



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

Unaudited Fourth Quarter And Full Year Financial Statements And Dividend Announcement For The Financial Year Ended 30 June (“FY”) 2019

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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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.

	Group					
	4Q-2019 ⁽¹⁾ S\$	4Q-2018 ⁽²⁾ S\$	Increase/ (Decrease) % change	Unaudited FY2019 S\$	Audited FY2018 S\$	Increase/ (Decrease) % change
Revenue	2,338,326	3,667,078	(36.2)	8,982,604	10,874,295	(17.4)
Cost of sales	(1,276,982)	(2,247,038)	(43.2)	(4,495,339)	(6,006,624)	(25.2)
Gross profit	1,061,344	1,420,040	(25.3)	4,487,265	4,867,671	(7.8)
Other income	9,003	65,602	(86.3)	61,733	206,402	(70.1)
Administrative expenses	(1,393,169)	(1,363,913)	2.1	(5,455,004)	(5,234,592)	4.2
Other operating expenses	(290,037)	(1,559,616)	(81.4)	(337,482)	(1,101,125)	(69.4)
Finance income	14,308	112,990	(87.3)	29,632	23,006	28.8
Finance costs	(9,195)	(9,357)	(1.7)	(24,238)	(76,627)	(68.4)
Loss before tax	(607,746)	(1,334,254)	(54.5)	(1,238,094)	(1,315,265)	(5.9)
Tax (expense)/credit	(593)	(38,029)	(98.4)	26,530	24,447	8.5
Loss for the period, representing total comprehensive loss for the period/year	(608,339)	(1,372,283)	(55.7)	(1,211,564)	(1,290,818)	(6.1)

NM denotes not meaningful.

(1) “4Q-2019” refers to the fourth quarter ended 30 June 2019.

(2) “4Q-2018” refers to the fourth quarter ended 30 June 2018.

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

	Group					
	Unaudited 4Q-2019 S\$	Unaudited 4Q-2018 S\$	Increase/ (Decrease) % change	Unaudited FY2019 S\$	Audited FY2018 S\$	Increase/ (Decrease) % change
After charging:						
Depreciation of plant and equipment	(261,266)	(282,084)	(7.4)	(1,057,913)	(1,071,311)	(1.3)
Plant and equipment written off	-	(1,808)	(100.0)	(480)	(3,788)	(87.3)
Inventories written off	(359)	-	NM	(369)	(696)	(47.0)
Bad debts written off	-	-	NM	-	(5,760)	(100.0)
Rental expense	(55,992)	(54,615)	2.5	(223,583)	(218,010)	2.6
Allowance for doubtful debts (net)	(287,430)	(1,554,169)	(81.5)	(324,039)	(1,081,311)	(70.0)
Interest expense	(9,195)	(9,357)	(1.7)	(24,238)	(37,906)	(36.1)
Foreign exchange loss (net)	-	-	NM	-	(38,721)	(100.0)
Finance costs	(9,195)	(9,357)	(1.7)	(24,238)	(76,627)	(68.4)
and crediting:						
Miscellaneous income	1,155	36,998	(96.9)	2,897	84,504	(96.6)
Bad debts recovered	-	500	(100.0)	-	30,500	(100.0)
Write-back of allowance for inventories	7,674	19,879	(61.4)	7,674	19,879	(61.4)
Government grant and subsidies	174	8,225	(97.9)	51,162	71,519	(28.5)
Other income	9,003	65,602	(86.3)	61,733	206,402	(70.1)
Over provision of income tax in respect of prior year	-	-	NM	17,000	79,626	(78.7)
Foreign exchange gain (net)	13,859	105,556	(86.9)	14,177	-	NM
Interest income	449	7,434	(94.0)	15,455	23,006	(32.8)
Finance income	14,308	112,990	(87.3)	29,632	23,006	28.8

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 30.06.2019 S\$	Audited As at 30.06.2018 S\$	Unaudited As at 30.06.2019 S\$	Audited As at 30.06.2018 S\$
ASSETS				
Current assets				
Cash and cash equivalents	3,869,130	3,582,866	122,106	257,731
Trade and other receivables	2,692,855	2,861,853	2,748,849	3,307,770
Loans to subsidiary corporation	-	-	1,545,000	1,508,400
Inventories	2,201,764	1,190,264	-	-
Contract cost	289,739	152,666	-	-
Contract assets	219,775	164,809	-	-
Total current assets	9,273,263	7,952,458	4,415,955	5,073,901
Non-current assets				
Investment in subsidiary corporations	-	-	4,844,199	4,844,199
Plant and equipment	2,184,685	3,189,452	-	-
Other investments	7,605	7,605	-	-
	2,192,290	3,197,057	4,844,199	4,844,199
Total assets	11,465,553	11,149,515	9,260,154	9,918,100
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,352,577	2,435,435	255,252	324,954
Contract liabilities	2,489,273	440,211	-	-
Finance lease	18,151	18,151	-	-
Bank borrowings	-	410,921	-	410,921
Total current liabilities	4,860,001	3,304,718	255,252	735,875
Non-current liabilities				
Finance lease	52,658	70,809	-	-
Deferred tax liabilities	5,874	15,404	-	-
	58,532	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	(2,179,534)	(967,970)	(521,651)	(344,328)
	6,547,020	7,758,584	9,004,902	9,182,225
Total liabilities and equity	11,465,553	11,149,515	9,260,154	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:

Group	As at 30.06.2019		As at 30.06.2018	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	18,151	-	429,072	-
Amount repayable after one year	52,658	-	70,809	-
	<u>70,809</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	Unaudited	Unaudited	Audited
	4Q-2019	4Q-2018	FY2019	FY2018
	S\$	S\$	S\$	S\$
Operating activities				
Loss before tax	(607,746)	(1,334,254)	(1,238,094)	(1,315,265)
Adjustments for:				
Interest income	(449)	(7,434)	(15,455)	(23,006)
Interest expense	9,195	9,357	24,238	37,906
Depreciation of plant and equipment	261,266	282,084	1,057,913	1,071,311
Plant and equipment written off	-	1,808	480	3,788
Inventories written off	359	-	369	696
Bad debts written off	-	-	-	5,760
Write-back of allowance for inventories	(7,674)	(19,879)	(7,674)	(19,879)
Allowance for doubtful debts (net)	287,430	1,554,169	324,039	1,081,311
Net foreign exchange loss/(gain)	(1,704)	(123,911)	(2,064)	29,702
Operating cash flows before working capital changes	(59,323)	361,940	143,752	872,324
Trade and other receivables	(478,522)	(587,426)	(155,041)	(600,780)
Inventories	(544,294)	286,470	(1,004,195)	(250,915)
Contract cost	(147,895)	167,979	(137,073)	135,819
Contract assets	(34,268)	4,621	(54,966)	47,413
Trade and other payables	530,648	657,510	(76,348)	232,970
Contract liabilities	246,459	(498,320)	2,049,062	(151,530)
Cash (used in)/generated from operations	(487,195)	392,774	765,191	285,301
Income tax received/(paid)	-	-	17,000	(13,590)
Interest received	449	5,945	15,455	18,575
Net cash (used in)/from operating activities	(486,746)	398,719	797,646	290,286
Investing activities				
Purchase of plant and equipment	-	(69,510)	(53,626)	(127,262)
Acquisition of subsidiaries, net of cash acquired	-	-	-	(373,200)
Acquisition of other investment	-	-	-	(1,605)
Net cash used in investing activities	-	(69,510)	(53,626)	(502,067)
Financing activities				
Purchase of own shares	-	-	-	(89,353)
Interest paid	(5,927)	(8,734)	(24,559)	(37,893)
Repayments of bank borrowings	(41,722)	(178,975)	(410,921)	(879,348)
Repayments of finance leases	(4,538)	(4,538)	(18,151)	(91,478)
Change in restricted cash	-	-	(1,453,244)	(27,587)
Net cash used in financing activities	(52,187)	(192,247)	(1,906,875)	(1,125,659)
Net (decrease)/increase in cash and cash equivalents	(538,933)	136,962	(1,162,855)	(1,337,440)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(678)	67,592	(4,125)	(12,958)
Cash and cash equivalents at beginning of the period	2,909,910	3,332,725	3,537,279	4,887,677
Cash and cash equivalents at end of the period/year	2,370,299	3,537,279	2,370,299	3,537,279
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	2,370,299	3,537,279	2,370,299	3,537,279
Fixed deposit pledged	18,000	18,000	18,000	18,000
Restricted cash	1,480,831	27,587	1,480,831	27,587

- 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 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
Balance at 1 July 2017	9,405,906	-	(589,999)	322,848	9,138,755
Total comprehensive loss for the year					
Profit for the period, representing total comprehensive income for the period	-	-	-	(1,290,818)	(1,290,818)
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 30 June 2018	9,405,906	(89,353)	(589,999)	(967,970)	7,758,584
Company					
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
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
Total comprehensive loss for the year					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(231,791)	(231,791)
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 30 June 2018	9,405,906	(89,353)	210,000	(344,328)	9,182,225

- 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 2019 and 30 June 2018. The number of shares held as treasury shares as at 30 June 2019 and 30 June 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 30 June 2019 and 30 June 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	
	30.06.2019	30.06.2018
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.

- 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 ended 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 FY2019 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 FY2019.

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\$470,993 from trade and other receivables to contract cost of \$152,666, contract assets of \$164,809 and inventories of \$153,518 and \$440,211 from trade and other payables to contract liabilities in its statement of financial position as at 30 June 2018. As at 30 June 2019, the Group classified S\$219,775 as contract assets, \$289,739 as contract cost and S\$2,489,273 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 ended 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 FY2019.

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 4Q-2019	Unaudited 4Q-2018	Unaudited FY2019	Audited FY2018
Earnings per ordinary share ("EPS")				
Loss attributable to owners of the Company (S\$)	(608,339)	(1,372,283)	(1,211,564)	(1,290,818)
Weighted average number of ordinary shares ⁽¹⁾	484,844,100	484,844,100	484,844,100	485,000,585
EPS - Basic and diluted (cents) ⁽²⁾	(0.13)	(0.28)	(0.25)	(0.27)

⁽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 30 June 2018 and 30 June 2019. For the purpose of computing earnings per share, the weighted average number of shares of the Company for FY2018 and 4Q-2018 had been computed using the share capital as at 1 July 2017 adjusted for the share purchases of 1,155,900 shares and as weighted over FY2018 and 4Q-2018 during which time such shares were outstanding, in arriving at the weighted average of 485,000,585 shares and 484,844,100 shares, respectively. The number of shares of the Company throughout FY2019 and 4Q-2019 is 484,844,100.

⁽²⁾ The basic and diluted earnings per share were the same as there were no dilutive instruments as at 30 June 2018 and 30 June 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 30.06.2019	Audited As at 30.06.2018	Unaudited As at 30.06.2019	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)	1.4	1.6	1.9	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 decreased by approximately S\$1.4 million or 36.2% from S\$3.7 million in 4Q-2018 to S\$2.3 million in 4Q-2019; and decreased by approximately S\$1.9 million or 17.4% from S\$10.9 million in FY2018 to S\$9.0 million in FY2019.

Revenue from the Security Solutions Business decreased by approximately S\$1.2 million or 57.1% from S\$2.1 million in 4Q-2018 to S\$907,000 in 4Q-2019. This was mainly attributable to the decrease in demand in the sales of security products to customers in Singapore and the Rest of Southeast Asia⁽¹⁾ of S\$202,000; and also a decrease in demand for integrated security solutions in Singapore of S\$1.0 million.

Revenue from the Security Solutions Business decreased by approximately S\$2.1 million or 43.8% from S\$4.8 million in FY2018 to S\$2.7 million in FY2019. 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\$899,000 and a decrease in demand for integrated security solutions in Singapore of S\$1.2 million.

Revenue from the Maintenance and Leasing Business decreased by approximately S\$119,000 or 7.4% from S\$1.6 million in 4Q-2018 to S\$1.4 million in 4Q-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 of S\$147,000; decrease in the provision of maintenance support services to customers in Indochina⁽²⁾ of S\$7,000 and East Asia⁽³⁾ of S\$2,000; and partially offset by an increase in the provision of maintenance support services to customers in Singapore of S\$28,000 and the Rest of Southeast Asia⁽¹⁾ of S\$9,000.

Revenue from the Maintenance and Leasing Business increased by approximately S\$192,000 or 3.1% from S\$6.1 million in FY2018 to S\$6.3 million in FY2019. 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; increase in the provision of maintenance support services to customers in Singapore of S\$107,000; and partially offset by a decrease in provision of maintenance support services to customers in Indochina⁽²⁾ of S\$47,000, in East Asia⁽³⁾ of S\$2,000 and the Rest of Southeast Asia⁽¹⁾ of S\$246,000 due to delay in commencement of a maintenance contract by one of the customers.

Cost of sales

Cost of sales decreased by approximately S\$970,000 or 43.2% from S\$2.2 million in 4Q-2018 to S\$1.3 million in 4Q-2019 and decreased by approximately S\$1.5 million or 25.2% from S\$6.0 million in FY2018 to S\$4.5 million in FY2019. 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\$359,000 or 25.3% from S\$1.4 million in 4Q-2018 to S\$1.1 million in 4Q-2019 and decreased by approximately S\$380,000 or 7.8% from S\$4.9 million in FY2018 to S\$4.5 million in FY2019 due to the factors discussed above.

(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.

Other income

Other income decreased by approximately S\$57,000 or 86.3% from S\$66,000 in 4Q-2018 to S\$9,000 in 4Q-2019. The decrease was due to a decrease in government grants and subsidies of S\$8,000, in insurance claimed of S\$36,000 and in write-back of allowance for inventories of S\$12,000, and an absence of bad debts recovered of S\$500 which was recognized in 4Q-2018.

Other income decreased by approximately S\$145,000 or 70.1% from S\$206,000 in FY2018 to S\$61,000 in FY2019. The decrease was mainly due to a decrease in the write back of allowance for inventories of S\$12,000, in insurance claim of S\$63,000, in miscellaneous income of S\$19,000 and in government grants and subsidies of S\$20,000, and an absence of bad debts recovered of S\$31,000 which was recognized in FY2018.

Administrative expenses

Administrative expenses increased by approximately S\$29,000 or 2.1% and remained relatively stable at S\$1.4 million in both 4Q-2018 and 4Q-2019. This was mainly attributable to the increase in:

- a) employees' remuneration and benefit expenses of S\$35,000 mainly due to staff bonuses accrued in 4Q-2019;
- b) distribution and marketing expenses of S\$15,000 and office related expenses of S\$1,000;
- c) partially offset by a decrease in depreciation of fixed assets of S\$22,000 as certain of these fixed assets were fully depreciated.

Administrative expenses increased by approximately S\$220,000 or 4.2% from S\$5.2 million in FY2018 to S\$5.5 million in FY2019. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$156,000 mainly due to staff bonuses accrued in FY2019;
- b) distribution and marketing expenses of S\$67,000 and office related expenses of S\$17,000; and
- c) partially offset by a decrease in depreciation of fixed assets of S\$20,000 as certain of these fixed assets were fully depreciated.

Other operating expenses

Other operating expenses decreased by approximately S\$1.3 million or 81.4% from S\$1.6 million in 4Q-2018 to S\$290,000 in 4Q-2019. This was mainly due to a decrease in allowance for doubtful debts of S\$1.3 million and in bank charges of S\$1,000, and an absence of plant and equipment written off of S\$2,000 which was recognised in 4Q-2018.

Other operating expenses decreased by approximately S\$764,000 or 69.4% from S\$1.1 million in FY2018 to S\$337,000 in FY2019. This was mainly due to a decrease in allowance for doubtful debts of S\$757,000 and in plant and equipment written off of S\$3,000, and an absence of bad debts written off of S\$6,000 which was recognized in FY2018; and partially offset by an increase in bank charges of S\$2,000.

Finance income

Finance income decreased by approximately S\$99,000 or 87.3% from S\$113,000 in 4Q-2018 to S\$14,000 in 4Q-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 a decrease in interest earned of S\$6,000 and in foreign exchange gain of S\$92,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar.

Finance income increased by approximately S\$7,000 or 28.8% from S\$23,000 in FY2018 to S\$30,000 in FY2019. This was mainly due to an increase in foreign exchange gain of S\$14,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar and partially offset by 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\$4,000, and a decrease in interest earned of S\$3,000.

Finance costs

Finance costs remained relatively stable at S\$9,000 in both 4Q-2018 and 4Q-2019.

Finance costs decreased by approximately S\$52,000 or 68.4% from S\$77,000 in FY2018 to S\$24,000 in FY2019. This was mainly due to the absence of foreign exchange loss of S\$39,000 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 FY2018 while interest expenses were lower by S\$14,000 in FY2019 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. of S\$21,000 partially offset by the higher utilization of trade financing facilities of S\$7,000.

Tax (expense)/credit

The tax expense decreased by approximately S\$37,000 or 98.4% from S\$38,000 in 4Q-2018 to S\$600 in 4Q-2019. The decrease was attributable to the reduction of unabsorbed tax losses recognised as deferred tax assets.

The tax credit increased by approximately S\$2,000 or 8.5% from S\$24,000 in FY2018 to S\$27,000 in FY2019. The increase was attributable to a decrease in the recognition of unabsorbed tax losses as deferred tax assets, and partially offset against the lower loss before tax recorded in FY2019 and tax credit received during the year

Review of the Group's financial position

Current assets

Current assets increased by approximately S\$1.3 million from S\$8.0 million as at 30 June 2018 to S\$9.3 million as at 30 June 2019. The increase in current assets was mainly due to:-

- a) an increase in cash and cash equivalents of S\$286,000;
- b) an increase in inventories of S\$1.0 million due to an increase in the purchase of parts and components,
- c) an increase in contract cost of S\$137,000 mainly attributable to an increase in cost incurred to fulfil the Group's obligations under a contract where it had yet to transfer the goods or services to its customers;
- d) an increase in contract assets of S\$55,000 mainly attributable to a decrease in billing for completed projects;

partially offset by:

- e) a net decrease in trade and other receivables of S\$169,000 mainly due to an increase in deposits placed with suppliers for purchases of security products of S\$306,000, prepayment for travelling expenses of S\$13,000, other general expenses of S\$48,000, and partially offset by the receipt of payment from customers of S\$129,000, decrease in prepayment for maintenance support services of S\$83,000 and recognition of allowance for doubtful debts of S\$324,000.

Non-current assets

Non-current assets decreased by approximately S\$1.0 million from S\$3.2 million as at 30 June 2018 to S\$2.2 million as at 30 June 2019. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S\$1.0 million primarily attributable to depreciation charges.

Current liabilities

Current liabilities increased by approximately S\$1.6 million from S\$3.3 million as at 30 June 2018 to S\$4.9 million as at 30 June 2019. The increase in current liabilities was mainly due to:-

- a) an increase in contract liabilities of S\$2.1 million primarily 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, 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 and an advanced consideration received from customers in Singapore in relation to the provision of integrated security solutions of S\$392,000

partially offset by:-

- b) a net decrease in trade and other payables of S\$83,000 mainly due to payment to suppliers of S\$202,000 partially offset by an increase in the accruals of operating expenses of S\$119,000; and
- c) the repayment of bank borrowings of S\$411,000.

Non-current liabilities

Non-current liabilities decreased by approximately S\$28,000 from S\$86,000 as at 30 June 2018 to S\$59,000 as at 30 June 2019. This was due to a decrease in deferred tax liabilities of S\$10,000 and the repayment of finance lease amounting to S\$18,000.

Capital and reserves

Capital and reserves decreased by approximately S\$1.2 million from S\$7.8 million as at 30 June 2018 to S\$6.5 million as at 30 June 2019. This was due to losses incurred in FY2019 of S\$1.2 million.

Review of the Group's cashflows

Net cash from operating activities

In FY2019, the net cash from operating activities was approximately S\$798,000, which consisted of operating cashflows before working capital changes of S\$144,000, net working capital inflow of S\$621,000, 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) an increase in contract liabilities of S\$2.1 million primarily 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, 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 and an advanced consideration received from customers in Singapore in relation to the provision of integrated security solutions of S\$392,000;

partially offset by:-

- b) a net increase in trade and other receivables of S\$155,000 mainly due to an increase in deposits placed with suppliers for purchases of security products of S\$306,000, prepayment for travelling expenses of S\$13,000 and other general expenses of S\$48,000, and partially offset by the receipt of payment from customers of S\$129,000 and decrease in prepayment for maintenance support services of S\$83,000;
- c) an increase in inventories of S\$1.0 million due to an increase in the purchase of parts and components;
- d) an increase in contract cost of S\$137,000 mainly attributable to an increase in cost incurred to fulfil the Group's obligations under a contract where it had yet to transfer the goods or services to its customers;
- e) an increase in contract assets of S\$55,000 mainly attributable to a decrease in billing for completed projects;
- f) a net decrease in trade and other payables of S\$76,000 mainly due to payment to suppliers of S\$202,000 partially offset by an increase in the accruals of operating expenses of S\$126,000.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$54,000 in FY2019 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 FY2019 which was mainly due to repayment of bank borrowings and finance leases in aggregate of S\$429,000, interest paid of S\$25,000 and an increase in restricted cash of S\$1.5 million in relation to financing facilities secured for 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.

Terrorism, extremism and unrest arising from political situations worldwide in the current day place lives of many in continuous jeopardy and danger. The ongoing Hong Kong unrests which started initially protesting an extradition law, has now evolved and escalated into violence. At the recent 13th ASEAN Defence Ministers Meeting (ADMM) in Thailand, ASEAN defence ministers pledged to promote sustainable security cooperation and acknowledged the importance of the initiatives adopted by ASEAN to strengthen regional peace and security.¹ Therefore, security will continue to remain a high priority and concern for governments everywhere.

Political and economic challenges continue to persist in those countries where the Group derives its revenues from. Some of these countries have their own internal and external issues, and the political unrests in these countries are largely linked to the internal change of governments. These have caused delays in the procurement process of the various governments, and in turn have contributed to the decline in turnover and the losses of the Group.

The Group has been continually positioning itself in specific key markets to ensure that its products have an edge over the competition by engaging customers in discussions to understand their requirements and offering the most appropriate solutions to them. The Group will continue to enhance its existing portfolio of

¹ <https://www.channelnewsasia.com/news/singapore/asean-must-be-prepared-for-more-terrorist-activity-ng-eng-hen-11712734>

products through the sourcing of new and complementary security products and solutions which can be integrated into customised solutions to meet the ever-changing needs and sophisticated challenges of its existing and prospective 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 4Q-2019 and FY2019 as the Group recorded a loss in 4Q-2019 and FY2019.

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)			
	4Q-2019 S\$	4Q-2018 S\$	FY2019 S\$	FY2018 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	(54,000)	(54,000)	(216,000)	(216,000)
IPS Group Pte. Ltd.	(19,311)	(18,615)	(75,156)	(69,168)

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	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
External revenue	2,673,798	4,757,804	6,308,806	6,116,491	8,982,604	10,874,295
Inter-segment revenue	356,445	97,631	233,050	237,615	589,495	335,246
Interest income	-	4,431	-	-	-	4,431
Interest expense	(14,906)	(2,462)	-	-	(14,906)	(2,462)
Depreciation	-	-	(766,566)	(760,301)	(766,566)	(760,301)
Allowance for doubtful debts	(325,532)	(1,078,885)	1,493	(2,426)	(324,039)	(1,081,311)
Reportable segment profit/(loss) before tax	<u>336,729</u>	<u>271,713</u>	<u>3,812,224</u>	<u>3,596,086</u>	<u>4,148,953</u>	<u>3,867,799</u>
Reportable segment assets	<u>5,030,105</u>	<u>2,533,678</u>	<u>3,090,368</u>	<u>3,914,798</u>	<u>8,120,473</u>	<u>6,448,476</u>
Reportable segment liabilities	<u>(3,455,470)</u>	<u>(1,497,219)</u>	<u>(603,337)</u>	<u>(451,693)</u>	<u>(4,058,807)</u>	<u>(1,948,912)</u>

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items		
	2019	2018
	\$	\$
Revenues		
Total revenue for reportable segments	9,572,099	11,209,541
Elimination of inter-segment revenue	(589,495)	(335,246)
Consolidated revenue	<u>8,982,604</u>	<u>10,874,295</u>
Profit or loss		
Total profit for reportable segments	4,148,953	3,867,799
Elimination of inter-segment profits	(546)	(12,725)
Unallocated amounts:		
- Other income	61,643	114,696
- Administrative expenses	(5,455,004)	(5,216,087)
- Other expenses	(13,440)	(13,358)
- Net finance income/(costs)	20,300	(55,590)
Consolidated loss before tax	<u>(1,238,094)</u>	<u>(1,315,265)</u>
Assets		
Total assets for reportable segments	8,120,473	6,448,476
Unallocated amounts:		
- Plant and equipment	636,462	874,664
- Cash and cash equivalents	2,370,300	3,582,866
- Others	338,318	243,509
Consolidated total assets	<u>11,465,553</u>	<u>11,149,515</u>
Liabilities		
Total liabilities for reportable segments	4,058,807	1,948,912
Unallocated amounts:		
- Bank borrowings	-	410,921
- Finance lease liabilities	70,809	88,960
- Other payables	783,043	926,734
- Deferred tax liabilities	5,874	15,404
Consolidated total liabilities	<u>4,918,533</u>	<u>3,390,931</u>

	Reportable segment \$	Unallocated amounts \$	Consolidated \$
<u>Other material items</u>			
2019			
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	-	-	-
Allowance for doubtful debt	<u>(324,039)</u>	<u>-</u>	<u>(324,039)</u>
2018			
Interest income	4,431	18,575	23,006
Interest expense	(2,462)	(35,444)	(37,906)
Depreciation of plant and equipment	(760,301)	(311,010)	(1,071,311)
Capital expenditure	(37,391)	(89,871)	(127,262)
Allowance for doubtful debt	<u>(1,081,311)</u>	<u>-</u>	<u>(1,081,311)</u>

	2019 \$	2018 \$
<u>Geographical information</u>		
Revenue		
Singapore	7,638,703	8,388,591
East Asia ⁽¹⁾	91,619	167,759
Indochina ⁽²⁾	458,602	750,708
Rest of Southeast Asia ⁽³⁾	793,680	1,567,237
Consolidated revenue	<u>8,982,604</u>	<u>10,874,295</u>
Non-currents assets ⁽⁴⁾		
Singapore	2,192,290	3,197,057
Rest of Southeast Asia ⁽³⁾	-	-
	<u>2,192,290</u>	<u>3,197,057</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		
	FY2019	FY2018	% change
	S\$	S\$	
Revenue - First Half Year	4,675,952	4,948,437	(5.5)
Revenue - Second Half Year	4,306,652	5,925,858	(27.3)
Revenue - Total	<u>8,982,604</u>	<u>10,874,295</u>	(17.4)
(Loss)/Profit after tax - First Half Year	(320,643)	255,383	(225.6)
Loss after tax - Second Half year	<u>(890,921)</u>	<u>(1,546,201)</u>	(42.4)
Loss after tax - Total	<u>(1,211,564)</u>	<u>(1,290,818)</u>	(6.1)

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
21 August 2019