



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

**Unaudited Fourth Quarter And Full Year Financial Statements And Dividend Announcement For The Financial Year Ended 30 June (“FY”) 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 ANNOUNCEMENT OF FULL 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 4Q-2017 <sup>(1)</sup> S\$	Unaudited 4Q-2016 <sup>(2)</sup> S\$	Increase/ (Decrease) % change	Unaudited FY2017 S\$	Audited FY2016 S\$	Increase/ (Decrease) % change
<b>Revenue</b>	2,076,272	4,432,308	(53.2)	11,574,005	12,764,924	(9.3)
Cost of sales	(1,171,887)	(2,399,156)	(51.2)	(5,878,164)	(6,730,071)	(12.7)
<b>Gross profit</b>	904,385	2,033,152	(55.5)	5,695,841	6,034,853	(5.6)
Other income	164,770	1,798,862	(90.8)	291,981	1,986,445	(85.3)
Administrative expenses	(1,151,247)	(1,401,034)	(17.8)	(5,697,161)	(5,149,270)	10.6
Other operating expenses	(3,219,426)	(58,773)	5,377.7	(3,171,873)	(250,521)	1,166.1
Finance costs	(13,720)	(14,101)	(2.7)	(57,940)	(40,502)	43.1
<b>(Loss)/profit before tax</b>	<b>(3,315,238)</b>	2,358,106	NM	(2,939,152)	2,581,005	NM
Income tax income/(expense)	522,636	(266,912)	NM	439,533	(316,289)	NM
<b>(Loss)/profit for the period/year, representing total comprehensive (loss)/income for the period/year</b>	<b>(2,792,602)</b>	2,091,194	NM	(2,499,619)	2,264,716	NM

NM denotes not meaningful.

(1) “4Q-2017” refers to the fourth quarter ended 30 June 2017.

(2) “4Q-2016” refers to the fourth quarter ended 30 June 2016.

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

	Group					
	Unaudited 4Q-2017 S\$	Unaudited 4Q-2016 S\$	Increase/ (Decrease) % change	Unaudited FY2017 S\$	Audited FY2016 S\$	Increase/ (Decrease) % change
<b>After charging:</b>						
Depreciation of plant and equipment	(242,288)	(243,298)	(0.4)	(1,037,355)	(893,123)	16.1
Foreign exchange loss	(76,233)	(33,904)	124.8	-	(206,157)	NM
Plant and equipment written off	(102)	(8,941)	(98.9)	(18,742)	(8,941)	109.6
Inventories written off	(1,020)	(1,944)	(47.5)	(3,281)	(1,944)	68.8
Bad debts written off	(30,000)	-	NM	(30,000)	-	NM
Allowance for inventories obsolescence	(113,394)	(12,342)	818.8	(113,394)	(12,342)	818.8
Allowance for doubtful debts	(2,997,896)	-	NM	(2,997,896)	-	NM
Finance costs	(13,720)	(14,101)	(2.7)	(57,940)	(40,502)	43.1
Underprovision of income tax expenses in respect of prior year	-	-	-	-	(181)	NM
<b>and crediting:</b>						
Foreign exchange gain	-	-	-	147,013	-	NM
Negative goodwill arising from the Acquisition	-	125,382	NM	-	125,382	NM
Credit note from a supplier	-	1,515,961	NM	-	1,515,961	NM
Gain on disposal of plant and equipment	500	-	NM	500	-	NM
Miscellaneous income	26,700	11,473	132.7	52,805	85,132	(38.0)
Provision of information technology ("IT") and maintenance services	-	5,300	NM	-	53,000	NM
Overprovision of income tax expenses in respect of prior year	4,432	-	NM	2,171	-	NM
Rental income	-	9,973	NM	6,649	9,973	(33.3)
Interest income	127,149	114,598	11.0	21,260	119,128	(82.2)
Government grants and subsidies	10,522	16,175	(34.9)	64,253	77,869	(17.5)

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 30.06.2017 S\$	Audited As at 30.06.2016 S\$	Unaudited As at 30.06.2017 S\$	Audited As at 30.06.2016 S\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,905,677	3,914,031	946,353	1,105,336
Trade receivables	3,062,270	6,874,261	-	-
Other receivables	659,928	934,431	2,463,217	3,073,389
Loan to subsidiary corporation	-	-	2,968,400	4,261,400
Inventories	862,578	751,615	-	-
<b>Total current assets</b>	<b>9,490,453</b>	<b>12,474,338</b>	<b>6,377,970</b>	<b>8,440,125</b>
<b>Non-current assets</b>				
Investment in subsidiary corporations	-	-	4,821,199	4,866,199
Plant and equipment	4,138,365	4,590,913	-	-
Other investments	6,000	-	-	-
Deferred tax asset	39,775	-	-	-
Long term trade receivables	195,850	3,690,529	-	-
<b>Total non-current assets</b>	<b>4,379,990</b>	<b>8,281,442</b>	<b>4,821,199</b>	<b>4,866,199</b>
<b>Total assets</b>	<b>13,870,443</b>	<b>20,755,780</b>	<b>11,199,169</b>	<b>13,306,324</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	1,875,666	3,579,508	-	-
Other payables	1,292,099	2,062,204	838,863	1,266,885
Finance lease	91,478	216,389	-	-
Borrowings	903,260	556,712	469,928	356,712
Income tax payable	93,216	340,009	-	-
<b>Total current liabilities</b>	<b>4,255,719</b>	<b>6,754,822</b>	<b>1,308,791</b>	<b>1,623,597</b>
<b>Non-current liabilities</b>				
Finance lease	88,960	73,327	-	-
Borrowings	387,009	674,087	387,009	674,087
Deferred tax liabilities	-	400,170	-	-
<b>Total non-current liabilities</b>	<b>475,969</b>	<b>1,147,584</b>	<b>387,009</b>	<b>674,087</b>
<b>Total liabilities</b>	<b>4,731,688</b>	<b>7,902,406</b>	<b>1,695,800</b>	<b>2,297,684</b>
<b>Capital and reserves</b>				
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)	322,848	4,037,467	(112,537)	1,392,734
<b>Total capital and reserves</b>	<b>9,138,755</b>	<b>12,853,374</b>	<b>9,503,369</b>	<b>11,008,640</b>
<b>Total liabilities and equity</b>	<b>13,870,443</b>	<b>20,755,780</b>	<b>11,199,169</b>	<b>13,306,324</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:**

<b>Group</b>	<b>As at 30.06.2017</b>		<b>As at 30.06.2016</b>	
	<b>Secured S\$</b>	<b>Unsecured S\$</b>	<b>Secured S\$</b>	<b>Unsecured S\$</b>
Amount repayable in one year or less, or on demand	994,738	-	773,101	-
Amount repayable after one year	475,969	-	747,414	-
	<u>1,470,707</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 4Q-2017	Unaudited 4Q-2016	Unaudited FY2017	Audited FY2016
	S\$	S\$	S\$	S\$
<b>Operating activities</b>				
(Loss)/profit before tax	(3,315,238)	2,358,106	(2,939,152)	2,581,005
Adjustments for:				
Interest income	(127,149)	(114,598)	(21,260)	(119,128)
Finance costs	13,720	14,101	57,940	40,502
Depreciation of plant and equipment	242,288	243,298	1,037,355	893,123
Plant and equipment written off	102	8,941	18,742	8,941
Gain on disposal of plant and equipment	(500)	-	(500)	-
Inventories written off	1,020	1,944	3,281	1,944
Bad debts written off	30,000	-	30,000	-
Allowance for inventories obsolescence	113,394	12,342	113,394	12,342
Allowance for doubtful debts	2,997,896	-	2,997,896	-
Credit note from a supplier	-	(1,515,961)	-	(1,515,961)
Net foreign exchange (gain)/loss	101,010	(16,900)	(41,273)	(25,191)
Negative goodwill arising from the Acquisition	-	(125,382)	-	(125,382)
Operating cash flows before working capital changes	56,543	865,891	1,256,423	1,752,195
Trade receivables	2,853,855	638,434	2,432,634	65,918
Other receivables	(40,201)	342,646	274,503	(211,736)
Inventories	135,693	376,360	(226,319)	828,186
Trade payables	(902,381)	(134,748)	96,376	(631,735)
Other payables	(462,977)	(451,262)	(770,782)	(321,749)
Cash generated from operations	1,640,532	1,637,321	3,062,835	1,481,079
Income tax paid	(45,981)	(15,630)	(247,205)	(73,731)
Interest received	4,906	114,598	21,260	71,207
<b>Net cash from operating activities</b>	<b>1,599,457</b>	<b>1,736,289</b>	<b>2,836,890</b>	<b>1,478,555</b>
<b>Investing activities</b>				
Net cash outflow from acquisition of subsidiaries	-	(680,464)	-	(680,464)
Proceeds from disposal of plant and equipment	500	-	500	-
Purchase of plant and equipment <sup>(1)</sup>	(10,743)	(540,291)	(495,449)	(615,974)
Increase in other investments	(6,000)	-	(6,000)	-
<b>Net cash used in investing activities</b>	<b>(16,243)</b>	<b>(1,220,755)</b>	<b>(500,949)</b>	<b>(1,296,438)</b>
<b>Financing activities</b>				
Dividends paid	-	-	(1,215,000)	(1,215,000)
Interest paid	(14,102)	(14,377)	(57,263)	(42,004)
Proceeds from bank borrowings	-	1,119,600	600,000	1,119,600
Repayments of bank borrowings	(242,042)	(238,801)	(540,530)	(688,801)
Repayments of finance lease	(56,025)	(53,245)	(218,697)	(211,027)
<b>Net cash (used in)/from financing activities</b>	<b>(312,169)</b>	<b>813,177</b>	<b>(1,431,490)</b>	<b>(1,037,232)</b>
Net increase/(decrease) in cash and cash equivalents	1,271,045	1,328,711	904,451	(855,115)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(55,087)	(8,086)	87,195	205
Cash and cash equivalents at beginning of the year	3,689,719	2,593,406	3,914,031	4,768,941
<b>Cash and cash equivalents at end of the period/year</b>	<b>4,905,677</b>	<b>3,914,031</b>	<b>4,905,677</b>	<b>3,914,031</b>

<sup>(1)</sup> In FY2017, the Group acquired plant and equipment with an aggregate cost of S\$604,868 (FY2016: S\$615,974) of which S\$109,419 (FY2016: S\$NIL) was acquired by way of finance lease. Cash payments of S\$495,449 were made in FY2017 (FY2016: S\$615,974) to purchase office equipment and undertake renovation for the Group's relocation to its new office at 213 Henderson Road, #04-09, Singapore 159553 ("New Office").

In 4Q-2017, the Group acquired plant and equipment with an aggregate cost of S\$46,162 (4Q-2016: S\$540,291) of which S\$35,419 (4Q-2016: S\$NIL) was acquired by way of finance lease. Cash payments of S\$10,743 were made in 4Q-2017 (4Q-2016: S\$540,291) to purchase office equipment and undertake renovation for the Group's relocation to its New Office.

- 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>Group</b>	<b>Share capital</b>	<b>Capital reserves</b>	<b>Accumulated profit/(losses)</b>	<b>Total</b>
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 year	-	-	(2,499,619)	(2,499,619)
Balance at 30 June 2017	9,405,906	(589,999)	322,848	9,138,755
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 year	-	-	2,264,716	2,264,716
Balance at 30 June 2016	9,405,906	(589,999)	4,037,467	12,853,374
<b>Company</b>				
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 year	-	-	(290,271)	(290,271)
Balance at 30 June 2017	9,405,906	210,000	(112,537)	9,503,369
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 year	-	-	912,899	912,899
Balance at 30 June 2016	9,405,906	210,000	1,392,734	11,008,640

**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 March 2017 and 30 June 2017	<u>486,000,000</u>	<u>9,405,906</u>

There were no outstanding convertibles, treasury shares or subsidiary holdings held by the Company as at 30 June 2016 and 30 June 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>30.06.2017</b>	<b>30.06.2016</b>
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>486,000,000</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.**

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 4Q-2017 and FY2017 as its most recently audited financial statements for 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 their interpretations is assessed to have no material impact on the results of the Group and of the Company for 4Q-2017 and FY2017.

**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 4Q-2017	Unaudited 4Q-2016	Unaudited FY2017	Audited FY2016
Earnings per ordinary share ("EPS")				
(Loss)/profit attributable to owners of the Company (S\$)	(2,792,602)	2,091,194	(2,499,619)	2,264,716
Weighted average number of ordinary shares	486,000,000	486,000,000	486,000,000	486,000,000 <sup>(1)</sup>
EPS - Basic and diluted (cents) after adjusting for the Share Split <sup>(2)</sup>	<u>(0.57)</u>	<u>0.43</u>	<u>(0.51)</u>	<u>0.47</u> <sup>(1)</sup>

<sup>(1)</sup> 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 FY2016 as if the Share Split had been completed on 1 July 2015.

<sup>(2)</sup> The basic and diluted earnings per share were the same as there were no potentially dilutive instruments as at 30 June 2017 and 30 June 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 30.06.2017	Audited As at 30.06.2016	Unaudited As at 30.06.2017	Audited As at 30.06.2016
Net asset value per ordinary share based on the number of shares in issue at end of year (cents)	<u>1.9</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 decreased by approximately S\$2.4 million or 53.2% from S\$4.4 million in 4Q-2016 to S\$2.1 million in 4Q-2017, and decreased by approximately S\$1.2 million or 9.3% from S\$12.8 million in FY2016 to S\$11.6 million in FY2017.

Revenue from the Security Solutions Business decreased by approximately S\$2.4 million or 78.4% from S\$3.1 million in 4Q-2016 to S\$664,000 in 4Q-2017 and decreased by approximately S\$1.7 million or 22.7% from S\$7.6 million in FY2016 to S\$5.9 million in FY2017.

This was mainly attributable to the decrease in the sale of Acoustic Hailing Systems and other security solutions products to customers in Rest of Southeast Asia<sup>(1)</sup> and decrease in demand for integrated security solutions in Singapore, partially offset by the increase in the sale of Acoustic Hailing Systems and other security solutions products to customers in East Asia<sup>(2)</sup>. The much sharper percentage decrease in revenue in 4Q-2017 vis-a-vis FY2017 may be attributable to the uncertain political environment in some of the countries in which the Group's customers operate and the consequential slowdown in purchase orders received from these customers.

Revenue from the Maintenance and Leasing Business remained relatively stable at approximately S\$1.4 million in 4Q-2016 and 4Q-2017 and increased by approximately S\$544,000 or 10.6% from S\$5.1 million in FY2016 to S\$5.7 million in FY2017. This was mainly attributable to the increase in fees earned from the provision of maintenance support services to customers in Singapore and Rest of Southeast Asia arising from the Acquisition, the results of which were incorporated into the Group with effect from 1 April 2016.

#### **Cost of sales**

Cost of sales decreased by approximately S\$1.2 million or 51.2% from S\$2.4 million in 4Q-2016 to S\$1.2 million in 4Q-2017 and decreased by approximately S\$852,000 or 12.7% from S\$6.7 million in FY2016 to S\$5.9 million in FY2017. This was mainly due to the net decrease in direct material costs incurred, which was in line with the decrease in revenue.

#### **Gross profit**

Gross profit decreased by approximately S\$1.1 million or 55.5% from S\$2.0 million in 4Q-2016 to S\$904,000 in 4Q-2017 and decreased by approximately S\$339,000 or 5.6% from S\$6.0 million in FY2016 to S\$5.7 million in FY2017 due to the factors discussed above.

#### **Other income**

Other income decreased by approximately S\$1.6 million or 90.8% from S\$1.8 million in 4Q-2016 to S\$165,000 in 4Q-2017 and decreased by approximately S\$1.7 million or 85.3% from S\$2.0 million in FY2016 to S\$292,000 in FY2017. The decrease was mainly due to the absence in 4Q-2017 of a credit note received from a supplier in 4Q-2016 amounting to S\$1.5 million in relation to trade payables due to the supplier for a previous contract to supply security products and solutions to a customer.

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

<sup>(2)</sup> "East Asia" includes China, Hong Kong and South Korea.

## **Administrative expenses**

Administrative expenses decreased by approximately S\$250,000 or 17.8% from S\$1.4 million in 4Q-2016 to S\$1.2 million in 4Q-2017. The decrease was mainly due to lower staff bonuses accrued in 4Q-2017 of S\$214,000 arising from the losses incurred by the Group.

Administrative expenses increased by approximately S\$548,000 or 10.6% from S\$5.1 million in FY2016 to S\$5.7 million in FY2017. The increase was mainly attributable to an increase in employees' remuneration and benefit expenses of S\$395,000 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, and an increase in depreciation of plant and equipment of approximately S\$144,000 which was mainly due to the renovation works and purchase of office equipment in connection with the Group's relocation and change of the Company's registered address to the new office at 213 Henderson Road, #04-09, Singapore 159553 in May 2016 ("New Premises").

## **Other operating expenses**

Other operating expenses increased by approximately S\$3.2 million from S\$59,000 in 4Q-2016 to S\$3.2 million in 4Q-2017 and increased by approximately S\$2.9 million or from S\$251,000 in FY2016 to S\$3.2 million in FY2017. This was mainly due to the allowance for doubtful debts of S\$3.0 million in relation to outstanding trade receivables 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").

## **Finance costs**

Finance costs remained relatively stable in 4Q-2016 and 4Q-2017 at approximately S\$14,000.

Finance costs increased by approximately S\$17,000 or 43.1% from S\$41,000 in FY2016 to S\$58,000 in FY2017. This was mainly due to higher interest expenses incurred for term loans undertaken by the Group to fund the Acquisition.

## **Income tax income/(expense)**

In 4Q-2017 and FY2017, the Group recorded a tax income of S\$523,000 and S\$440,000 respectively, mainly due to unutilized tax losses carried forward in 4Q-2017 and FY2017 respectively.

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

### **Current assets**

Current assets decreased by approximately S\$3.0 million from S\$12.5 million as at 30 June 2016 to S\$9.5 million as at 30 June 2017. The decrease in current assets was mainly due to:-

- a) a decrease in trade receivables of S\$3.8 million primarily attributable to:-
  - (i) receipts from customers of S\$2.4 million;
  - (ii) the offsetting of the current portion of trade receivables under the Instalment Plan due from a customer in the Rest of Southeast Asia for the sale of security products to it against trade payables owing to a supplier for project management services for the aforementioned security products amounting to S\$1.8 million, pursuant to an offsetting agreement entered into between the Company, the customer and the supplier ("Offsetting Agreement"). The aforementioned customer and supplier are related parties;
  - (iii) allowance for doubtful debts in respect of the current portion of the trade receivables due from the aforesaid customer pursuant to the Instalment Plan of S\$1.8 million; and

- (iv) offset by the reclassification of long term trade receivables of S\$2.3 million as at 30 June 2016 to current trade receivables as at 30 June 2017;
- b) a net decrease in other receivables of S\$275,000 mainly due to the 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 offset by an increase in deferred expenditure of S\$112,000 pertaining to sub-contracting costs prepaid for maintenance support services;

partially offset by:-

- a) an increase in cash and cash equivalents of S\$992,000; and
- b) an increase in inventories of S\$111,000 due to an increase in purchase of parts and components amounting to S\$224,000, which was partially offset by the allowance for inventory obsolescence and inventories written off of S\$113,000 in aggregate.

### **Non-current assets**

Non-current assets decreased by approximately S\$3.9 million from S\$8.3 million as at 30 June 2016 to S\$4.4 million as at 30 June 2017. The decrease in non-current assets was due to the reclassification of long term trade receivables of S\$2.3 million as at 30 June 2016 to current trade receivables as at 30 June 2017 and the allowance for doubtful debts for long term trade receivables of S\$1.2 million from a customer in the Rest of Southeast Asia.

### **Current liabilities**

Current liabilities decreased by approximately S\$2.5 million from S\$6.8 million as at 30 June 2016 to S\$4.3 million as at 30 June 2017. The decrease in current liabilities was mainly due to:-

- a) a decrease in trade payables of S\$1.7 million attributable primarily to the Offsetting Agreement; and
- b) a decrease in other payables of S\$770,000 mainly due to payments made in July 2016 to the Vendors in relation to the Acquisition amounting to S\$485,000; payments to suppliers for office renovation expenses incurred in relation to the New Office and professional fees in aggregate of S\$183,000.

### **Non-current liabilities**

Non-current liabilities decreased by approximately S\$672,000 from S\$1.1 million as at 30 June 2016 to S\$476,000 as at 30 June 2017. This was mainly due to the net repayment of bank borrowings of S\$287,000 and a decrease in deferred tax liabilities of S\$400,000 due to the recognition of unrealized tax losses as deferred tax assets from the losses incurred in 4Q-2017 and FY2017.

### **Capital and reserves**

Capital and reserves decreased by approximately S\$3.7 million from S\$12.9 million as at 30 June 2016 to S\$9.1 million as at 30 June 2017. This was mainly due to dividend payments of S\$1.2 million in relation to dividends declared in respect of FY2016 which was paid out in FY2017 and the Group's loss for FY2017 of S\$2.5 million.

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

### **Net cash from operating activities**

In FY2017, the net cash from operating activities was approximately S\$2.8 million, which consisted of operating cashflows before working capital changes of S\$1.3 million, net working capital inflow of S\$1.8 million, interest received of S\$21,000 and income tax paid of \$247,000.

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

- a) a decrease in trade receivables of S\$2.4 million mainly due to receipts from customers;
- b) a decrease in other receivables of S\$275,000 mainly due to the 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 offset by an increase in deferred expenditure of S\$112,000 pertaining to sub-contracting costs prepaid for maintenance support services;

partially offset by:

- a) an increase in inventories of S\$226,000 mainly due to an increase in purchase of parts and components; and
- b) a decrease in other payables of S\$771,000 mainly due to payments made in July 2016 to the Vendors in relation to the Acquisition amounting to S\$485,000 and payments to suppliers for office renovation expenses incurred in relation to the New Office and professional fees in aggregate of S\$183,000.

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

Net cash used in investing activities amounted to approximately S\$501,000 in FY2017 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\$1.4 million in FY2017 which was mainly due to the payment of dividends of S\$1.2 million declared in respect of FY2016 and the net repayment of bank borrowings and finance leases in aggregate of S\$159,000.

## **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 Database by the National Consortium for the Study of Terrorism and Responses to Terrorism (“START”), there have been more than 170,000 cases of transnational and international terrorist incidents from 1970 to 2016.<sup>1</sup>

Given terrorism and other homeland security threats, the Global Homeland Security Market is expected to exceed more than US\$44 billion by 2022 and grow at a compounded annual growth rate of more than 5% between 2016 and 2022.<sup>2</sup>

In Southeast Asia, the Islamic State in Iraq and Syria (“ISIS”) has been linked to several attacks and poses a regional threat. According to the Ministry of Home Affairs’ Singapore Terrorism Threat Assessment Report 2017, in Singapore, the terrorism threat remains the highest in recent years with it being specifically targeted, along with the heightened regional threat. The most serious threat to Singapore comes from ISIS even as threats from groups like Al Qaeda (“AQ”) and the Jemaah Islamiyah (“JI”) remain.<sup>3</sup>

The Company believes that the Group’s operating environment has become more challenging due to the uncertain political environment in some of the countries in which the Group’s customers operate, as well as increased competition in the market in the supply of general security products and solutions. Nevertheless, the Group will continue to monitor its costs and keep up with the marketing of its range of security products and integrated security solutions to address the security needs of its customers in the Asia-Pacific.

The Company believes that the continued security concerns in the Asia-Pacific and the resultant need for monitoring and emergency response preparedness, including the need to upgrade existing security equipment and systems, will continue to benefit the Group in terms of long-term demand for its security products and integrated security solutions.

**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?

The following dividend was declared and paid in respect of FY2016.

Name of dividend:	Ordinary cash dividend
Dividend type:	Final
Dividend rate:	0.25 cent per ordinary share
Tax rate:	One-tier tax exempt

(c) Date payable

Not applicable.

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<sup>1</sup> The Global Terrorism Database is an open-source database including information on terrorist events around the world from 1970 through 2016 (with additional annual updates planned for the future). Link: <http://www.start.umd.edu/gtd/>

<sup>2</sup> Refers to Homeland Security Market By Type Analysis (Aviation security, Border security, Maritime security, Critical infrastructure security, Cyber security, Mass transit security, CBRN security) and By Regional Analysis – Global Forecast by 2016 – 2022 report. Link: <https://www.marketresearchengine.com/homeland-security-market>

<sup>3</sup> Singapore Terrorism Threat Assessment Report 2017. Link: <https://www.mha.gov.sg/newsroom/press-releases/Pages/Singapore-Terrorism-Threat-Assessment-Report-2017.aspx>

(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 4Q-2017 and FY2017.

**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>	
<u>Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense) by:-</u>	<b>4Q-2017 S\$</b>	<b>FY2017 S\$</b>
IPS Realty Pte Ltd	(54,000)	(216,000)
IPS Group Pte. Ltd.	(14,748)	(58,992)

**PART II - ADDITIONAL INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS**

**14. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	<u>Revenue</u>		<u>Net profit</u>	
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
Security Solutions Business	5,909,339	7,644,139	2,450,451	3,355,324
Maintenance and Leasing Business	5,664,666	5,120,785	3,245,390	2,679,529
	<u>11,574,005</u>	<u>12,764,924</u>	<u>5,695,841</u>	<u>6,034,853</u>
Other income			291,981	1,986,445
Administrative expenses			(5,697,161)	(5,149,270)
Other operating expenses			(3,171,873)	(250,521)
Finance costs			<u>(57,940)</u>	<u>(40,502)</u>
Profit before tax			<u>(2,939,152)</u>	<u>2,581,005</u>
Income tax income/ (expense)			<u>439,533</u>	<u>(316,289)</u>
(Loss)/ profit for the year, representing total comprehensive income for the year			<u><u>(2,499,619)</u></u>	<u><u>2,264,716</u></u>

<u>Segment assets</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>As at 30.06.17</u>	<u>As at 30.06.16</u>
	<u>S\$</u>	<u>S\$</u>
Security Solutions Business	3,145,665	10,567,565
Maintenance and Leasing Business	4,575,272	4,903,524
Total segment assets	<u>7,720,937</u>	<u>15,471,089</u>
Unallocated assets	6,149,506	5,284,691
Total consolidated assets	<u><u>13,870,443</u></u>	<u><u>20,755,780</u></u>
<u>Segment liabilities</u>		
Security Solutions Business	1,361,788	3,584,892
Maintenance and Leasing Business	715,376	512,852
Total segment liabilities	<u>2,077,164</u>	<u>4,097,744</u>
Unallocated liabilities	2,654,524	3,804,662
Total consolidated liabilities	<u><u>4,731,688</u></u>	<u><u>7,902,406</u></u>

<u>Other segment information</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>FY2017</u>	<u>FY2016</u>
	<u>S\$</u>	<u>S\$</u>
Depreciation		
Maintenance and Leasing Business	758,457	758,457
Unallocated	278,898	134,666
	<u>1,037,355</u>	<u>893,123</u>
Additions to plant and equipment		
Maintenance and Leasing Business	-	-
Unallocated	604,868	615,974
	<u>604,868</u>	<u>615,974</u>

<u>Geographical information</u>	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>FY2017</u>	<u>FY2016</u>	<u>As at 30.06.17</u>	<u>As at 30.06.16</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
Singapore	6,606,190	6,080,606	4,184,140	4,590,913
Indochina <sup>(1)</sup>	349,611	486,913	-	-
Rest of Southeast Asia <sup>(2)</sup>	4,480,756	6,138,942	195,850	3,690,529
East Asia <sup>(3)</sup>	137,448	58,463	-	-
	<u>11,574,005</u>	<u>12,764,924</u>	<u>4,379,990</u>	<u>8,281,442</u>

<sup>(1)</sup> Includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

<sup>(2)</sup> Includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

<sup>(3)</sup> Includes China, Hong Kong and South Korea.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to paragraph 8 above.

**16. A breakdown of sales.**

	Group		
	FY2017	FY2016	% change
	S\$	S\$	
Revenue - First Half Year	7,134,551	6,963,162	2.5
Revenue - Second Half Year	4,439,454	5,801,762	(23.5)
Revenue - Total	<u>11,574,005</u>	<u>12,764,924</u>	(9.3)
Profit after tax - First Half Year	725,371	1,001,732	(27.6)
(Loss)/ profit after tax - Second Half year	(3,224,990)	1,262,984	NM
(Loss)/ profit after tax - Total	<u>(2,499,619)</u>	<u>2,264,716</u>	NM

NM denotes not meaningful.

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	FY2017	FY2016	
	S\$	S\$	
Ordinary	-	1,215,000	<sup>(1)</sup>
Preference	-	-	
Total	<u>-</u>	<u>1,215,000</u>	

<sup>(1)</sup> This relates to ordinary dividends declared in respect of FY2016 of which S\$1,215,000 was paid in FY2017.

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

There are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

**19. 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.

By Order of the Board

Kelvin Lim Ching Song  
Executive Director and Group Chief Executive Officer  
17 August 2017