



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

Financial Statements And Dividend Announcement For The Half Year Ended 31 December 2016

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 ANNOUNCEMENT OF HALF YEAR RESULTS

The Company had on 24 February 2016 entered into a conditional sale and purchase agreement with Mr Lim Ang Seng and Mr Lim Bang Quan (collectively known as the "Vendors") to acquire 100.0% of the issued share capital of Yatai Security & Communications Pte. Ltd. ("Yatai") and Avac Systems Pte. Ltd. ("AVAC") (the "Acquisition"). Further to the completion of the Acquisition on 1 April 2016, the results of Yatai and AVAC have been incorporated into the results of the Group with effect from the date thereof. Please refer to the Company's announcements on the SGXNET dated 29 October 2015, 24 February 2016 and 1 April 2016 for further details on the Acquisition.

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 1H2017 ⁽¹⁾ S\$ | Unaudited 1H2016 ⁽²⁾ S\$ | Increase/ (Decrease) % change |
| Revenue | 7,134,551 | 6,963,162 | 2.5 |
| Cost of sales | (3,544,941) | (3,605,719) | (1.7) |
| Gross profit | 3,589,610 | 3,357,443 | 6.9 |
| Other income | 475,503 | 194,519 | 144.5 |
| Administrative expenses | (3,234,143) | (2,404,492) | 34.5 |
| Other operating expenses | (16,511) | (18,181) | (9.2) |
| Finance costs | (26,143) | (20,027) | 30.5 |
| Profit before tax | 788,316 | 1,109,262 | (28.9) |
| Tax expense | (62,945) | (107,530) | (41.5) |
| Profit for the period, representing total comprehensive income for the period | 725,371 | 1,001,732 | (27.6) |

⁽¹⁾ "1H2017" refers to the half year ended 31 December 2016.

⁽²⁾ "1H2016" refers to the half year ended 31 December 2015.

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

| | Group | | |
|--|----------------------------|----------------------------|-------------------------------------|
| | Unaudited 1H2017 S\$ | Unaudited 1H2016 S\$ | Increase/ (Decrease) % change |
| After charging: | | | |
| Depreciation of plant and equipment | (523,465) | (432,815) | 20.9 |
| Finance costs | (26,143) | (20,027) | 30.5 |
| Plant and equipment written off | (9,159) | - | NM |
| Inventories written off | (1,854) | - | NM |
| Under provision of income tax in respect of prior year | (2,781) | (109) | 2,451.4 |
| and crediting: | | | |
| Foreign exchange gain | 413,652 | 66,124 | 525.6 |
| Miscellaneous income | 23,434 | 73,659 | (68.2) |
| Rental income | 6,649 | - | NM |
| Interest income | 10,176 | 3,878 | 162.4 |
| Government grants and subsidies | 21,593 | 19,059 | 13.3 |

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 31.12.2016 S\$ | Audited As at 30.06.2016 S\$ | Unaudited As at 31.12.2016 S\$ | Audited As at 30.06.2016 S\$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 4,526,088 | 3,914,031 | 298,136 | 1,105,336 |
| Trade receivables | 8,570,193 | 6,874,261 | - | - |
| Other receivables | 753,109 | 934,431 | 2,674,746 | 3,073,389 |
| Loan to subsidiary corporation | - | - | 3,768,400 | 4,261,400 |
| Inventories | 975,640 | 751,615 | - | - |
| Total current assets | 14,825,030 | 12,474,338 | 6,741,282 | 8,440,125 |
| Non-current assets | | | | |
| Investment in subsidiary corporations | - | - | 4,866,199 | 4,866,199 |
| Plant and equipment | 4,316,605 | 4,590,913 | - | - |
| Long term trade receivables | 2,516,107 | 3,690,529 | - | - |
| | 6,832,712 | 8,281,442 | 4,866,199 | 4,866,199 |
| Total assets | 21,657,742 | 20,755,780 | 11,607,481 | 13,306,324 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Trade payables | 4,651,404 | 3,579,508 | - | - |
| Other payables | 2,061,633 | 2,062,204 | 860,506 | 1,266,885 |
| Finance lease | 163,816 | 216,389 | - | - |
| Borrowings | 1,061,561 | 556,712 | 461,561 | 356,712 |
| Income tax payable | 229,205 | 340,009 | - | - |
| Total current liabilities | 8,167,619 | 6,754,822 | 1,322,067 | 1,623,597 |
| Non-current liabilities | | | | |
| Borrowings | 658,828 | 674,087 | 658,828 | 674,087 |
| Finance lease | 18,385 | 73,327 | - | - |
| Deferred tax liability | 449,165 | 400,170 | - | - |
| | 1,126,378 | 1,147,584 | 658,828 | 674,087 |
| Capital and reserves | | | | |
| Share capital | 9,405,906 | 9,405,906 | 9,405,906 | 9,405,906 |
| Capital reserves | (589,999) | (589,999) | 210,000 | 210,000 |
| Accumulated profit | 3,547,838 | 4,037,467 | 10,680 | 1,392,734 |
| | 12,363,745 | 12,853,374 | 9,626,586 | 11,008,640 |
| Total liabilities and equity | 21,657,742 | 20,755,780 | 11,607,481 | 13,306,324 |

- 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 | | | |
|--|------------------|------------------|------------------|------------------|
| | 31.12.2016 | | 30.06.2016 | |
| | Secured S\$ | Unsecured S\$ | Secured S\$ | Unsecured S\$ |
| Amount repayable in one year or less, or on demand | 1,225,377 | - | 773,101 | - |
| Amount repayable after one year | 677,213 | - | 747,414 | - |
| | <u>1,902,590</u> | <u>-</u> | <u>1,520,515</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 1H2017 S\$ | Unaudited 1H2016 S\$ |
| Operating activities | | |
| Profit before tax | 788,316 | 1,109,262 |
| Adjustments for: | | |
| Interest income | (10,176) | (3,878) |
| Finance costs | 26,143 | 20,027 |
| Depreciation of plant and equipment | 523,465 | 432,815 |
| Plant and equipment written off | 9,159 | - |
| Inventories written off | 1,854 | - |
| Net foreign exchange (gain)/ loss | (314,862) | 45,305 |
| Operating cash flows before working capital changes | 1,023,899 | 1,603,531 |
| Trade receivables | (183,897) | (2,926,298) |
| Other receivables | 181,322 | (565,964) |
| Inventories | (225,879) | 405,311 |
| Trade payables | 934,402 | 664,765 |
| Other payables | (1,459) | 108,059 |
| Cash generated from/ (used in) operations | 1,728,388 | (710,596) |
| Income tax paid | (124,754) | (11,211) |
| Interest received | 10,176 | 5,178 |
| Net cash from/ (used in) operating activities | 1,613,810 | (716,629) |
| Investing activities | | |
| Purchase of plant and equipment | (258,316) | (47,785) |
| Net cash used in investing activities | (258,316) | (47,785) |
| Financing activities | | |
| Dividends paid | (1,215,000) | (1,215,000) |
| Interests paid | (25,255) | (21,128) |
| Proceeds from bank borrowings | 880,400 | - |
| Repayments of bank borrowings | (390,810) | (300,000) |
| Repayments of finance leases | (107,515) | (104,849) |
| Net cash used in financing activities | (858,180) | (1,640,977) |
| Net increase/ (decrease) in cash and cash equivalents | 497,314 | (2,405,391) |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 114,743 | (45,305) |
| Cash and cash equivalents at beginning of the period | 3,914,031 | 4,768,941 |
| Cash and cash equivalents at end of the period | 4,526,088 | 2,318,245 |
| Cash and cash equivalents in the Group's cash flow statements comprise the following: | | |
| Cash at bank and on hand | 4,526,088 | 2,318,245 |

- 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 | Capital reserve | Accumulated (losses)/profit | Total |
|---|---------------|-----------------|-----------------------------|-------------|
| Group | | | | |
| Balance at 1 July 2016 | 9,405,906 | (589,999) | 4,037,467 | 12,853,374 |
| Dividends paid | - | - | (1,215,000) | (1,215,000) |
| 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 |
| | | | | |
| Balance at 1 July 2015 | 9,405,906 | (589,999) | 2,987,751 | 11,803,658 |
| Dividends paid | - | - | (1,215,000) | (1,215,000) |
| Total comprehensive income for the period | - | - | 1,001,732 | 1,001,732 |
| Balance at 31 December 2015 | 9,405,906 | (589,999) | 2,774,483 | 11,590,390 |
| Company | | | | |
| Balance at 1 July 2016 | 9,405,906 | 210,000 | 1,392,734 | 11,008,640 |
| Dividends paid | - | - | (1,215,000) | (1,215,000) |
| Total comprehensive income for the period | - | - | (167,054) | (167,054) |
| Balance at 31 December 2016 | 9,405,906 | 210,000 | 10,680 | 9,626,586 |
| | | | | |
| Balance at 1 July 2015 | 9,405,906 | 210,000 | 1,694,835 | 11,310,741 |
| Dividends paid | - | - | (1,215,000) | (1,215,000) |
| Total comprehensive income for the period | - | - | (217,788) | (217,788) |
| Balance at 31 December 2015 | 9,405,906 | 210,000 | 262,047 | 9,877,953 |

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

| | Number of shares | Issued and paid-up share capital (S\$) |
|--|------------------|--|
| As at 1 July 2016 and 31 December 2016 | 486,000,000 | 9,405,906 |

There were no outstanding convertibles or shares held as treasury shares as at 31 December 2015 and 31 December 2016.

- 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 | |
|---|-------------|-------------|
| | 31.12.2016 | 30.06.2016 |
| Total number of issued shares excluding treasury shares | 486,000,000 | 486,000,000 |

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares 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 1H2017 as its most recently audited financial statements for the financial year ended 30 June 2016.

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 2016.

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 1H2017 | Unaudited 1H2016 |
| Earnings per ordinary share ("EPS") | | |
| Profit attributable to owners of the Company (S\$) | 725,371 | 1,001,732 |
| Weighted average number of ordinary shares after adjusting for Share Split ⁽¹⁾ | 486,000,000 | 486,000,000 |
| EPS - Basic and diluted (cents) after adjusting for Share Split ⁽¹⁾ | 0.15 | 0.21 |

⁽¹⁾ On 31 August 2015, the Company announced a proposed share split of every one (1) existing ordinary share held by shareholders of the Company into three (3) shares (the "Share Split") which resulted in the Company having a share capital of 162,000,000 shares before the Share Split to 486,000,000 shares after the Share Split the listing of which had commenced with effect from 9.00 a.m. on 2 October 2015. The number of ordinary shares after the Share Split of 486,000,000 shares has been used to compute the EPS for 1H2017 and 1H2016 as if the Share Split had been completed on 1 July 2015.

The basic and diluted earnings per share were the same for 1H2017 and 1H2016 as there were no potentially dilutive instruments as at 31 December 2016 and 31 December 2015.

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 31.12.2016 | Audited As at 30.06.2016 | Unaudited As at 31.12.2016 | Audited As at 30.06.2016 |
| Net asset value per ordinary share based on the number of shares in issue at end of period/year, as adjusted for the Share Split (cents) ⁽¹⁾ | 2.5 | 2.6 | 2.0 | 2.3 |

⁽¹⁾ For comparative purposes, net asset value per ordinary share as at 31 December 2016 and 30 June 2016 has been computed based on the share capital of 486,000,000 shares.

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

Review of the Group's performance

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

Revenue

The Group's revenue increased by approximately S\$171,000 or 2.5% from S\$7.0 million in 1H2016 to S\$7.1 million in 1H2017.

Revenue from the Security Solutions Business decreased by approximately S\$129,000 or 2.3% from S\$4.4 million in 1H2016 to S\$4.3 million in 1H2017. This was mainly attributable to:-

- a) the decrease in demand for integrated security solutions by customers in Singapore of approximately S\$594,000; and
- b) partially offset by the increase in the sale of Acoustic Hailing Systems to customers in the Rest of Southeast Asia⁽¹⁾ of approximately S\$465,000.

Revenue from the Maintenance and Leasing Business increased by approximately S\$302,000 or 12.0% from S\$2.5 million in 1H2016 to S\$2.8 million in 1H2017. This was mainly attributable to the increase in fees earned of S\$302,000 from the provision of ad-hoc maintenance support services to customers in Singapore, Indochina⁽²⁾ and the Rest of Southeast Asia.

Cost of sales

Cost of sales decreased by approximately S\$61,000 or 1.7% from S\$3.6 million in 1H2016 to S\$3.5 million in 1H2017. This was mainly due to the net decrease in direct material costs in aggregate of approximately S\$61,000 primarily attributable to:-

- a) the decrease in demand for integrated security solutions in Singapore of approximately S\$94,000; and
- b) partially offset by an increase in the provision of maintenance support services in Singapore of approximately S\$34,000.

Gross profit

Gross profit increased by approximately S\$232,000 or 6.9% from S\$3.4 million in 1H2016 to S\$3.6 million in 1H2017 due to the net decrease in direct material costs and an improvement in gross profit margin mainly attributable to higher margins derived from the Maintenance and Leasing Business.

Other income

Other income increased by approximately S\$281,000 or 144.5% from S\$195,000 in 1H2016 to S\$476,000 in 1H2017. This was mainly due to the increase in foreign exchange gain of S\$348,000 arising from the appreciation of trade receivables denominated in United States dollar against the Singapore dollar.

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

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

Administrative expenses

Administrative expenses increased by approximately S\$830,000 or 34.5% from S\$2.4 million in 1H2016 to S\$3.2 million in 1H2017. This was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$650,000 which was mainly due to the annual salary increments and increase in headcount arising from the Acquisition;
- b) depreciation of plant and equipment of approximately S\$91,000 which was mainly due to renovation works and purchase of office equipment in connection with the Group's relocation and change of the Company's registered address to its new office at 213 Henderson Road, #04-09, Singapore 159553 in May 2016 ("New Premises");
- c) distribution and marketing expenses of S\$22,000; and
- d) office and storage rental of S\$66,000.

Other operating expenses

Other operating expenses were S\$18,000 in 1H2016 and S\$17,000 in 1H2017.

Finance costs

Finance costs increased by approximately S\$6,000 or 30.5% from S\$20,000 in 1H2016 to S\$26,000 in 1H2017. This was mainly attributable to the higher utilization of trade financing facilities which was in line with the increase in revenue.

Tax expense

Tax expense decreased by approximately S\$45,000 or 41.5% from S\$108,000 in 1H2016 to S\$63,000 in 1H2017. This was mainly attributable to the lower taxable profit for 1H2017 as compared to 1H2016.

Profit for the period

As a result of the above, profit for the period decreased by approximately S\$276,000 or 27.6% from S\$1.0 million in 1H2016 to S\$725,000 in 1H2017.

Review of the Group's financial position

Current assets

Current assets increased by approximately S\$2.4 million from S\$12.5 million as at 30 June 2016 to S\$14.8 million as at 31 December 2016. The increase in current assets was mainly due to the increase in:-

- a) trade receivables of S\$1.7 million mainly due to the reclassification of long term trade receivables of approximately S\$1.2 million as at 30 June 2016 to current trade receivables as at 31 December 2016 and higher sales transacted on credit terms towards the financial period end and which had remained outstanding as at 31 December 2016;
- b) cash and cash equivalents of S\$612,000 mainly due to receipts from customers;
- c) inventories of S\$224,000 due to increase in purchase of parts and components; and
- d) offset by the net decrease in other receivables of S\$181,000 mainly due to repayment by the main contractor of working capital loans provided to it for certain software development and maintenance projects amounting to S\$386,000, an increase in deferred expenditure of

S\$135,000 pertaining to sub-contracting costs prepaid for maintenance support services and prepayment for insurance premiums and miscellaneous expenses of S\$71,000.

Non-current assets

Non-current assets decreased by approximately S\$1.4 million from S\$8.3 million as at 30 June 2016 to S\$6.8 million as at 31 December 2016. The decrease in non-current assets was mainly due to the reclassification of long term trade receivables of approximately S\$1.2 million as at 30 June 2016 to current trade receivables as at 31 December 2016.

Current liabilities

Current liabilities increased by approximately S\$1.4 million from S\$6.8 million as at 30 June 2016 to S\$8.2 million as at 31 December 2016. The increase in current liabilities was mainly due to the increase in:-

- a) trade payables of approximately S\$1.1 million due to suppliers which had remained outstanding as at 31 December 2016;
- b) borrowings of S\$505,000 for working capital purposes and to finance the Acquisition; and
- c) partially offset by the decrease in income tax payable of S\$111,000 in line with the lower taxable profit in 1H2017.

Non-current liabilities

Non-current liabilities remain relatively stable at S\$1.1 million as at 30 June 2016 and 31 December 2016.

Capital and reserves

The decrease in capital and reserves from approximately S\$12.9 million as at 30 June 2016 to S\$12.4 million as at 31 December 2016 was mainly due to dividend payments amounting to S\$1.2 million in relation to dividends declared in respect of the financial year ended 30 June 2016, partially offset by the profits from 1H2017 of S\$725,000.

Review of the Group's cashflows

Net cash from operating activities

In 1H2017, the net cash from operating activities was approximately S\$1.6 million, which consisted of operating cashflows before working capital changes of S\$1.0 million, net working capital inflow of S\$704,000, income tax paid of S\$125,000 and interest received of S\$10,000.

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

- a) an increase in trade payables of S\$934,000 due to suppliers which had remained outstanding as at 31 December 2016;
- b) the net decrease in other receivables of S\$181,000 mainly due to repayment by the main contractor of working capital loans provided to it for certain software development and maintenance projects amounting to S\$386,000, an increase in deferred expenditure of S\$135,000 pertaining to sub-contracting costs prepaid for maintenance support services and prepayment for insurance premiums and miscellaneous expenses of S\$71,000;
- c) partially offset by an increase in trade receivables of S\$184,000 mainly due to higher sales transacted on credit terms towards the financial period end and which had remained outstanding as at 31 December 2016; and
- d) partially offset by an increase in inventories of S\$226,000 due to increase in purchase of parts and components.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$258,000 in 1H2017 which was mainly due to the renovation works and purchase of office equipment for the New Premises.

Net cash from financing activities

Net cash used in financing activities amounted to approximately S\$858,000 in 1H2017 which was mainly due to the payment of dividends of S\$1.2 million and the repayment of bank borrowings and finance leases in aggregate of S\$498,000, partially offset by additional bank borrowings taken up of S\$880,000.

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 the Global Terrorism Index 2016 by the Institute for Economics and Peace¹, there were over 73,000 terrorist attacks since 2000 killing more than 170,000 people and in 2015 alone, the estimated economic impact of terrorism on the global economy was US\$89.6 billion.

In Asia, the Islamic State of Iraq and Syria continues to be a significant threat having the means, motive and opportunity to conduct their terrorist activities and in turn compelling many countries to prepare against extremist threats. In addition, rising tensions in state-to-state relations including disputes over territorial claims at sea for example, have created an increasingly complex and volatile security environment.

With these heightened security threats and issues, the Group believes that it is in a good position to benefit from the increasing long-term demand for security products and integrated security solutions. In order to navigate this complex environment, and serve the requirements of different countries in the region, the Group will further broaden its range of security products and integrated security solutions to offer a plethora of options for customers to deal with their specific security challenges.

Pursuant to the Company's announcement dated 13 May 2015, and:

- (a) the business agreement dated 11 May 2015 between the Company's wholly-owned subsidiary, IPS Securex Pte. Ltd. ("IPS"), and United Tactical Systems LLC ("UTS"), IPS is in the process of establishing a centralised service centre in Singapore in relation to all product returns and repairs for the UTS line of products and accessories, including Pepperball brand of non-lethal countermeasure technology products to support the Group's customers; and
- (b) the memorandum of understanding ("MOU") dated 11 May 2015 between IPS and UTS, IPS is still in discussions with UTS to mutually explore development, manufacturing, marketing and selling efforts for component manufacturing, product assembly and product service for UTS line of products and accessories.

Pursuant to the Company's announcement dated 22 December 2014 and the MOU of even date between IPS, UTS and Wattle Corporation, parties are currently exploring the development, manufacturing, marketing and sale of HyperWhistle, a high decibel traditional form whistle.

Further, pursuant to the Company's announcement dated 20 April 2015, the Group has completed the pilot run of its Secured Virtual Healthcare Systems and Solutions (the "SVHSS") at Kembangan-Chai Chee Seniors Activity Centre (the "SAC"). The SVHSS enables real-time communication and interface between volunteers of the SAC and the elderly at home who require

emergency assistance. With this initial phase completed, the Group is currently waiting for the customer to make a decision on a potential procurement and roll-out plan.

In the meantime, the Group will continue to further develop and grow its business after the acquisition and successful integration of Yatai Security & Communications Pte. Ltd. and Avac Systems Pte. Ltd. into the Group in 2016. The Company will make such further announcements to inform its shareholders of any updates or developments in due course.

Barring any unforeseen circumstances, the Group remains positive about the business outlook for FY2017.

¹ Global Terrorism Index 2016 by the Institute for Economics and Peace, <http://economicsandpeace.org/>

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.

Not applicable.

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) |
|--|---|
| | S\$ |
| <u>Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense)</u> <u>by:-</u> | |
| IPS Realty Pte Ltd | (108,000) |
| IPS Group Pte. Ltd. | (29,496) |

14. Use of Share Placement Proceeds

The Company undertook a share placement exercise (the “Placement”) whereby 6,000,000 new ordinary shares were allotted and issued on 14 October 2014 to Mr Goh Khoon Lim at a subscription price of S\$0.42 per share to raise net proceeds of approximately S\$2.5 million.

Pursuant to an announcement dated 20 January 2017 by the Company, it was announced that the net proceeds from the Placement had been fully utilised.

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

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

16. 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 1H2017 to be false or misleading in any material aspect.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Chief Executive Officer
8 February 2017
