



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

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

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					
	3Q-2017 ⁽¹⁾ S\$	3Q-2016 ⁽²⁾ S\$	Increase/ (Decrease) % change	9M-2017 ⁽³⁾ S\$	9M-2016 ⁽⁴⁾ S\$	Increase/ (Decrease) % change
Revenue	2,363,182	1,371,153	72.3	9,497,733	8,334,315	14.0
Cost of sales	(1,161,336)	(726,894)	59.8	(4,706,277)	(4,332,614)	8.6
Gross profit	1,201,846	644,259	86.5	4,791,456	4,001,701	19.7
Other income	40,988	59,187	(30.7)	326,085	187,583	73.8
Administrative expenses	(1,312,776)	(1,343,744)	(2.3)	(4,546,921)	(3,748,236)	21.3
Other operating expenses	(201,967)	(239,691)	(15.7)	(28,071)	(191,748)	(85.4)
Finance costs	(140,320)	(6,374)	2,101.4	(166,463)	(26,401)	530.5
(Loss)/profit before tax	(412,229)	(886,363)	(53.5)	376,086	222,899	68.7
Tax (expense)/income	(20,158)	58,153	NM	(83,103)	(49,377)	68.3
(Loss)/profit for the period, representing total comprehensive (loss)/income for the period	(432,387)	(828,210)	(47.8)	292,983	173,522	68.8

NM denotes not meaningful.

(1) "3Q-2017" refers to the third quarter ended 31 March 2017.

(2) "3Q-2016" refers to the third quarter ended 31 March 2016.

(3) "9M-2017" refers to the nine-month period ended 31 March 2017.

(4) "9M-2016" refers to the nine-month period ended 31 March 2016.

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

	Group Unaudited					
	3Q-2017 S\$	3Q-2016 S\$	Increase/ (Decrease) % change	9M-2017 S\$	9M-2016 S\$	Increase/ (Decrease) % change
After charging:						
Depreciation of plant and equipment	(271,337)	(217,008)	25.0	(794,802)	(649,823)	22.3
Finance costs	(140,320)	(6,374)	2,101.4	(166,463)	(26,401)	530.5
Plant and equipment written off	(8,473)	-	NM	(17,632)	-	NM
Inventories written off	(407)	-	NM	(2,261)	-	NM
Foreign exchange loss	(190,406)	(238,377)	(20.1)	-	(172,253)	NM
Under provision of income tax in respect of prior year	-	-	-	(2,781)	(109)	2,451.4
and crediting:						
Foreign exchange gain	-	-	-	223,246	-	NM
Provision of information technology ("IT") and maintenance services	-	15,900	NM	-	47,700	NM
Miscellaneous income	2,673	-	NM	26,106	73,659	(64.6)
Rental income	-	-	-	6,649	-	NM
Interest income	6,177	652	847.4	16,353	4,530	261.0
Government grants and subsidies	32,138	42,635	(24.6)	53,731	61,694	(12.9)

NM denotes not meaningful.

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

	Group		Company	
	Unaudited As at 31.03.2017 S\$	Audited As at 30.06.2016 S\$	Unaudited As at 31.03.2017 S\$	Audited As at 30.06.2016 S\$
ASSETS				
Current assets				
Cash and cash equivalents	3,689,719	3,914,031	566,534	1,105,336
Trade receivables	9,519,240	6,874,261	-	-
Other receivables	619,727	934,431	2,261,694	3,073,389
Loan to subsidiary corporation	-	-	3,668,400	4,261,400
Inventories	1,112,685	751,615	-	-
Total current assets	14,941,371	12,474,338	6,496,628	8,440,125
Non-current assets				
Investment in subsidiary corporations	-	-	4,866,199	4,866,199
Plant and equipment	4,334,594	4,590,913	-	-
Long term trade receivables	1,344,529	3,690,529	-	-
	5,679,123	8,281,442	4,866,199	4,866,199
Total assets	20,620,494	20,755,780	11,362,827	13,306,324
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	4,578,265	3,579,508	-	-
Other payables	1,755,459	2,062,204	791,968	1,266,885
Finance lease	138,497	216,389	-	-
Borrowings	1,023,938	556,712	465,605	356,712
Income tax payable	141,566	340,009	-	-
Total current liabilities	7,637,725	6,754,822	1,257,573	1,623,597
Non-current liabilities				
Borrowings	508,372	674,087	508,372	674,087
Finance lease	62,548	73,327	-	-
Deferred tax liability	480,492	400,170	-	-
	1,051,412	1,147,584	508,372	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/(losses)	3,115,450	4,037,467	(19,024)	1,392,734
	11,931,357	12,853,374	9,596,882	11,008,640
Total liabilities and equity	20,620,494	20,755,780	11,362,827	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			
	31.03.2017		30.06.2016	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	1,162,435	-	773,101	-
Amount repayable after one year	570,920	-	747,414	-
	<u>1,733,355</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			
	3Q-2017 S\$	3Q-2016 S\$	9M-2017 S\$	9M-2016 S\$
Operating activities				
(Loss)/profit before tax	(412,229)	(886,363)	376,086	222,899
Adjustments for:				
Interest income	(6,177)	(652)	(16,353)	(4,530)
Finance costs	140,320	6,374	166,463	26,401
Depreciation of plant and equipment	271,337	217,008	794,802	649,823
Plant and equipment written off	8,473	-	17,632	-
Inventories written off	407	-	2,261	-
Net foreign exchange loss/(gain)	677	149,965	(76,439)	75,655
Operating cash flows before working capital changes	2,808	(513,668)	1,264,452	970,248
Trade receivables	163,164	2,221,948	(358,347)	(704,350)
Other receivables	133,382	(37,640)	314,704	(603,604)
Inventories	(137,452)	46,516	(363,331)	451,827
Trade payables	(93,958)	(1,108,970)	977,938	(444,205)
Other payables	(306,346)	21,454	(307,805)	129,576
Cash (used in)/generated from operations	(238,402)	629,640	1,527,611	(200,508)
Income tax paid	(76,470)	(46,890)	(201,224)	(58,101)
Interest received	2,194	652	12,370	5,830
Net cash (used in)/from operating activities	(312,678)	583,402	1,338,757	(252,779)
Investing activities				
Purchase of plant and equipment	(223,799)	(27,897)	(482,115)	(75,682)
Net cash used in investing activities	(223,799)	(27,897)	(482,115)	(75,682)
Financing activities				
Dividends paid	-	-	(1,215,000)	(1,215,000)
Interests paid	(17,907)	(6,499)	(43,160)	(27,690)
Proceeds from bank borrowings	-	-	880,400	-
Repayments of bank borrowings	(188,080)	(150,000)	(578,890)	(450,000)
Repayment of finance leases	(55,155)	(52,933)	(162,670)	(157,782)
Net cash used in financing activities	(261,142)	(209,432)	(1,119,320)	(1,850,472)
Net (decrease)/increase in cash and cash equivalents	(797,619)	346,073	(262,678)	(2,178,933)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(38,750)	(70,912)	38,366	3,398
Cash and cash equivalents at beginning of the period	4,526,088	2,318,245	3,914,031	4,768,941
Cash and cash equivalents at end of the period	3,689,719	2,593,406	3,689,719	2,593,406

- 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 reserves	Accumulated profit/(losses)	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	-	-	292,983	292,983
Balance at 31 March 2017	9,405,906	(589,999)	3,115,450	11,931,357
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	-	-	173,522	173,522
Balance at 31 March 2016	9,405,906	(589,999)	1,946,273	10,762,180
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	-	-	(196,758)	(196,758)
Balance at 31 March 2017	9,405,906	210,000	(19,024)	9,596,882
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	-	-	(285,369)	(285,369)
Balance at 31 March 2016	9,405,906	210,000	194,466	9,810,372

- 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 31 December 2016 and 31 March 2017	486,000,000	9,405,906

There were no outstanding convertibles, shares held as treasury shares or subsidiary holdings as at 31 March 2016 and 31 March 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	
	31.03.2017	30.06.2016
Total number of issued shares excluding treasury shares and subsidiary holdings	486,000,000	486,000,000

- 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.**

The Group has applied the same accounting policies and methods of computation in the Group's financial statements for 3Q-2017 and 9M-2017 as its most recently audited financial statements for the financial year ended 30 June 2016 ("FY2016").

- 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 nine-month period ended 31 March 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.

	Group Unaudited			
	3Q-2017	3Q-2016	9M-2017	9M-2016
Earnings per ordinary share ("EPS")				
(Loss)/profit attributable to owners of the Company (\$\$)	(432,387)	(828,210)	292,983	173,522
Weighted average number of ordinary shares	<u>486,000,000</u>	<u>486,000,000</u>	<u>486,000,000</u>	<u>486,000,000⁽¹⁾</u>
EPS - Basic and diluted (cents) ⁽²⁾	<u>(0.09)</u>	<u>(0.17)</u>	<u>0.06</u>	<u>0.04⁽¹⁾</u>

⁽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 9M-2016 as if the Share Split had been completed on 1 July 2015.

⁽²⁾ The basic and diluted earnings per share were the same as there were no potentially dilutive instruments as at 31 March 2017 and 31 March 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 31.03.2017	Audited As at 30.06.2016	Unaudited As at 31.03.2017	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 (cents)	<u>2.5</u>	<u>2.6</u>	<u>2.0</u>	<u>2.3</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 increased by approximately S\$992,000 or 72.3% from S\$1.4 million in 3Q-2016 to S\$2.4 million in 3Q-2017, and increased by approximately S\$1.2 million or 14.0% from S\$8.3 million in 9M-2016 to S\$9.5 million in 9M-2017. The much sharper increase in revenue in 3Q-2017 vis-a-vis 9M-2017 was mainly due to revenue contribution from the Acquisition, the results of which were incorporated into the Group with effect from 1 April 2016.

Revenue from the Security Solutions Business increased by approximately S\$799,000 or 654.9% from S\$122,000 in 3Q-2016 to S\$922,000 in 3Q-2017 and increased by approximately S\$680,000 or 14.8% from S\$4.6 million in 9M-2016 to S\$5.2 million in 9M-2017.

This was mainly attributable to the increase in demand for integrated security solutions in Singapore and sale of Acoustic Hailing Systems to customers in Singapore and Rest of Southeast Asia⁽¹⁾.

Revenue from the Maintenance and Leasing Business increased by approximately S\$193,000 or 16.1% from S\$1.2 million in 3Q-2016 to S\$1.4 million in 3Q-2017 and increased by approximately S\$511,000 or 13.8% from S\$3.7 million in 9M-2016 to S\$4.3 million in 9M-2017.

This was mainly attributable to the increase in fees earned from the provision of maintenance support services to customers in Singapore, Indochina⁽²⁾ and Rest of Southeast Asia.

Cost of sales

Cost of sales increased by approximately S\$434,000 or 59.8% from S\$727,000 in 3Q-2016 to S\$1.2 million in 3Q-2017 and increased by approximately S\$374,000 or 8.6% from S\$4.3 million in 9M-2016 to S\$4.7 million in 9M-2017. The much sharper increase in the cost of sales in 3Q-2017 vis-a-vis 9M-2017 was mainly due to the cost of sales from the Acquisition, the results of which were incorporated into the Group with effect from 1 April 2016. In particular, the net increase in direct material costs was primarily attributable to:-

- a) the increase in demand for integrated security solutions in Singapore and sale of Acoustic Hailing Systems to customers in Singapore and Rest of Southeast Asia⁽¹⁾; and
- b) the continued amortization of the cost of several extended supply contracts that the Group had entered into in early 2016 over the duration of several maintenance support services contracts which were renewed with several public sector customers in Singapore and in the Rest of Southeast Asia, and with its dealers in the Rest of Southeast Asia and Indochina. This arrangement with the Group's supplier ensures its customers of the availability of maintenance support from its supplier over the duration of the maintenance support services contracts and ensures that this support would be rendered at a fixed cost to it.

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

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

Gross profit

Gross profit increased by approximately S\$558,000 or 86.5% from S\$644,000 in 3Q-2016 to S\$1.2 million in 3Q-2017 and increased by approximately S\$790,000 or 19.7% from S\$4.0 million in 9M-2016 to S\$4.8 million in 9M-2017. This was mainly due to the incorporation of the results of the Acquisition into the Group with effect from 1 April 2016 and higher margins derived from the Maintenance and Leasing Business.

Other income

Other income decreased by approximately S\$18,000 or 30.7% from S\$59,000 in 3Q-2016 to S\$41,000 in 3Q-2017. The decrease was mainly due to the absence in 3Q-2017 of fees payable by the Group's related party, IPS Group Pte Ltd ("IPSG"), to the Group for the provision of IT and maintenance services by the Group to IPSG of S\$16,000.

Other income increased by approximately S\$139,000 or 73.8% from S\$188,000 in 9M-2016 to S\$326,000 in 9M-2017. The increase was mainly due to foreign exchange gains of S\$223,000 arising from the appreciation of trade receivables denominated in United States dollar against the Singapore dollar and partially offset by the absence in 9M-2017 of fees payable by IPSG to the Group for the provision of IT and maintenance services by the Group to IPSG of S\$48,000.

Administrative expenses

Administrative expenses remained relatively stable at S\$1.3 million in 3Q-2017 and 3Q-2016, and increased by approximately S\$799,000 or 21.3% from S\$3.7 million in 9M-2016 to S\$4.5 million in 9M-2017. The increase of S\$799,000 from 9M-2016 to 9M-2017 was mainly attributable to the increase in:-

- a) employees' remuneration and benefit expenses of S\$522,000 which was mainly due to the annual salary increments and increase in headcount arising from the Acquisition, the results of which were incorporated into the Group with effect from 1 April 2016;
- b) depreciation of plant and equipment of approximately S\$145,000 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"); and
- c) office and storage rental of S\$99,000.

Administrative expenses remained relatively stable in 3Q-2017 and 3Q-2016 as the increase in administrative expenses arising mainly due to the Acquisition and depreciation of plant and equipment in relation to the Group's relocation to the New Premises were offset by a decrease in staff bonuses and, the absence in 3Q-2017 of professional fees incurred in 3Q-2016 in relation to the Acquisition.

Other operating expenses

Other operating expenses decreased by approximately S\$38,000 or 15.7% from S\$240,000 in 3Q-2016 to S\$202,000 in 3Q-2017. This was mainly due to the net decrease in foreign exchange loss of approximately S\$48,000 arising from the weakening of United States dollar in which the Group's purchases are denominated in against the Singapore dollar in 3Q-2017, which was partially offset by plant and equipment written off of S\$8,000 recognized in 3Q-2017.

Other operating expenses decreased by approximately S\$164,000 or 85.4% from S\$192,000 in 9M-2016 to S\$28,000 in 9M-2017. This was mainly due to the absence in 9M-2017 of a foreign exchange loss of S\$172,000 recognized in 9M-2016 due to the strengthening of the United States dollar in which the Group's purchases are denominated in against the Singapore dollar, which was partially offset by plant and equipment written off of S\$18,000 in 9M-2017.

Finance costs

Pursuant to an instalment plan agreed in September 2016 with a customer in the Rest of Southeast Asia for the repayment of trade receivables over five pre-agreed instalments commencing from August 2016 to September 2018 ("Instalment Plan"), and in accordance with Financial Reporting

Standard ("FRS") 39, the difference between the carrying value and fair value of a non-interest bearing, long-term trade receivable is recognized as finance cost in profit and loss.

Accordingly, the increase in finance costs by approximately S\$134,000 or 2,101.4% from S\$6,000 in 3Q-2016 to S\$140,000 in 3Q-2017, and by approximately S\$140,000 or 530.5% from S\$26,000 in 9M-2016 to S\$166,000 in 9M-2017, was mainly due to an adjustment of \$122,000 made in 3Q-2017 to account for the difference between the carrying value and fair value of the trade receivables which are subject to the Instalment Plan.

Tax expense

Tax expense increased by approximately S\$78,000 from a tax income of S\$58,000 in 3Q-2016 to a tax expense of S\$20,000 in 3Q-2017 and increased by approximately S\$34,000 or 68.3% from S\$49,000 in 9M-2016 to S\$83,000 in 9M-2017. The increase was in line with the higher profit before tax recorded in 3Q-2017 and 9M-2017. In 3Q-2016, the Group recorded a tax write back of S\$58,000 due to the reversal of tax provisions made in respect of the half year ended 31 December ("1H") 2016, as the Group's profit before tax decreased from S\$1.1 million for 1H2016 to S\$223,000 for 9M-2016 due to the losses in 3Q-2016.

Review of the Group's financial position

Current assets

Current assets increased by approximately S\$2.5 million from S\$12.5 million as at 30 June 2016 to S\$15.0 million as at 31 March 2017. The increase in current assets was mainly due to:-

- a) an increase in trade receivables of S\$2.6 million mainly due to the reclassification of long term trade receivables of approximately S\$2.3 million as at 30 June 2016 to current trade receivables as at 31 March 2017;
- b) an increase in inventories of S\$361,000 due to increase in purchase of parts and components; partially offset by:-
- c) a net decrease in other receivables of S\$315,000 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; and increase in deferred expenditure of S\$67,000 pertaining to sub-contracting costs prepaid for maintenance support services; and
- d) decrease in cash and cash equivalents of S\$224,000.

Non-current assets

Non-current assets decreased by approximately S\$2.6 million from S\$8.3 million as at 30 June 2016 to S\$5.7 million as at 31 March 2017. The decrease in non-current assets was due to the reclassification of long term trade receivables of approximately S\$2.3 million as at 30 June 2016 to current trade receivables as at 31 March 2017; and the net decrease in plant and equipment of S\$256,000 primarily attributable to depreciation charges and plant and equipment written off.

Current liabilities

Current liabilities increased by approximately S\$883,000 from S\$6.8 million as at 30 June 2016 to S\$7.6 million as at 31 March 2017. The increase in current liabilities was mainly due to:-

- a) an increase in trade payables due to suppliers of approximately S\$999,000 which had remained outstanding as at 31 March 2017;
- b) an increase in borrowings of S\$467,000 for working capital purposes and to finance the Acquisition;

offset by:-

- c) a decrease in other payables of S\$307,000 mainly due to payments made in July 2016 to the Vendors in relation to the Acquisition;

- d) a decrease in income tax payable of S\$198,000; and
- e) a decrease in finance lease of S\$78,000 due to the repayment of trade facilities.

Non-current liabilities

Non-current liabilities remained relatively stable at S\$1.1 million as at 30 June 2016 and 31 March 2017. Between 30 June 2016 and 31 March 2017, borrowings decreased by S\$166,000 due to the repayment of bank borrowings while deferred tax liability increased by S\$80,000.

Capital and reserves

Capital and reserves decreased by approximately S\$922,000 from S\$12.9 million as at 30 June 2016 to \$11.9 million as at 31 March 2017 mainly due to dividend payments of S\$1.2 million in relation to dividends declared in respect of FY2016, offset by profits for 9M-2017 of S\$293,000.

Review of the Group's cashflows

Net cash from operating activities

In 9M-2017, the net cash from operating activities was approximately S\$1.3 million, which consisted of operating cashflows before working capital changes of S\$1.3 million, net working capital inflow of S\$263,000, income tax paid of S\$201,000 and interest received of S\$12,000.

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

- a) an increase in trade payables due to suppliers of S\$978,000 which had remained outstanding as at 31 March 2017;
- b) the net decrease in other receivables of S\$315,000 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\$67,000 pertaining to sub-contracting costs prepaid for maintenance support services;

partially offset by:-

- c) an increase in trade receivables of S\$358,000 mainly due to higher sales transacted on credit terms towards the financial period end and which had remained outstanding as at 31 March 2017;
- d) an increase in inventories of S\$363,000 due to an increase in purchase of parts and components; and
- e) a decrease in other payables of S\$308,000, mainly due to payments made in July 2016 to the Vendors in relation to the Acquisition.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$482,000 in 9M-2017 which was mainly due to the renovation works and purchase of office equipment for the New Premises.

Net cash used in financing activities

Net cash used in financing activities amounted to approximately S\$1.1 million in 9M-2017 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\$742,000, 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 2017 Risk Maps for Political Risk, Terrorism and Political Violence Report by Aon plc⁽¹⁾, the risk level in countries in the Southeast Asia region has increased due to reports of terrorist attacks and an increase in the number of terrorist arrests in 2016.

The heightened security in the region puts the Group in a good position to benefit from the long-term demand for security products and integrated security solutions. In order to cater to the requirements of different countries, the Group has been working on broadening its range of security products and integrated security solutions.

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

⁽¹⁾ Aon plc ("Aon") (NYSE:AON) is a leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. (Source: <http://www.aon.com/about-aon/about-aon.jsp>).

A copy of Aon's 2017 Risk Maps for Political Risk, Terrorism and Political Violence Report is available for download at <http://www.aon.com/2017-political-risk-terrorism-and-political-violence-maps/index.html>.

11. Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for 3Q-2017 and 9M-2017.

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)	
	3Q-2017	9M-2017
	S\$	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	(54,000)	(162,000)
IPS Group Pte. Ltd.	(14,748)	(44,244)

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

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

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

The board of Directors (the “Board”) hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board, which may render the unaudited financial statements of the Group for 9M-2017 to be false or misleading in any material aspect.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Chief Executive Officer
15 May 2017