



Media Release

IPS Securex makes clear turnaround with 1H2020 results

- Group 1H2020 revenue rose by 88.6% to S\$8.8 million
- Revenue from Security Solutions Business grew by 400.0% to S\$6.0 million in 1H2020
- Group profitability increases to S\$0.8 million in 1H2020

SINGAPORE, 11 February 2020 – IPS Securex Holdings Limited (“IPS Securex” or the “Company” and, together with its subsidiaries, the “Group”), a leading provider of security products and integrated security solutions with an established regional presence in the Asia Pacific, today announced its consolidated financial results for the second quarter and first half year ended 31 December 2019 (“2Q2020” and “1H2020” respectively).

Financial Highlights

In S\$'million unless otherwise stated	Second quarter ended 31 Dec 2019 (“2Q2020”)	Second quarter ended 31 Dec 2018 (“2Q2019”)	Change (%)	Half year ended 31 Dec 2019 (“1H2020”)	Half year ended 31 Dec 2018 (“1H2019”)	Change (%)
Revenue	5.7	2.5	123.8	8.8	4.7	88.6
Gross profit	2.1	1.4	52.0	3.6	2.4	52.1
Profit/(Loss) before tax	0.7	0.02	2,798.5	0.8	(0.3)	N.M.
Net profit/(Loss)	0.6	(0.01)	N.M.	0.8	(0.3)	N.M.

Note: N.M. denotes not meaningful.

Commenting on the 1H2020 results, Mr Kelvin Lim (林青宋), Executive Director and Chief Executive Officer of IPS Securex said, ***“There is a market turnaround for us as we are seeing projects that were previously delayed being revived. We are also seeing more opportunities as more government agencies in the region appreciate the need to enhance their security readiness to deal with a range of issues from political unrest to terrorism.”***

The Group's revenue increased by approximately 123.8% from S\$2.5 million in 2Q2019 to S\$5.7 million in 2Q2020, and increased by approximately 88.6% from S\$4.7 million in 1H2019 to S\$8.8 million in 1H2020. Revenue from the Security Solutions Business continues its strong growth albeit a decrease in revenue in the Maintenance and Leasing Business.

Revenue for the Group's Security Solutions Business increased by approximately 707.5% from S\$0.5 million in 2Q2019 to S\$4.3 million in 2Q2020. Concurrently, revenue for the Group's Security Solutions Business increased by approximately 400.0% from S\$1.2 million in 1H2019 to S\$6.0 million in 1H2020. The increase of revenue in both 2Q2020 and 1H2020 was mainly attributed to the increase in sales of security products to customers in Singapore, Indochina¹, and East Asia², and an increase in revenue from the provision of integrated security solutions in Singapore and Rest of Southeast Asia³.

As for the Group's Maintenance and Leasing Business, revenue decreased by approximately 30.5% from S\$2.0 million in 2Q2019 to S\$1.4 million in 2Q2020. This was mainly attributable to the absence of revenue in 2Q2020 from the ad-hoc replacement of a component in a security system for a customer in Singapore, and the absence of revenue from the provision of maintenance support services to customers in the Rest of Southeast Asia³ and in Indochina¹. The absence of revenue from the provision of maintenance support was due to a delay in the commencement of a maintenance contract by a customer in the Rest of Southeast Asia³ and the non-renewal of maintenance contract with a customer in Indochina¹. Additionally, there was a decrease in revenue from the provision of maintenance support services to customers in Singapore.

The Group's Maintenance and Leasing business in 1H2020 also decreased by approximately 17.7% from S\$3.5 million in 1H2019 to S\$2.8 million in 1H2020. Similar to the aforementioned in 2Q2020, the decrease in revenue was mainly attributed to the absence of revenue in 1H2020 from the ad-hoc replacement of a component in a security system for a customer in Singapore, and the provision of maintenance support services to customers in the Rest of

¹ "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam

² "East Asia" includes China, Hong Kong and South Korea

³ "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste

Southeast Asia and in Indochina. This was partially offset by an increase in revenue from the provision of maintenance support services to customers in Singapore.

The Group's gross profit increased by approximately 52.0% from S\$1.4 million in 2Q2019 to S\$2.1 million in 2Q2020, and increased by approximately 52.1% from S\$2.4 million in 1H2019 to S\$3.6 million in 1H2020.

Other income in 2Q2020 decreased by approximately 58.0% from S\$27,000 in 2Q2019 to S\$11,000 in 2Q2020. The decrease was mainly attributable to the decrease in government grants and subsidies, an absence of bad debts recovered which was recognised in 2Q2019, and was partially offset by an increase in miscellaneous income.

On a half year basis, however, other income increased by 35.6% from S\$21,000 in 1H2019 to S\$29,000 in 1H2020. The increase was mainly attributable to sponsorship received from a business partner for a marketing and seminar event, an increase in bad debts recovered, and an increase in insurance payout from staff related injuries. This was partially offset by a decrease in government grants and subsidies.

Administrative expenses decreased by approximately 2.6% from S\$1.4 million in 2Q2019 to S\$1.3 million in 2Q2020, which was mainly attributable to a decrease in distribution and marketing expenses, and office related expenses. On a half year basis, administrative expenses remained relatively stable at S\$2.7 million in both 1H2019 and 1H2020.

Other operating expenses increased by approximately 5223.7% from S\$2,000 in 2Q2019 to S\$124,000 in 2Q2020, which was mainly due to the increase in allowance for doubtful debts to provide for overdue outstanding balances from certain customers in Singapore, and an increase in allowance for inventories obsolescence and inventories written off.

Other operating expenses in increased by approximately 989.3% from S\$14,000 in 1H2019 to S\$156,000 in 1H2020. This was mainly due to the increase in allowance for doubtful debts to provide for overdue outstanding balances from certain customers in Singapore, an increase in allowance for inventories obsolescence, inventories written off and bank charges.

Finance income increased by approximately 666.9% from S\$7,000 in 2Q2019 to S\$54,000 in 2Q2020, and increased by approximately 191.3% from S\$19,000 in 1H2019 to S\$55,000 in 1H2020. The increase was mainly due to the increase in net foreign exchange gain arising from the settlement of trade payables denominated in United States dollar, attributable to the depreciation of the United States dollar against the Singapore dollar in the period, which was partially offset by a decrease in interest earned from the bank, and the absence of the difference between the carrying value and fair value of certain trade receivables attributable to an instalment repayment plan agreed with a customer.

Finance costs increased by approximately 9.4% from S\$14,000 in 2Q2019 to S\$15,000 in 2Q2020. This was mainly due to the higher utilisation of trade financing facilities, and partially offset by the repayment of the term loan in April 2019 by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte Ltd which was completed on 1 April 2016 (the “**Acquisition**”), and the absence in 2Q-2020 of foreign exchange loss due to the weakening of the United States dollar, which the Group’s sales were denominated in, against the Singapore dollar that was recognised in 2Q2019.

Finance costs increased by approximately 232.5% from S\$14,000 in 1H2019 to S\$46,000 in 1H2020, which was mainly due to the higher utilisation of trade financing facilities, and partially offset by the repayment of the term loan in April 2019 by the Group to fund the Acquisition.

As a result of the above, the Group recorded an overall net profit of S\$620,000 in 2Q2020 from a net loss of S\$16,000 in 2Q2019, and a net profit of S\$768,000 in 1H2020 from a net loss of S\$321,000 in 1H2019.

Financial Position

As at 31 December 2019, the Group’s net assets were approximately S\$7.3 million. Cash and cash equivalents as at 31 December 2019 stood at approximately S\$4.5 million compared to approximately S\$3.9 million as at 30 June 2019.

Looking Ahead

Terrorist organisations are resilient as the politico-economic risk factors that make extremist ideologies appealing and conflict zones that enable mobilisation still persist⁴.

Apart from terrorism, the world continues to be plagued with conflicts, political unrest and rising turmoil, and many lives remain in disarray and in unsafe environments. Globally, governments have to remain vigilant and continually ensure that their security procedures are kept at high standards and their equipment well-maintained, to deter threats of social and economic disruption.

As one of the region's leading providers of security products and integrated security solutions, it is important for the Group to provide excellent service quality and to remain engaged with its customers, so as to tailor solutions to the needs and concerns of its customers. The awarding of the maintenance order and variation agreement to the Group, announced on 5 December 2019 and 9 January 2020 respectively, is a testament to the Group's success in customer engagements.

Concurrently, the Group will rigorously assess the available opportunities and participate accordingly as more projects are surfacing within Singapore and the region. The Group will continue its ongoing efforts to research on and include the latest security products and solutions that are available and integrable in the market.

In view of the current 2019 novel coronavirus (2019-nCov) situation in Singapore, the Group has implemented its Business Continuity Plan to ensure that it is able to continue its operations.

End.

Note to Media: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

⁴ <https://www.todayonline.com/commentary/four-major-security-trends-will-impact-singapore-2020>

About IPS Securex Holdings Limited (www.ips-securex.com)

IPS Securex is one of Singapore's leading providers of security products and integrated security solutions to commercial entities and government bodies and agencies in the Asia Pacific.

Since 2000, it has been providing security products and integrated security solutions for various security requirements including checkpoint security, law enforcement and the protection and surveillance of buildings and critical infrastructure. It is a one-stop security solutions provider - from the supply of a broad range of security products, the design, installation, testing and commissioning of integrated security solutions, to the provision of maintenance support and leasing services to its customers. Carrying over 100 types of security products, the Group has distribution rights for some of its products spanning across 17 countries in the Asia-Pacific including Singapore, Cambodia, Brunei, Vietnam, Indonesia, Malaysia, Thailand, Myanmar, Philippines, Laos, China (Hong Kong and Macau), Australia, India, Sri Lanka, Japan, South Korea and Taiwan.

Over the years, IPS Securex has received several sales, business and branding awards and built an accomplished reputation in the security products and solutions industry. Some of its awards include the Enterprise 50 Award in 2009, the Singapore SME 500 Company Award in 2010, the Top 100 Singapore Excellence Award (Platinum) in 2013, the Asia Pacific Brands Award in 2014 and Singapore Corporate Award 2015 – Merit Award for Best Investor Relations (First-Year Listed Companies).

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This media release has been prepared by IPS Securex Holdings Limited (the "Company") and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

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