rest of Southeast Asia, due to unforeseen circumstances relating to certain end users' budget review and reallocation

Revenue from the Maintenance and Leasing Business increased by approximately S\$311,000 or 6.8% from S\$4.6 million in 9M-2018 to S\$4.9 million in 9M-2019. This was mainly attributable to the increase in fees earned of S\$380,000 due to the ad-hoc replacement of a component in a security system for a customer in Singapore in the second quarter ended 31 December 2018.

Cost of sales

Cost of sales decreased by approximately S\$192,000 or 17.1% from S\$1.1 million in 3Q-2018 to S\$929,000 in 3Q-2019 and decreased by approximately S\$541,000 or 14.4% from S\$3.8 million in 9M-2018 to S\$3.2 million in 9M-2019. This was mainly due to the decrease in direct material costs incurred due to the decline in the Group's turnover as well as bulk discounts received on the purchase of direct materials.

Gross profit

Gross profit decreased by approximately S\$98,000 or 8.7% from S\$1.1 million in 3Q-2018 to S\$1.0 million in 3Q-2019 and remained relatively stable at S\$3.4 million in both 9M-2018 and 9M-2019 due to the factors discussed above.

Other income

Other income increased by approximately S\$12,000 or 60.4% from S\$20,000 in 3Q-2018 to S\$31,000 in 3Q-2019. The increase was due to an increase in government grants and subsidies.

Other income decreased by approximately S\$561,000 or 91.4% from S\$614,000 in 9M-2018 to S\$53,000 in 9M-2019. The decrease was mainly due to the absence in 9M-2019 of the recovery of outstanding debts in the first half of 2018 previously provided as doubtful debts of S\$503,000, decrease in miscellaneous income of S\$46,000 and decrease in government grants and subsidies of S\$12,000.

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

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

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

Administrative expenses

Administrative expenses increased by approximately S\$66,000 or 5.1% from S\$1.3 million in 3Q-2018 to S\$1.4 million in 3Q-2019. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$62,000 mainly due to staff bonuses accrued in 3Q-2019; and
- b) distribution and marketing expenses of S\$3,000 and office related expenses of S\$800.

Administrative expenses increased by approximately S\$191,000 or 4.9% from S\$3.9 million in 9M-2018 to S\$4.1 million in 9M-2019. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$122,000 mainly due to staff bonuses accrued in 9M-2019;
- b) distribution and marketing expenses of S\$52,000 and office related expenses of S\$17,000.

Other operating expenses

Other operating expenses increased by approximately S\$26,000 or 350.4% from S\$7,000 in 3Q-2018 to S\$33,000 in 3Q-2019. This was mainly due to the recognition of allowance for doubtful debts of S\$30,000, an increase in bank charges of S\$2,000 and miscellaneous expenses of S\$1,000, and partially offset by the absence in 3Q-2019 of bad debts written off S\$6,000 and inventories written off of S\$1,000 which were recognised in 3Q-2018.

Other operating expenses increased by approximately S\$33,000 or 230.2% from S\$14,000 in 9M-2018 to S\$47,000 in 9M-2019. This was mainly due to the recognition of allowance for doubtful debts of S\$37,000, an increase in bank charges of S\$3,000 and miscellaneous expenses of S\$2,000, and partially offset by the absence in 9M-2019 of bad debts written off of S\$6,000, inventories written off of S\$1,000 and plant and equipment written off of S\$2,000 which were recognized in 9M-2018.

Finance income

Finance income increased by approximately S\$3,000 or 136.3% from S\$2,000 in 3Q-2018 to S\$5,000 in 3Q-2019. This was mainly due to the difference between the carrying value and fair value of certain trade receivables attributable to an instalment repayment plan agreed with a customer of S\$5,000, and a decrease in interest earned of S\$2,000

Finance income increased by approximately S\$3,000 or 20.6% from S\$16,000 in 9M-2018 to S\$19,000 in 9M-2019. This was mainly due to the difference between the carrying value and fair value of certain trade receivables attributable to an instalment repayment plan agreed with a customer of S\$1,000, and an increase in interest earned of S\$2,000.

Finance costs

Finance costs decreased by approximately S\$55,000 or 85.7% from S\$64,000 in 3Q-2018 to S\$9,000 in 3Q-2019. This was mainly due to the lower net foreign exchange loss of S\$51,000 recognised in 3Q-2019 and lower interest expenses incurred of S\$4,000. Net foreign exchange loss was lower in 3Q-2019 because of the absence of a net foreign exchange loss of S\$51,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar that was recognised in 3Q-2018 while interest expenses were lower in 3Q-2019 because of the repayment of the term loan taken by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte. Ltd. which was completed on 1 April 2016 (the "Acquisition") of S\$6,000, and partially offset by the higher utilization of trade financing facilities of S\$2,000.

Finance costs decreased by approximately S\$154,000 or 89.3% from S\$173,000 in 9M-2018 to S\$18,000 in 9M-2019. This was mainly due to the absence of net foreign exchange loss of S\$144,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar that was recognised in 9M-2018 while interest expenses were lower in 9M-2019 because

of the repayment of the term loan taken by the Group to fund the Acquisition of S\$16,000, and partially offset by the higher utilization of trade financing facilities of S\$6,000.

Tax credit

The tax credit increased by approximately S\$12,000 or 47.9% from S\$25,000 in 3Q-2018 to S\$37,000 in 3Q-2019. The increase was mainly due to reversal of over provisions of income tax made in respect of prior years and higher loss before tax recorded in 3Q-2019.

The tax credit decreased by approximately S\$35,000 or 56.6% from S\$62,000 in 9M-2018 to S\$27,000 in 9M-2019. The decrease was attributable to the absence in 9M-2019 of the recognition in 9M-2018 of unabsorbed tax losses as deferred tax assets, and partially offset against the reversal of over provisions of income tax made in respect of prior years.

Review of the Group's financial position

Current assets

Current assets increased by approximately S\$939,000 from S\$8.0 million as at 30 June 2018 to S\$8.9 million as at 31 March 2019. The increase in current assets was mainly due to:-

- a) an increase in cash and cash equivalents of S\$826,000;
- b) an increase in inventories of S\$456,000 due to an increase in the purchase of parts and components, partially offset by:-
- c) a decrease in contract assets of S\$147,000 mainly attributable to an increase in billings upon project completion; and
- d) a net decrease in trade and other receivables of S\$196,000 mainly due to the receipt of payment from customers of S\$419,000, a decrease in prepayment for maintenance support services of S\$223,000, recognition of allowance for doubtful debts of S\$37,000, and partially offset by an increase in deposits placed with suppliers for purchases of security products of S\$424,000, prepayment for insurance premiums of S\$35,000, and other general expenses of S\$24,000.

Non-current assets

Non-current assets decreased by approximately S\$744,000 from S\$3.2 million as at 30 June 2018 to S\$2.5 million as at 31 March 2019. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S\$744,000 primarily attributable to depreciation charges.

Current liabilities

Current liabilities increased by approximately S\$822,000 from S\$3.3 million as at 30 June 2018 to S\$4.1 million as at 31 March 2019. The increase in current liabilities was mainly due to:-

- a) an increase in contract liabilities of S\$1.8 million mainly due to an advanced consideration received from a government agency in Southeast Asia in relation to the provision of integrated security solutions of S\$1.5 million as announced by the Company on 15 January 2019; and an advanced consideration received from a government-linked customer in Southeast Asia in relation to the supply and delivery of an integrated radar surveillance and bird strike deterrent solution for airport security environments of S\$300,000 as announced by the Company on 12 February 2019,

partially offset by:-

- b) a net decrease in trade and other payables of S\$641,000 mainly due to payment to suppliers of S\$760,000 and partially offset by an increase in the accruals of operating expenses of S\$119,000; and

- c) the repayment of bank borrowings of S\$369,000.

Non-current liabilities

Non-current liabilities decreased by approximately S\$24,000 from S\$86,000 as at 30 June 2018 to S\$62,000 as at 31 March 2019. This was due to a decrease in deferred tax liabilities of S\$10,000 and the repayment of finance lease amounting to S\$14,000.

Capital and reserves

Capital and reserves decreased by approximately S\$603,000 from S\$7.8 million as at 30 June 2018 to S\$7.2 million as at 31 March 2019. This was due to losses incurred in 9M-2019 of S\$603,000.

Review of the Group's cashflows

Net cash from operating activities

In 9M-2019, the net cash from operating activities was approximately S\$1.3 million, which consisted of operating cashflows before working capital changes of S\$209,000, net working capital inflow of S\$1.0 million, interest received of S\$15,000 and income tax received of S\$17,000.

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

- a) a net decrease in trade and other receivables of S\$162,000 mainly due to the receipt of payment from customers of S\$419,000, a decrease in prepayment for maintenance support services of S\$223,000, and partially offset by an increase in deposits placed with suppliers for purchases of security products of S\$424,000, prepayment for insurance premiums of S\$35,000, and other general expenses of S\$21,000;
- b) an increase in contract liabilities of S\$1.8 million mainly due to an advanced consideration received from a government agency in Southeast Asia in relation to the provision of integrated security solutions of S\$1.5 million as announced by the Company on 15 January 2019; and an advanced consideration received from a government-linked customer in Southeast Asia in relation to the supply and delivery of an integrated radar surveillance and bird strike deterrent solution for airport security environments of S\$300,000 as announced by the Company on 12 February 2019;
- c) a decrease in contract assets of S\$147,000 mainly attributable to an increase in billings upon project completion,

partially offset by:-
- d) a net decrease in trade and other payables of S\$639,000 mainly due to payment to suppliers of S\$760,000 and partially offset by an increase in the accruals of operating expenses of S\$119,000; and
- e) an increase in inventories of S\$456,000 due to an increase in the purchase of parts and components.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$54,000 in 9M-2019 due to the purchase of plant and equipment.

Net cash used in financing activities

Net cash used in financing activities amounted to approximately S\$1.9 million in 9M-2019 which was mainly due to repayment of bank borrowings and finance leases in aggregate of S\$383,000, interest paid of S\$19,000 and an increase in restricted cash of S\$1.5 million in relation to the provision of integrated security solutions which received a Letter of Acceptance ("LOA") from a government agency in Southeast Asia as announced by the Company on 15 January 2019.

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 recent Easter Sunday terror attack on churches, luxury hotels and a house in Sri Lanka was one of the deadliest attacks in Asia in recent memory. With about 290 people dead and about 500 injured, the number of casualties is considerably higher than the Bali bombings and Mumbai attacks.¹ This is evidence that it is imperative for countries to stay vigilant as terrorism attacks remain unpredictable and hard to prevent.

In the operating and political environment which the Group currently operates, countries are still facing challenges with regard to their political and economic situations, giving rise to internal and external issues that governments are making efforts to resolve. These issues take time to resolve, resulting in prolonged slowdowns or delays in the award of government projects and tenders. As a result, the Group's recent quarters' turnover and profitability have been adversely affected.

The Group will continue its active participation in the tenders of its customers. As announced by the Company on 15 January 2019, 12 February 2019 and 7 March 2019, the Group's wholly-owned subsidiary, IPS Securex Pte. Ltd., recently received (i) a Letter of Acceptance ("LOA") from a government agency in Southeast Asia for a total contract value of up to approximately S\$19.1 million, (ii) a Purchase Order ("PO") from a government-linked customer in Southeast Asia for a contract worth approximately US\$1.16 million, and (iii) a Letter of Acceptance ("LOA") from a government agency in Southeast Asia for a contract worth approximately S\$1.09 million, respectively. Please refer to the respective announcements for more details.

The evolving challenges of today's regional security landscape demand dynamic and relevant solutions from governments. In order to maintain on the cutting edge of security, the Group will continue to source for new and complementary security products and solutions to add on to its existing portfolio, so that it can meet the ever-changing needs of its current and future customers.

11. Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for 3Q-2019 as the Group recorded a loss in 3Q-2019.

¹ <https://www.channelnewsasia.com/news/asia/scale-of-sri-lanka-blasts-exceeds-bali-bombings-mumbai-attacks-11469512>

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 finance, corporate secretarial, human resources, warehouse operation cost and rental expense) by:-</u>	3Q-2019 S\$	3Q-2018 S\$	9M-2019 S\$	9M-2018 S\$
IPS Realty Pte Ltd	(54,000)	(54,000)	(162,000)	(162,000)
IPS Group Pte. Ltd.	(18,615)	(18,615)	(55,845)	(50,553)

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

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

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

The board of Directors (the “Board”) hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board, which may render the unaudited financial statements of the Group for 9M-2019 to be false or misleading in any material aspect.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer
8 May 2019