



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

Unaudited Second Quarter And Six-Month Financial Statements And Dividend Announcement For The Financial Period Ended 31 December 2017

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

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

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

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

	Group Unaudited					
	2Q-2018 ⁽¹⁾ S\$	2Q-2017 ⁽²⁾ S\$	Increase/ (Decrease) % change	1H-2018 ⁽³⁾ S\$	1H-2017 ⁽⁴⁾ S\$	Increase/ (Decrease) % change
Revenue	2,630,715	5,436,685	(51.6)	4,948,437	7,134,551	(30.6)
Cost of sales	(1,287,461)	(2,682,864)	(52.0)	(2,638,474)	(3,544,941)	(25.6)
Gross profit	1,343,254	2,753,821	(51.2)	2,309,963	3,589,610	(35.6)
Other income	494,049	16,051	2,978.0	594,153	51,676	1,049.8
Administrative expenses	(1,245,367)	(1,741,382)	(28.5)	(2,583,810)	(3,234,143)	(20.1)
Other operating expenses	(3,365)	(3,412)	(1.4)	(7,039)	(16,511)	(57.4)
Finance income	8,748	331,021	(97.4)	13,647	423,827	(96.8)
Finance costs	(68,227)	(11,831)	476.7	(108,956)	(26,143)	316.8
Profit before tax	529,092	1,344,268	(60.6)	217,958	788,316	(72.4)
Tax (expense)/ credit	(53,818)	(164,798)	(67.3)	37,425	(62,945)	NM
Profit for the period, representing total comprehensive income for the period	475,274	1,179,470	(59.7)	255,383	725,371	(64.8)

NM denotes not meaningful.

⁽¹⁾ "2Q-2018" refers to the second quarter ended 31 December 2017.

⁽²⁾ "2Q-2017" refers to the second quarter ended 31 December 2016.

⁽³⁾ "1H-2018" refers to the half year ended 31 December 2017.

⁽⁴⁾ "1H-2017" refers to the half year ended 31 December 2016.

The profit for the period includes the following (charges)/credits:

	Group					
	2Q-2018 S\$	2Q-2017 S\$	Increase/ (Decrease) % change	1H-2018 S\$	1H-2017 S\$	Increase/ (Decrease) % change
After charging:						
Depreciation of plant and equipment	(262,838)	(262,807)	0.0	(525,216)	(523,465)	0.3
Plant and equipment written off	(1,982)	-	NM	(1,982)	(9,159)	(78.4)
Inventories written off	(107)	(1,854)	(94.2)	(134)	(1,854)	(92.8)
Under provision of income tax in respect of prior year	-	-	-	-	(2,781)	NM
Interest expense	(10,305)	(11,831)	(12.9)	(20,261)	(26,143)	(22.5)
Foreign exchange loss (net)	(57,922)	-	NM	(88,695)	-	NM
Finance costs	(68,227)	(11,831)	476.7	(108,956)	(26,143)	316.8
and crediting:						
Miscellaneous income	15,171	775	1,857.5	47,527	23,434	102.8
Bad debts recovered	472,858	-	NM	502,858	-	NM
Rental income	-	-	-	-	6,649	NM
Government grant income	6,020	15,276	(60.6)	43,768	21,593	102.7
Other income	494,049	16,051	2,978.0	594,153	51,676	1,049.8
Over provision of income tax in respect of prior year	77,564	-	NM	77,564	-	NM
Foreign exchange gain (net)	-	328,141	NM	-	413,651	NM
Interest income	8,748	2,880	203.8	13,647	10,176	34.1
Finance income	8,748	331,021	(97.4)	13,647	423,827	(96.8)

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 31.12.2017 S\$	Audited As at 30.06.2017 S\$	Unaudited As at 31.12.2017 S\$	Audited As at 30.06.2017 S\$
ASSETS				
Current assets				
Cash and cash equivalents	3,268,399	4,905,677	374,695	946,353
Trade and other receivables	4,383,933	3,722,198	2,980,786	2,463,217
Loans to subsidiary corporation	-	-	1,568,400	2,968,400
Inventories	1,185,963	862,578	-	-
Total current assets	8,838,295	9,490,453	4,923,881	6,377,970
Non-current assets				
Investment in subsidiary corporations	-	-	5,221,199	4,821,199
Plant and equipment	3,639,102	4,138,365	-	-
Other investments	7,605	6,000	-	-
Deferred tax assets	-	39,775	-	-
Trade and other receivables	196,711	195,850	-	-
	3,843,418	4,379,990	5,221,199	4,821,199
Total assets	12,681,713	13,870,443	10,145,080	11,199,169
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,441,853	3,167,765	177,969	838,863
Finance lease	18,151	91,478	-	-
Bank borrowings	659,919	903,260	476,589	469,928
Income tax payable	-	93,216	-	-
Total current liabilities	3,119,923	4,255,719	654,558	1,308,791
Non-current liabilities				
Bank borrowings	174,695	387,009	174,695	387,009
Finance lease	79,884	88,960	-	-
Deferred tax liability	2,426	-	-	-
	257,005	475,969	174,695	387,009
Capital and reserves				
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Treasury shares	(89,353)	-	(89,353)	-
Capital reserves	(589,999)	(589,999)	210,000	210,000
Accumulated profit/(losses)	578,231	322,848	(210,726)	(112,537)
	9,304,785	9,138,755	9,315,827	9,503,369
Total liabilities and equity	12,681,713	13,870,443	10,145,080	11,199,169

- 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			
	31.12.2017		30.06.2017	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	678,070	-	994,738	-
Amount repayable after one year	254,579	-	475,969	-
	<u>932,649</u>	<u>-</u>	<u>1,470,707</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 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			
	2Q-2018	2Q-2017	1H-2018	1H-2017
	S\$	S\$	S\$	S\$
Operating activities				
Profit before tax	529,092	1,344,268	217,958	788,316
Adjustments for:				
Interest income	(8,748)	(2,880)	(13,647)	(10,176)
Interest expense	10,305	11,831	20,261	26,143
Depreciation of plant and equipment	262,838	262,807	525,216	523,465
Plant and equipment written off	1,982	-	1,982	9,159
Inventories written off	107	1,854	134	1,854
Net foreign exchange loss/ (gain)	86,541	(293,169)	114,101	(314,862)
Operating cash flows before working capital changes	882,117	1,324,711	866,005	1,023,899
Trade and other receivables	(223,755)	(2,063,377)	(723,450)	(2,575)
Inventories	(35,782)	(11,758)	(323,519)	(225,879)
Trade and other payables	(363,511)	2,507,141	(339,180)	1,306,143
Cash generated from/ (used in) operations	259,069	1,756,717	(520,144)	2,101,588
Income tax paid	(13,022)	(98,137)	(13,590)	(124,754)
Interest received	3,169	3,228	6,956	10,176
Net cash from/ (used in) operating activities	249,216	1,661,808	(526,778)	1,987,010
Investing activities				
Purchase of plant and equipment	(21,456)	(180,223)	(27,935)	(258,316)
Acquisition of other investment	(1,605)	-	(1,605)	-
Acquisition of subsidiaries, net of cash acquired	-	-	(373,200)	(373,200)
Net cash used in investing activities	(23,061)	(180,223)	(402,740)	(631,516)
Financing activities				
Dividends paid	-	(1,215,000)	-	(1,215,000)
Interests paid	(10,293)	(11,136)	(20,797)	(25,255)
Repurchase of own shares	-	-	(89,353)	-
Proceeds from bank borrowings	-	400,000	-	880,400
Repayments of bank borrowings	(243,750)	(134,901)	(455,656)	(390,810)
Repayments of finance leases	(22,922)	(53,934)	(82,402)	(107,515)
Net cash used in financing activities	(276,965)	(1,014,971)	(648,208)	(858,180)
Net (decrease)/ increase in cash and cash equivalents	(50,810)	466,614	(1,577,726)	497,314
Effect of exchange rate changes on the balance of cash held in foreign currencies	(31,993)	93,051	(59,552)	114,743
Cash and cash equivalents at beginning of the period	3,333,202	3,966,423	4,887,677	3,914,031
Cash and cash equivalents at end of the period	3,250,399	4,526,088	3,250,399	4,526,088
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	3,250,399	4,526,088	3,250,399	4,526,088
Restricted cash	18,000	-	18,000	-
Cash and cash equivalents at end of the period	3,268,399	4,526,088	3,268,399	4,526,088

⁽¹⁾ Amount of S\$373,200 attributable to Acquisition of subsidiaries, net of cash acquired was disclosed under trade and other payables for financial statements and dividend announcement dated 8 February 2017 for the half year ended 31 December 2016.

- 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 2017	9,405,906	-	(589,999)	322,848	9,138,755
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Total comprehensive income for the period					
Profit for the period, representing total comprehensive income for the period	-	-	-	255,383	255,383
Balance at 31 December 2017	9,405,906	(89,353)	(589,999)	578,231	9,304,785
Group					
Balance at 1 July 2016	9,405,906	-	(589,999)	4,037,467	12,853,374
Total comprehensive income for the period					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Profit for the period, representing total comprehensive income for the period	-	-	-	725,371	725,371
Balance at 31 December 2016	9,405,906	-	(589,999)	3,547,838	12,363,745
Company					
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Total comprehensive income for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(98,189)	(98,189)
Balance at 31 December 2017	9,405,906	(89,353)	210,000	(210,726)	9,315,827
Company					
Balance at 1 July 2016	9,405,906	-	210,000	1,392,734	11,008,640
Total comprehensive income for the period					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Loss for the period, representing total comprehensive loss for the period	-	-	-	(167,054)	(167,054)
Balance at 31 December 2016	9,405,906	-	210,000	10,680	9,626,586

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.

	Number of shares	Issued and paid-up share capital (S\$)
As at 30 September 2017 and 31 December 2017	<u>484,844,100</u>	<u>9,316,553</u>

The number of shares held as treasury shares as at 31 December 2017 and 31 December 2016 is 1,155,900 treasury shares and nil respectively. The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 31 December 2017 and 31 December 2016 is 0.24% and nil, respectively.

There were no outstanding convertibles and subsidiary holdings as at 31 December 2016 and 31 December 2017.

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

	As at	
	31.12.2017	30.06.2017
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>484,844,100</u>	<u>486,000,000</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.

During the period from 1 July 2017 to 31 December 2017, the Company purchased 1,155,900 shares as treasury shares. The treasury shares balance as at 31 December 2017 was 1,155,900.

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.

The Group has applied the same accounting policies and methods of computation in the Group's financial statements for 1H-2018 as its most recently audited financial statements for the financial year ended 30 June ("FY") 2017.

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.

There are no changes in the Group's accounting policies and methods of computation including any required by an accounting standard. The adoption of the new and revised Financial Reporting Standards (including their consequential amendments) and interpretations is assessed to have no material impact on the results of the Group and of the Company for the half year ended 31 December 2017.

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.

	2Q-2018	Unaudited		1H-2017
		2Q-2017	1H-2018	
Earnings per ordinary share ("EPS")				
Profit attributable to owners of the Company (S\$)	475,274	1,179,470	255,383	725,371
Weighted average number of ordinary shares ⁽¹⁾	<u>485,154,518</u>	<u>486,000,000</u>	<u>485,154,518</u>	<u>486,000,000</u>
EPS - Basic and diluted (cents) ⁽²⁾	<u>0.10</u>	<u>0.24</u>	<u>0.05</u>	<u>0.15</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 December 2017. The weighted average number of shares of the Company for 1H-2018 has been computed using the share capital as at 1 July 2017 as adjusted by the share purchases of 1,155,900 shares and as weighted over 1H-2018 during which time such shares were outstanding, in arriving at the weighted average of 485,154,518 shares.

⁽²⁾ The basic and diluted earnings per share were the same as there were no potentially dilutive instruments as at 31 December 2017 and 31 December 2016.

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

	Group		Company	
	Unaudited As at 31.12.2017	Audited As at 30.06.2017	Unaudited As at 31.12.2017	Audited As at 30.06.2017
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>	<u>2.0</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\$2.8 million or 51.6% from S\$5.4 million in 2Q-2017 to S\$2.6 million in 2Q-2018, and decreased by approximately S\$2.2 million or 30.6% from S\$7.1 million in 1H-2017 to S\$4.9 million in 1H-2018.

Revenue from the Security Solutions Business decreased by approximately S\$2.8 million or 71.8% from S\$3.9 million in 2Q-2017 to S\$1.1 million in 2Q-2018. This was mainly attributable to the following:-

- a) absence of the sale of Acoustic Hailing Systems to a customer in the Rest of Southeast Asia⁽¹⁾ of approximately S\$3.4 million which was previously secured in 2Q-2017; and
- b) partially offset by an increase in demand for integrated security solutions in Singapore of approximately S\$586,000.

Revenue from the Security Solutions Business decreased by approximately S\$2.4 million or 55.8% from S\$4.3 million in 1H-2017 to S\$1.9 million in 1H-2018. This was mainly attributable to the following:-

- c) absence of the sale of Acoustic Hailing Systems to a customer in the Rest of Southeast Asia⁽¹⁾ of approximately S\$3.4 million which was previously secured in 1H-2017;
- d) partially offset by an increase in demand for security solutions products by customers in the Rest of Southeast Asia⁽¹⁾ and Singapore of approximately S\$350,000;
- e) partially offset by an increase in demand for integrated security solutions in Singapore of approximately S\$463,000.

Revenue from the Maintenance and Leasing Business increased by approximately S\$40,000 or 2.6% from S\$1.5 million in 2Q-2017 to S\$1.6 million in 2Q-2018; and increased by approximately S\$283,000 or 10.1% from S\$2.8 million in 1H-2017 to S\$3.1 million in 1H-2018. This was mainly attributable to the increase in the provision of maintenance support services to customers in Singapore.

Cost of sales

Cost of sales decreased by approximately S\$1.4 million or 52.0% from S\$2.7 million in 2Q-2017 to S\$1.3 million in 2Q-2018 and decreased by approximately S\$906,000 or 25.6% from S\$3.5 million in 1H-2017 to S\$2.6 million in 1H-2018. This was mainly due to the net decrease in direct material costs incurred, which was in line with the decrease in revenue, and a higher proportion of integrated security solutions undertaken by the Group which had a higher cost base relative to revenue.

Gross profit

Gross profit decreased by approximately S\$1.4 million or 51.2% from S\$2.8 million in 2Q-2017 to S\$1.3 million in 2Q-2018 and decreased by approximately S\$1.3 million or 35.6% from S\$3.6 million in 1H-2017 to S\$2.3 million in 1H-2018 due to the factors discussed above.

Other income

Other income increased by approximately S\$478,000 or 2,978.0% from S\$16,000 in 2Q-2017 to S\$494,000 in 2Q-2018; and increased by approximately S\$542,000 or 1,049.8% from S\$52,000 in 1H-2017 to S\$594,000 in 1H-2018. The increase was mainly due to the recovery of outstanding debts previously provided as doubtful debts in the financial year ended 30 June ("FY") 2017 of approximately S\$503,000.

Administrative expenses

Administrative expenses decreased by approximately S\$496,000 or 28.5% from S\$1.7 million in 2Q-2017 to S\$1.2 million in 2Q-2018. This was mainly attributable to the decrease in:-

- a) employees' remuneration and benefit expenses of S\$438,000 mainly due to lower staff bonuses accrued.
- b) professional fees of S\$29,000, and distribution and marketing expenses of S\$18,000 due to more favourable arrangement negotiated by the Group.

Administrative expenses decreased by approximately S\$650,000 or 20.1% from S\$3.2 million in 1H-2017 to S\$2.6 million in 1H-2018. This was mainly attributable to the decrease in:-

- c) employees' remuneration and benefit expenses of S\$525,000 mainly due to lower staff bonuses accrued.
- d) professional fees of S\$45,000, and distribution and marketing expenses of S\$59,000 due to more favourable arrangement negotiated by the Group.

Other operating expenses

Other operating expenses remained relatively stable in 2Q-2017 and 2Q-2018 at approximately S\$3,000.

Other operating expenses decreased by approximately S\$9,000 or 57.4% from S\$17,000 in 1H-2017 to S\$7,000 in 1H-2018. This was mainly attributable to the decrease in plant and equipment written off due to obsolescence.

Finance income

Finance income decreased by approximately S\$322,000 or 97.4% from S\$331,000 in 2Q-2017 to S\$9,000 in 2Q-2018 and by approximately S\$410,000 or 96.8% from S\$424,000 in 1H-2017 to S\$14,000 in 1H-2018. This was mainly due to the absence of foreign exchange gain of S\$328,000 in respect of 2Q-2018 and S\$414,000 in respect of 1H-2018 arising from the appreciation of trade receivables denominated in United States dollar against the Singapore dollar.

Finance costs

Finance costs increased by approximately S\$56,000 or 476.7% from S\$12,000 in 2Q-2017 to S\$68,000 in 2Q-2018 and by approximately S\$83,000 or 316.8% from S\$26,000 in 1H-2017 to S\$109,000 in 1H-2018. This was mainly due to a foreign exchange loss of S\$58,000 in respect of 2Q-2018 and S\$89,000 in respect of 1H-2018 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar.

Tax expense

Tax expense decreased by approximately S\$111,000 or 67.3% from S\$165,000 in 2Q-2017 to S\$54,000 in 2Q-2018 and decreased by approximately S\$100,000 from a tax expense of S\$63,000 in 1H-2017 to a tax credit of S\$37,000 in 1H-2018. The decrease in tax expense was due to the lower profit before tax recorded in 2Q-2018 and 1H-2018. In addition, in 1H-2018, the Group recorded a tax write back of S\$88,000 due to the reversal of over provisions made in respect of prior years.

Profit for the period

As a result of the above, profit for the period decreased by approximately S\$704,000 or 59.7% from S\$1.2 million in 2Q-2017 to S\$475,000 in 2Q-2018.

Profit for the period decreased by approximately S\$470,000 or 64.8% from S\$725,000 in 1H-2017 to S\$255,000 in 1H-2018.

Review of the Group's financial position

Current assets

Current assets decreased by approximately S\$652,000 from S\$9.5 million as at 30 June 2017 to S\$8.8 million as at 31 December 2017. The decrease in current assets was mainly due to the decrease in:-

a) cash and cash equivalents of S\$1.6 million;

partially offset by:-

b) the net increase in trade and other receivables of S\$662,000 mainly due to higher sales made on credit terms from the integrated solutions business towards the end of 1H-2018 of approximately S\$1.1 million, offset by the recovery of outstanding debts previously provided as doubtful debts in the financial year ended 30 June ("FY") 2017 of S\$503,000 which had remained outstanding as at 31 December 2017 and an increase in deferred expenditure of S\$62,000 pertaining to certain sub-contracting costs prepaid for maintenance support services; and

c) an increase in inventories of S\$323,000 due to increase in purchase of parts and components.

Non-current assets

Non-current assets decreased by approximately S\$537,000 from S\$4.4 million as at 30 June 2017 to S\$3.8 million as at 31 December 2017. The decrease in non-current assets was due to the net decrease in plant and equipment primarily attributable to depreciation charges.

Current liabilities

Current liabilities decreased by approximately S\$1.1 million from S\$4.3 million as at 30 June 2017 to S\$3.1 million as at 31 December 2017. The decrease in current liabilities was mainly due to the decrease in:-

a) trade and other payables of approximately S\$726,000 mainly due to payment to suppliers of approximately S\$338,000; payments made in 1Q-2018 to the vendors in relation to the acquisition of Yatai Security & Communications Pte. Ltd. and Avac Systems Pte. Ltd. which was completed on 1 April 2016 (the "Acquisition") amounting to S\$373,000;

b) a reduction in bank borrowings of S\$243,000; and

c) a decrease in income tax payable of S\$93,000 in line with the lower profit before tax in 1H-2018. There was no income tax payable as at 31 December 2017 as no tax provision was made since there were sufficient available unutilized tax losses to offset against any taxable profit.

Non-current liabilities

Non-current liabilities decreased by approximately S\$219,000 from S\$476,000 as at 30 June 2017 to S\$257,000 as at 31 December 2017. This was mainly due to a reduction in bank borrowings and finance lease in aggregate of S\$221,000.

Capital and reserves

The increase in capital and reserves from approximately S\$9.1 million as at 30 June 2017 to \$9.3 million as at 31 December 2017 was mainly due to the profits for 1H-2018 of S\$255,000.

Review of the Group's cashflows

Net cash used in operating activities

In 1H-2018, the net cash used in operating activities was approximately S\$527,000, which consisted of operating cashflows before working capital changes of S\$866,000, net working capital outflow of S\$1.4 million, income tax paid of S\$14,000 and interest received of S\$7,000.

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

- a) the net increase in trade and other receivables of S\$723,000 mainly due to higher sales made on credit terms from the integrated solutions business towards the end of 1H-2018 of approximately S\$1.1 million, offset by the recovery of outstanding debts previously provided as doubtful debts in the financial year ended 30 June ("FY") 2017 of S\$503,000 which had remained outstanding as at 31 December 2017 and an increase in deferred expenditure of S\$62,000 pertaining to certain sub-contracting costs prepaid for maintenance support services; and
- b) an increase in inventories of S\$323,000 due to increase in purchase of parts and components; and
- c) a decrease in trade and other payables of approximately S\$339,000 mainly due to payment to suppliers of approximately S\$338,000.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$403,000 in 1H-2018 which was mainly due to payments made in 1Q-2018 to the vendors in relation to the Acquisition amounting to S\$373,000 and purchase of computer equipment of S\$28,000.

Net cash used in financing activities

Net cash used in financing activities amounted to approximately S\$648,000 in 1H-2018 which was mainly due to net repayment of bank borrowings and finance leases in aggregate of S\$538,000, and repurchase of company shares of S\$89,000 and interest paid of S\$21,000.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to Jane's Defence Budgets Report¹, global defence expenditure is set to increase again in 2018 to reach its highest level since the end of the Cold War. Defence spending is expected to increase by 3.3 percent in 2018 which is the fastest rate of growth for a decade, largely driven by the largest year-on-year increase in spending by the United States since 2008. According to the report, the Asia-Pacific, which has experienced robust growth over the last decade, slowed its growth in 2017 to its lowest rate since 2010 due to smaller increases in China and India and cuts to spending in Southeast Asia. Despite the slowdown in 2017, the foundations remain in place for

¹ Jane's Defence Budgets Report. Link: <https://ihsmarkit.com/research-analysis/global-defence-spending-to-hit-post-cold-war-high-in-2018.html>

robust increases to return over the next two years with the Asia-Pacific still expected to be behind the driving force behind long term growth in global defence spending.

With the rise of nationalism and reactionary populism, the risk of exposure to right and left-wing terrorism continues to be on the rise in a number of countries. There is little improvement to deterrence and stability with continued weakening of the European Union, North Atlantic Treaty Organisation (“NATO”) and United Nations governments today have to continue to deal with the evolution of active groups, potential targets and types of attack, all of which present a complex spectrum of risk and impact.

While governments continue to deal with this challenging operating and political environment, the Group will continue its efforts to market its range of security products and integrated security solutions to customers in the Asia Pacific region in order to meet their needs, while engaging in continual cost management.

The Company also believes that while there is persistent threats and continued security concerns in the Asia-Pacific region, countries are still required to stay in high vigilance, which involves the continued purchase, upgrade and replacement of existing security equipment and systems, which will generate long-term demand for the Group's security products and integrated security systems.

11. Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for 1H-2018.

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)	
	1H-2018	1H-2017
	S\$	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.	(29,496)	(29,496)

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

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

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

The board of Directors (the "Board") hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board, which may render the unaudited financial statements of the Group for 1H-2018 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
9 February 2018
