



**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 2018**

*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					
	3Q-2018 <sup>(1)</sup> S\$	3Q-2017 <sup>(2)</sup> S\$	Increase/ (Decrease) % change	9M-2018 <sup>(3)</sup> S\$	9M-2017 <sup>(4)</sup> S\$	Increase/ (Decrease) % change
<b>Revenue</b>	2,258,780	2,363,182	(4.4)	7,207,217	9,497,733	(24.1)
Cost of sales	(1,121,112)	(1,161,336)	(3.5)	(3,759,586)	(4,706,277)	(20.1)
<b>Gross profit</b>	<b>1,137,668</b>	<b>1,201,846</b>	(5.3)	<b>3,447,631</b>	<b>4,791,456</b>	(28.0)
Other income	19,526	34,811	(43.9)	613,658	86,486	609.5
Administrative expenses	(1,286,868)	(1,312,776)	(2.0)	(3,870,678)	(4,546,921)	(14.9)
Other operating expenses	(7,349)	(11,561)	(36.4)	(14,367)	(28,071)	(48.8)
Finance income	1,924	6,177	(68.9)	15,571	239,599	(93.5)
Finance costs	(63,870)	(330,726)	(80.7)	(172,826)	(166,463)	3.8
<b>(Loss)/profit before tax</b>	<b>(198,969)</b>	<b>(412,229)</b>	(51.7)	<b>18,989</b>	<b>376,086</b>	(95.0)
Tax credit/(expense)	25,051	(20,158)	NM	62,476	(83,103)	NM
<b>(Loss)/profit for the period, representing total comprehensive (loss)/income for the period</b>	<b>(173,918)</b>	<b>(432,387)</b>	(59.8)	<b>81,465</b>	<b>292,983</b>	(72.2)

NM denotes not meaningful.

- (1) "3Q-2018" refers to the third quarter ended 31 March 2018.  
 (2) "3Q-2017" refers to the third quarter ended 31 March 2017.  
 (3) "9M-2018" refers to the nine-month period ended 31 March 2018.  
 (4) "9M-2017" refers to the nine-month period ended 31 March 2017.

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

	Group Unaudited					
	3Q-2018 S\$	3Q-2017 S\$	Increase/ (Decrease) % change	9M-2018 S\$	9M-2017 S\$	Increase/ (Decrease) % change
<b>After charging:</b>						
Depreciation of plant and equipment	(264,011)	(271,337)	(2.7)	(789,227)	(794,802)	(0.7)
Plant and equipment written off	-	(8,473)	NM	(1,981)	(17,632)	(88.8)
Inventories written off	(583)	(407)	43.2	(696)	(2,261)	(69.2)
Under provision of income tax in respect of prior period	-	-	-	-	(2,781)	NM
Interest expense	(8,288)	(140,320)	(94.1)	(28,549)	(166,463)	(82.8)
Foreign exchange loss (net)	(55,582)	(190,406)	(70.8)	(144,277)	-	NM
Finance costs	(63,870)	(330,726)	(80.7)	(172,826)	(166,463)	3.8
<b>and crediting:</b>						
Miscellaneous income	-	2,673	NM	47,506	26,106	82.0
Bad debts recovered	-	-	-	502,858	-	NM
Rental income	-	-	-	-	6,649	NM
Government grant income	19,526	32,138	(39.2)	63,294	53,731	17.8
Other income	19,526	34,811	(43.9)	613,658	86,486	609.5
Over provision of income tax in respect of prior period	2,062	-	NM	79,626	-	NM
Foreign exchange gain (net)	-	-	-	-	223,246	NM
Interest income	1,924	6,177	(68.9)	15,571	16,353	(4.8)
Finance income	1,924	6,177	(68.9)	15,571	239,599	(93.5)

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 31.03.2018 S\$	Audited As at 30.06.2017 S\$	Unaudited As at 31.03.2018 S\$	Audited As at 30.06.2017 S\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	3,378,312	4,905,677	172,162	946,353
Trade and other receivables	4,100,510	3,722,198	3,256,717	2,463,217
Loan to subsidiary corporation	-	-	1,368,400	2,968,400
Inventories	1,418,124	862,578	-	-
Total current assets	<b>8,896,946</b>	<b>9,490,453</b>	<b>4,797,279</b>	<b>6,377,970</b>
<b>Non-current assets</b>				
Investment in subsidiary corporations	-	-	5,221,199	4,821,199
Plant and equipment	3,403,834	4,138,365	-	-
Other investments	7,605	6,000	-	-
Deferred tax assets	22,625	39,775	-	-
Trade and other receivables	189,392	195,850	-	-
	<b>3,623,456</b>	<b>4,379,990</b>	<b>5,221,199</b>	<b>4,821,199</b>
<b>Total assets</b>	<b>12,520,402</b>	<b>13,870,443</b>	<b>10,018,478</b>	<b>11,199,169</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	2,706,141	3,167,765	221,281	838,863
Finance lease	18,151	91,478	-	-
Bank borrowings	539,893	903,260	481,564	469,928
Income tax payable	-	93,216	-	-
Total current liabilities	<b>3,264,185</b>	<b>4,255,719</b>	<b>702,845</b>	<b>1,308,791</b>
<b>Non-current liabilities</b>				
Bank borrowings	50,003	387,009	50,003	387,009
Finance lease	75,347	88,960	-	-
	<b>125,350</b>	<b>475,969</b>	<b>50,003</b>	<b>387,009</b>
<b>Capital and reserves</b>				
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)	404,313	322,848	(260,923)	(112,537)
	<b>9,130,867</b>	<b>9,138,755</b>	<b>9,265,630</b>	<b>9,503,369</b>
<b>Total liabilities and equity</b>	<b>12,520,402</b>	<b>13,870,443</b>	<b>10,018,478</b>	<b>11,199,169</b>

- 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			
	31.03.2018		30.06.2017	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	558,044	-	994,738	-
Amount repayable after one year	125,350	-	475,969	-
	<u>683,394</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.**

	<b>Group</b>			
	<b>Unaudited</b>			
	<b>3Q-2018</b>	<b>3Q-2017</b>	<b>9M-2018</b>	<b>9M-2017</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>Operating activities</b>				
(Loss)/profit before tax	(198,969)	(412,229)	18,989	376,086
Adjustments for:				
Interest income	(1,924)	(6,177)	(15,571)	(16,353)
Interest expense	8,288	140,320	28,549	166,463
Depreciation of plant and equipment	264,011	271,337	789,227	794,802
Plant and equipment written off	-	8,473	1,981	17,632
Inventories written off	583	407	696	2,261
Net foreign exchange loss/(gain)	165,460	677	229,469	(76,439)
Operating cash flows before working capital changes	237,449	2,808	1,053,340	1,264,452
Trade and other receivables	139,402	296,546	(516,502)	(43,643)
Inventories	(232,744)	(137,452)	(556,242)	(363,331)
Trade and other payables	286,961	(400,304)	(65,677)	1,043,333
Cash generated from/(used in) operations	431,068	(238,402)	(85,081)	1,900,811
Income tax paid	-	(76,470)	(13,590)	(201,224)
Interest received	5,673	2,194	12,629	12,370
Net cash from/(used in) operating activities	<b>436,741</b>	<b>(312,678)</b>	<b>(86,042)</b>	<b>1,711,957</b>
<b>Investing activities</b>				
Purchase of plant and equipment	(29,817)	(223,799)	(57,752)	(482,115)
Acquisition of other investment	-	-	(1,605)	-
Acquisition of subsidiaries, net of cash acquired	-	-	(373,200)	(373,200)
Net cash used in investing activities	<b>(29,817)</b>	<b>(223,799)</b>	<b>(432,557)</b>	<b>(855,315)</b>
<b>Financing activities</b>				
Dividends paid	-	-	-	(1,215,000)
Interests paid	(8,824)	(17,907)	(29,159)	(43,160)
Repurchase of own shares	-	-	(89,353)	-
Proceeds from bank borrowings	-	-	-	880,400
Repayments of bank borrowings	(244,717)	(188,080)	(700,373)	(578,890)
Repayments of finance leases	(4,538)	(55,155)	(86,940)	(162,670)
Restricted cash pledged	(27,587)	-	(27,587)	-
Net cash used in financing activities	<b>(285,666)</b>	<b>(261,142)</b>	<b>(933,412)</b>	<b>(1,119,320)</b>
Net increase/(decrease) in cash and cash equivalents	<b>121,258</b>	<b>(797,619)</b>	<b>(1,452,011)</b>	<b>(262,678)</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies	(38,932)	(38,750)	(102,941)	38,366
Cash and cash equivalents at beginning of the period	3,250,399	4,526,088	4,887,677	3,914,031
<b>Cash and cash equivalents at end of the period</b>	<b>3,332,725</b>	<b>3,689,719</b>	<b>3,332,725</b>	<b>3,689,719</b>
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	3,332,725	3,689,719	3,332,725	3,689,719
Restricted cash	45,587	-	45,587	-
Cash and cash equivalents at end of the period	<b>3,378,312</b>	<b>3,689,719</b>	<b>3,378,312</b>	<b>3,689,719</b>

<sup>(1)</sup> 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**

<b>S\$</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Capital reserves</b>	<b>Accumulated profit/(losses)</b>	<b>Total</b>
<b>Group</b>					
Balance at 1 July 2017	9,405,906	-	(589,999)	322,848	9,138,755
<b>Transactions with owners, recognised directly in equity</b>					
Purchase of own shares	-	(89,353)	-	-	(89,353)
<b>Total comprehensive income for the period</b>					
Profit for the period, representing total comprehensive income for the period	-	-	-	81,465	81,465
Balance at 31 March 2018	9,405,906	(89,353)	(589,999)	404,313	9,130,867
Balance at 1 July 2016	9,405,906	-	(589,999)	4,037,467	12,853,374
<b>Total comprehensive income for the period</b>					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Profit for the period, representing 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
<b>Company</b>					
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
<b>Transactions with owners, recognised directly in equity</b>					
Purchase of own shares	-	(89,353)	-	-	(89,353)
<b>Total comprehensive income for the period</b>					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(148,386)	(148,386)
Balance at 31 March 2018	9,405,906	(89,353)	210,000	(260,923)	9,265,630
Balance at 1 July 2016	9,405,906	-	210,000	1,392,734	11,008,640
<b>Total comprehensive income for the period</b>					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Loss for the period, representing total comprehensive loss for the period	-	-	-	(196,758)	(196,758)
Balance at 31 March 2017	9,405,906	-	210,000	(19,024)	9,596,882

**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.**

	<b>Number of shares</b>	<b>Issued and paid-up share capital (S\$)</b>
As at 31 December 2017 and 31 March 2018	<u>484,844,100</u>	<u>9,316,553</u>

The number of shares held as treasury shares as at 31 March 2018 and 31 March 2017 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 March 2018 and 31 March 2017 is 0.24% and nil, respectively.

There were no outstanding convertibles and subsidiary holdings as at 31 March 2018 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.**

	<b>As at</b>	
	<b>31.03.2018</b>	<b>30.06.2017</b>
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 March 2018, the Company purchased 1,155,900 shares as treasury shares. The treasury shares balance as at 31 March 2018 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 3Q-2018 and 9M-2018 as its most recently audited financial statements for the financial year ended 30 June ("FY") 2017, except for those new and revised accounting policies in paragraph 5 below.

**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 2018.

**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-2018	3Q-2017	9M-2018	9M-2017
Earnings per ordinary share ("EPS")				
(Loss)/profit attributable to owners of the Company (S\$)	(173,918)	(432,387)	81,465	292,983
Weighted average number of ordinary shares <sup>(1)</sup>	<u>484,844,100</u>	<u>486,000,000</u>	<u>485,052,556</u>	<u>486,000,000</u>
EPS - Basic and diluted (cents) <sup>(2)</sup>	<u>(0.04)</u>	<u>(0.09)</u>	<u>0.02</u>	<u>0.06</u>

<sup>(1)</sup> 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 9M-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 9M-2018 during which time such shares were outstanding, in arriving at the weighted average of 485,052,556 shares.

<sup>(2)</sup> The basic and diluted earnings per share were the same as there were no potentially dilutive instruments as at 31 March 2018 and 31 March 2017.



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	Audited	Unaudited	Audited
	As at 31.03.2018	As at 30.06.2017	As at 31.03.2018	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)	1.9	1.9	1.9	2.0

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\$104,000 or 4.4% from S\$2.4 million in 3Q-2017 to S\$2.3 million in 3Q-2018, and decreased by approximately S\$2.3 million or 24.1% from S\$9.5 million in 9M-2017 to S\$7.2 million in 9M-2018.

Revenue from the Security Solutions Business decreased by approximately S\$140,000 or 15.2% from S\$922,000 in 3Q-2017 to S\$782,000 in 3Q-2018. This was mainly attributable to the decrease in demand for integrated security solutions in Singapore.

Revenue from the Security Solutions Business decreased by approximately S\$2.6 million or 50.0% from S\$5.2 million in 9M-2017 to S\$2.6 million in 9M-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<sup>(1)</sup> of approximately S\$3.4 million which was previously secured in 9M-2017;
- b) partially offset by an increase in demand for security solutions products by customers in the Rest of Southeast Asia<sup>(1)</sup> and Indochina<sup>(2)</sup> of approximately S\$539,000; and
- c) partially offset by an increase in demand for integrated security solutions in Singapore of approximately S\$289,000.

Revenue from the Maintenance and Leasing Business increased by approximately S\$35,000 or 2.5% from S\$1.4 million in 3Q-2017 to S\$1.5 million in 3Q-2018 and increased by approximately S\$318,000 or 7.5% from S\$4.2 million in 9M-2017 to S\$4.6 million in 9M-2018. This was mainly attributable to the increase in the provision of maintenance support services to customers in Singapore.

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

<sup>(2)</sup> "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

### **Cost of sales**

Cost of sales decreased by approximately S\$40,000 or 3.5% from S\$1.2 million in 3Q-2017 to S\$1.1 million in 3Q-2018 and decreased by approximately S\$947,000 or 20.1% from S\$4.7 million in 9M-2017 to S\$3.8 million in 9M-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 solutions undertaken by the Group which had a higher cost base relative to revenue.

### **Gross profit**

Gross profit decreased by approximately S\$64,000 or 5.3% from S\$1.2 million in 3Q-2017 to S\$1.1 million in 3Q-2018 and decreased by approximately S\$1.3 million or 28.0% from S\$4.8 million in 9M-2017 to S\$3.4 million in 9M-2018 due to the factors discussed above.

### **Other income**

Other income decreased by approximately S\$15,000 or 43.9% from S\$35,000 in 3Q-2017 to S\$20,000 in 3Q-2018. The decrease was mainly due to the decrease in government grants income by approximately S\$13,000.

Other income increased by approximately S\$527,000 or 609.5% from S\$86,000 in 9M-2017 to S\$614,000 in 9M-2018. The increase was mainly due to the recovery of outstanding debts previously provided as doubtful debts in June 2017 of approximately S\$503,000; and an increase in government grants income of approximately S\$10,000.

### **Administrative expenses**

Administrative expenses remained relatively stable at S\$1.3 million in 3Q-2017 and 3Q-2018, and decreased by approximately S\$676,000 or 14.9% from S\$4.5 million in 9M-2017 to S\$3.9 million in 9M-2018. The decrease of S\$676,000 from 9M-2017 to 9M-2018 was mainly attributable to the decrease in:-

- a) employees' remuneration and benefit expenses of S\$519,000 mainly due to lower staff bonuses accrued;
- b) professional fees of S\$58,000 due to more favourable arrangement negotiated by the Group; and
- c) distribution and marketing expenses of S\$73,000 and office related expenses of S\$26,000.

### **Other operating expenses**

Other operating expenses decreased by approximately S\$4,200 or 36.4% from S\$12,000 in 3Q-2017 to S\$7,000 in 3Q-2018. This was mainly attributable to a decrease in plant and equipment written off of approximately S\$8,000 and bank charges of S\$2,000 partially offset by an increase in bad debts written off of approximately S\$6,000.

Other operating expenses decreased by approximately S\$14,000 or 48.8% from S\$28,000 in 9M-2017 to S\$14,000 in 9M-2018. This was mainly attributable to a decrease in plant and equipment written off of approximately S\$16,000, bank charges of S\$2,000 and inventories written off of approximately S\$2,000 partially offset by an increase in bad debts written off of approximately S\$6,000.

### **Finance income**

Finance income decreased by approximately S\$4,000 or 68.9% from S\$6,000 in 3Q-2017 to S\$1,900 in 3Q-2018. This was mainly due to the decrease in interest earned of S\$4,000 in 3Q-2018.

Finance income decreased by approximately S\$224,000 or 93.5% from S\$240,000 in 9M-2017 to S\$16,000 in 9M-2018. This was mainly due to absence in 9M-2018 of foreign exchange gain of S\$223,000 arising from the appreciation of trade receivables denominated in United States dollar against the Singapore dollar in 9M-2017.

## **Finance costs**

Pursuant to an instalment plan agreed in September 2016 with a customer in the Rest of Southeast Asia<sup>(1)</sup> 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, finance costs decreased by approximately S\$267,000 or 80.7% from S\$331,000 in 3Q-2017 to S\$64,000 in 3Q-2018. This was mainly due to the reduction of foreign exchange loss of S\$135,000 and the absence of an adjustment of S\$122,000 made in 3Q-2017 to account for the difference between the carrying value and fair value of the trade receivables which are subjected to the Instalment Plan.

Finance costs increased by approximately S\$6,000 or 3.8% from S\$166,000 in 9M-2017 to S\$173,000 in 9M-2018. This was mainly due to a foreign exchange loss of S\$144,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar. This was partially offset by the absence of an adjustment of S\$122,000 made in 3Q-2017 to account for the difference between the carrying value and fair value of the trade receivables which are subjected to the Instalment Plan.

## **Tax credit/(expense)**

Tax expense decreased by approximately S\$45,000 from a tax expense of S\$20,000 in 3Q-2017 to a tax credit of S\$25,000 in 3Q-2018 and decreased by approximately S\$146,000 from a tax expense of S\$83,000 in 9M-2017 to a tax credit of S\$62,000 in 9M-2018. The decrease was attributable to a tax write back of S\$88,000 due to the reversal of over provisions made in respect of prior years and the lower profit before tax recorded in 3Q-2018 and 9M-2018.

## **Review of the Group's financial position**

### **Current assets**

Current assets decreased by approximately S\$594,000 from S\$9.5 million as at 30 June 2017 to S\$8.9 million as at 31 March 2018. The decrease in current assets was mainly due to the decrease in:-

- a) cash and cash equivalents of S\$1.5 million;

partially offset by:-

- b) the net increase in trade and other receivables of S\$378,000 mainly due to higher sales made on credit terms from the integrated solutions business towards the end of 9M-2018 of approximately S\$881,000, offset by the recovery of outstanding debts previously provided as doubtful debts in June 2017 of S\$503,000 which had remained outstanding as at 31 March 2018; and
- c) an increase in inventories of S\$556,000 due to increase in purchase of parts and components.

### **Non-current assets**

Non-current assets decreased by approximately S\$757,000 from S\$4.4 million as at 30 June 2017 to S\$3.6 million as at 31 March 2018. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S\$735,000 primarily attributable to depreciation charges.

### **Current liabilities**

Current liabilities decreased by approximately S\$992,000 from S\$4.3 million as at 30 June 2017 to S\$3.3 million as at 31 March 2018. The decrease in current liabilities was mainly due to the decrease in:-

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

- a) trade and other payables of S\$462,000 mainly due to 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\$363,000; and
- c) a decrease in income tax payable of S\$93,000 in line with the lower profit before tax in 9M-2018. There was no income tax payable as at 31 March 2018 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\$351,000 from S\$476,000 as at 30 June 2017 to S\$125,000 as at 31 March 2018. This was due to a reduction in bank borrowings and finance lease in aggregate of S\$351,000.

#### **Capital and reserves**

Capital and reserves remained relatively stable as at 30 June 2017 and 31 March 2018 at S\$9.1 million.

#### **Review of the Group's cashflows**

##### **Net cash used in operating activities**

In 9M-2018, the net cash used in operating activities was approximately S\$86,000, which consisted of operating cashflows before working capital changes of S\$1.1 million, net working capital outflow of S\$1.1 million; income tax paid of S\$14,000 and interest received of S\$13,000.

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

- a) an increase in trade and other receivables of S\$517,000 mainly due to higher sales transacted on credit terms towards the financial period end and which had remained outstanding as at 31 March 2018;
- b) an increase in inventories of S\$556,000 due to an increase in purchase of parts and components; and
- c) a decrease in trade and other payables of S\$66,000, mainly due to payments to suppliers.

##### **Net cash used in investing activities**

Net cash used in investing activities amounted to approximately S\$433,000 in 9M-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\$58,000.

##### **Net cash used in financing activities**

Net cash used in financing activities amounted to approximately S\$933,000 in 9M-2018 which was mainly due to net repayment of bank borrowings and finance leases in aggregate of S\$787,000, and repurchase of the Company's shares of S\$89,000 and interest paid of S\$29,000.

#### **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.**

The persistent threat of terrorism and its ensuing security concerns remain a top priority for countries in the Asia-Pacific region. For example, the Islamic State (“IS”) continues to be active in Southeast Asia with the threats of terrorist attacks generally high across the region, with Islamist militancy in the region continuing to evolve with changes in tactics, recruitment and the use of technology. Singapore Minister for Defence has also called for greater ASEAN cooperation to ensure regional stability and progress amid increasing dangers in Asia. As the Chair of the ASEAN Defence Ministers’ Meeting-Plus (ADMM-Plus) for 2018, he highlighted that Singapore’s focus would be on enhancing counter-terrorism cooperation through leveraging militaries’ niche capabilities; strengthening regional capability against chemical, biological, and radiological threats; and establishing practical confidence building measures and a code for unplanned encounters at sea and in the air.

Even as this backdrop will create a long-term demand for security solutions and be beneficial for the Group, the operating and political environment that it operates in currently continues to be challenging. In the Asian market, political changes in certain governments have caused delays as Homeland Security projects are internally reviewed. This has had some effect on the Group in terms of certain contract purchase orders and new tenders being delayed which explained for the decrease in Group turnover and profitability.

Even though its Security Solutions business has been affected by the current slowdown across the industry, the Group’s Maintenance and Leasing business continues to grow steadily in terms of recurring income. This focus on growing the Maintenance and Leasing business has allowed the Group to add ballast to its business and differentiate it from its competitors. Besides cost management efforts during this slower period, the Group has also been engaging in opportunities to bring in new Homeland Security products to Asia to expand its range of security products and integrated security solutions. The Company will make the appropriate announcements in due course if any of these opportunities were to materialise and are significant.

**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-2018 and 9M-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.

	<b>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)</b>	
	<b>3Q-2018</b>	<b>9M-2018</b>
	<b>S\$</b>	<b>S\$</b>
<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.	(18,615)	(50,553)

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-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  
8 May 2018