Annual Reports and Related Documents::

Issuer & Securities

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| **Issuer/ Manager** | IPS SECUREX HOLDINGS LIMITED |
| **Securities** | IPS SECUREX HOLDINGS LIMITED - SG1BJ0000005 - 42N |
| **Stapled Security** | No |

Announcement Details

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| **Announcement Title** | Annual Reports and Related Documents |
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| **Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)** | Please refer to the attachment.<br><br>This announcement 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 the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.<br><br>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.<br><br>The contact persons for the Sponsor are Mr Khong Choun Mun, Managing Director, Equity Capital Markets and Mr David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898. |

Additional Details

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| **Period Ended** | 30/06/2015 |

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|---|---|
| **Attachments** | SAR1508007_IPS Securex Holdings_AR.pdf<br><br>Total size =6797K |

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(Company Registration No. 201327639H)
(Incorporated in the Republic of Singapore on 10 October 2013)

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IPS SECUREX HOLDINGS LIMITED

2015 ANNUAL REPORT

# SECURING THE FUTURE
## FOR THE ASIA PACIFIC

# 2015 ANNUAL REPORT

# CONTENTS



This annual report "Annual Report" has been prepared by the Company 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 (the "SGX-ST"). The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact persons for the Sponsor are Mr. Khong Choun Mun, Managing Director, Equity Capital Markets and Mr. David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.

# CORPORATE PROFILE

## A LEADING ONE-STOP SECURITY SOLUTIONS PROVIDER WITH A SIGNIFICANT AND ESTABLISHED REGIONAL MARKET

IPS Securex Holdings Limited ("IPS Securex" or the "Company" and, together with its subsidiaries, the "Group") was listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2014. The Company has established itself as 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, the Group has been providing a diverse base of customers with security products and integrated security solutions which are deployed to address various security requirements including checkpoint security, law enforcement and the protection and surveillance of buildings and critical infrastructure. The Group carries over 100 types of security products with distribution rights for certain of these products spanning the Asia-Pacific.

As a one-stop service provider that designs, supplies, installs, tests, commissions, maintains and leases security products and integrated security solutions, the Group has built an accomplished and thriving reputation in the security products and solutions industry.

# CHAIRMAN'S STATEMENT

**CHAN TIEN LOK**
NON-EXECUTIVE CHAIRMAN

"As a one-stop premier security solutions provider, the Group offers its customers countermeasure solutions to meet their security infrastructure needs. We also aim to expand our marketing efforts to the whole of Asia-Pacific and beyond, to provide security products and solutions for the safety of a broader region."

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am delighted to present the annual report of IPS Securex Holdings Limited ("IPS Securex" and, together with its subsidiaries, the "Group") for the financial year ended 30 June 2015 ("FY2015") (the "Annual Report").

### GROWTH OF SECURITY INDUSTRY

The global terrorism threat has become more severe with an almost fivefold increase in fatalities since the watershed events of the September 11 attacks[1]. The Global Terrorism Index has recorded almost 18,000 deaths in 2014, a jump of about 60% over the previous year[1].

Terrorism is very much alive today and no country is spared, especially with the rise of the Islamic State of Iraq and Syria ("ISIS") militant group, which is deemed to be one of the most dangerous terrorist groups in the world. Coupled with the recent bombings in Thailand as well as political protests and the Low Yat Plaza mob attack in Malaysia, security has become a top priority for Asian governments. These incidents serve as a reminder that governments and authorities need to be vigilant to the threats of combat terrorism, violent extremism and unrest. This has spurred many governments especially in the Asia-Pacific, to increase their defence budgets and improve their security infrastructure in order to ensure the security and safety of their citizens.

As a one-stop premier security solutions provider, the Group offers its customers countermeasure solutions to meet their security infrastructure needs. We also aim to expand our marketing efforts to the whole of Asia-Pacific and beyond, to provide security products and solutions for the safety of a broader region.

[1] The Guardian (2014, November 18). *Fivefold increase in terrorism fatalities since 9/11, says report.* Retrieved from www.theguardian.com/uk_news/2014/nov/18/fivefold-increase-terrorism-fatalities-global-index

## BUSINESS DEVELOPMENTS

As the complexity of security threats increase, IPS Securex is committed to staying at the forefront of security technologies that are applicable and adaptable to the circumstances and needs of the Asia-Pacific countries. We constantly keep abreast of the latest technologies and systems to help our customers monitor and respond to changing security situations.

To this end, we have provided a suite of security products such as the Hyperspike Acoustic Hailing Devices to customers across 15 countries and the PepperBall Technologies brand of less-lethal countermeasure technology products ("PepperBall products") and services to customers across the Asia-Pacific. We will also be marketing new products such as the first mobile workflow platform in the Southeast Asia region.

To bolster our distribution business, we have been making inroads upstream. We commenced co-manufacturing of the HS-Micro security product in Singapore with Ultra Electronics – Undersea Sensor System, Inc. ("USSI") and will embark on the co-manufacturing of PepperBall product components, product assembly and servicing with United Tactical Systems LLC ("UTS"). We are also involved in the development and manufacturing of the HyperWhistle together with Wattre Corporation ("Wattre") and UTS, which aims to be the smallest and loudest whistle in the world.

## LOOKING AHEAD

The Group is seeing more interest for cargo scanning equipment and will continue to market the equipment to more border control agencies in the Asia-Pacific. The Group is also developing unique solutions such as combining acoustic hailing devices with radar technology to focus on bird strike deterrence and is concurrently marketing these products to military air bases and commercial airports around the Asia-Pacific.

The Group has been appointed by UTS, which owns all rights, titles and interests in the "PepperBall" trademark and trade name in the United States, as the master distributor of the PepperBall products within the Asia-Pacific. PepperBall products have started to gain market momentum as we see more queries from across the region. As such, the Group has also received a letter of intent to supply a significant order of PepperBall products to a government body in Southeast Asia.

The Group has completed a successful pilot run of its Secured Virtual Healthcare Systems and Solutions ("SVHSS") and is planning to reach out to more nursing homes across Singapore to market the SVHSS in the coming year. More details will be announced at the appropriate juncture.

## IN APPRECIATION

In closing and on behalf of the Board, we would like to extend our appreciation to the dedicated management team and staff for their efforts and hard work in FY2015. Most importantly, we would like to take this opportunity to thank our shareholders for their continuous support and belief in the Group. We will strive to do even better in the upcoming year and aim to reward shareholders with better returns.

Last but not least, I look forward to a fruitful year ahead as more investors uncover the potential of IPS Securex and better understand the long-term value that we bring as a one-stop premier security solutions provider in the Asia-Pacific.

**CHAN TIEN LOK**
NON-EXECUTIVE CHAIRMAN

# CEO'S STATEMENT

**KELVIN LIM CHING SONG**
EXECUTIVE DIRECTOR AND CEO

"We are pleased to have registered significant growth in our revenue and net profit for both our Security Solutions and Maintenance and Leasing Businesses for the year. Moving forward, barring any unforeseen circumstances, we remain positive for the year ahead."

## Dear Shareholders,

On behalf of the Board and management, I am pleased to present IPS Securex's FY2015 business review.

FY2015 has proven to be a good year for IPS Securex. We registered significant growth in revenue and net profit for both our Security Solutions and Maintenance and Leasing Business segments, as well as an overall improvement in net profit margin.

During the year, we secured numerous orders for our Security Solutions, and Maintenance and Leasing Businesses. As the master distributor of the PepperBall Technologies brand of less-lethal countermeasure technology products ("PepperBall products") and services in the Asia-Pacific, we see huge potential for PepperBall products in the Asia-Pacific. In this regard, we have received a letter of intent ("LOI") to supply a significant order of PepperBall products to a government body in Southeast Asia.

In addition, the Group has also signed a memorandum of understanding with Ultra Electronics – Undersea Sensor System, Inc. ("USSI") in September 2014 to expand the marketing channel with respect to USSI's acoustic hailing devices.

## OTHER HIGHLIGHTS

The Group has been appointed as an authorised trading partner of Accipiter Radar Technologies Inc. ("Accipiter Radar") in October 2014, where it will promote and sell Accipiter Radar's range of products and solutions in several Asian countries. Accipiter Radar's range of products and solutions is used in aviation safety for avian activity tracking.

The Group is also marketing new products to the Southeast Asia, such as the mobile workflow platform. The Group's subsidiary, IPS Securex Pte. Ltd. ("IPSPL") entered into a framework cooperation agreement with Bio-Nexus Research Pte. Ltd. ("BNR") in December 2014 to integrate BNR's patented "mobile workflow engine" software platform into various solutions. The "mobile workflow engine" is designed to interface with third party devices, softwares or data servers, to securely receive and send data at the point of contact or inquiry. The cooperation agreement also allows IPSPL to promote, market and sell the solutions to Southeast Asia on an exclusive basis.

Beyond distribution, the Group is also making strides upstream. The Group had in December 2014, entered into a memorandum of understanding with UTS and Wattre to jointly develop and manufacture the HyperWhistle, which aims to be the smallest and loudest whistle in the world.

In March 2015, the Group entered into a 5-year reseller agreement ("Reseller Agreement") with USSI for the distribution of USSI's Hyperspike range of acoustic hailing devices within 15 countries, 13 of which are on an exclusive basis. The Reseller Agreement superseded the previous reseller agreement between IPSPL and USSI, and included five additional countries.

The Group has also commenced the co-manufacturing of the HS-Micro security product in Singapore with USSI in April 2015, marking the Group's maiden foray into co-manufacturing.

With Singapore's aging population, the Group foresees a greater demand for healthcare infrastructure and professionals to support the medical needs of the elderly. The Group has in April 2015 completed a pilot run of its Secured Virtual Healthcare Systems and Solutions ("SVHSS"), at Kembangan-Chai Chee Seniors Activity Centre. The SVHSS connects patients' homes with their hospitals, doctors, healthcare staff and volunteers to ensure efficient and effective communication between all parties. In the coming year, we will be reaching out to more nursing homes across Singapore to market the SVHSS.

As part of our marketing efforts, the Group also participated in INTERPOL World 2015, a biennial security trade event focused on public-private partnerships, which was held from 14 to 16 April 2015 at Sands Expo & Convention Centre, Singapore. INTERPOL World 2015 featured over 250 solution providers from over 25 countries in the areas of cybersecurity, public safety, surveillance, intelligence, forensics and investigations, counter terrorism, anti-counterfeiting and other technologies. The event provided the Group an opportunity to showcase a number of security solutions to the industry and potential customers.

## AWARDS & ACCOLADES

I am proud to announce that IPS Securex has won the MOBOTIX AG-Partner of the Year 2015 Award which recognises IPSPL for having achieved the highest sales revenue for MOBOTIX AG in the ASEAN region, South Korea and Taiwan in 2014 and the timely delivery, well-organised project management, as well as the commercial and technical support for its projects by IPS Securex. The Group was also awarded "Reseller of the Year 2014" by USSI in recognition of the Group's ongoing commitment and dedicated service, marking the fifth consecutive year that the Group has received the award.

The Group also won a Merit Award for Best Investor Relations (First-year Listed Companies) at the Singapore Corporate Awards organised by the Institute of Singapore Chartered Accountants, Singapore Institute of Directors and The Business Times, and supported by the Accounting and Corporate Regulatory Authority and the Singapore Exchange. The award acknowledges the best in investor relations practices among Singapore-listed companies who often go beyond the mandatory regulatory requirements in the quality of disclosure, corporate transparency and fairness in disclosure. We will continue to improve on our engagement with the investment community going forward.

## FUTURE OUTLOOK

According to the latest Global Terrorism Database by the National Consortium for the Study of Terrorism and Responses to Terrorism ("START"), more than 140,000 cases of transnational and international terrorist incidents have been documented between 1970 to 2014. As such, we believe that the demand for security surveillance, products and solutions will rise as more governments and organizations look for preventive security monitoring and control measures.

Looking forward, IPS Securex will be actively marketing its range of security products and integrated security solutions to meet such needs in Singapore and the Asia-Pacific. By capitalising on the increasing opportunities in the Asia-Pacific, our business will expand and grow, and we remain positive on the business outlook for the coming year.

## IN APPRECIATION

On behalf of the management, I would like to once again thank our staff for their commitment and diligence for making this year a rewarding one. I would also like to take the opportunity to thank our customers, suppliers, shareholders and business associates for their continued support during the year.

**KELVIN LIM CHING SONG**
EXECUTIVE DIRECTOR AND CEO

# BOARD OF DIRECTORS


## 1 CHAN TIEN LOK
NON-EXECUTIVE CHAIRMAN

Chan Tien Lok is the founder and Non-Executive Chairman of the Group. He was appointed to the Board on 10 October 2013.

Chan Tien Lok has over 14 years of experience in the security products and solutions industry. He is currently the chairman of IPS Group Pte. Ltd. ("IPSG"), which was founded by him in 1986. He is responsible for the overall business development and strategic planning within IPSG.

Prior to the founding of IPSG, he was the managing director of United Machinery Services Pte Ltd (now known as Denyo United Machinery Pte. Ltd.) where he was responsible for managing the company's overall operations from 1979 to 1986. From 1976 to 1979, he was the sole proprietor of Danill Machinery Services. From 1973 to 1976, he was the service manager of Auto and Plant Services Pte Ltd.

Chan Tien Lok completed his secondary school education at Anglo-Chinese Secondary School in Singapore in 1970 having obtained the Cambridge General Certificate of Education Ordinary Level certificate.

## 2 KELVIN LIM CHING SONG
EXECUTIVE DIRECTOR AND CEO

Kelvin Lim Ching Song is the Executive Director and CEO of the Group. He was appointed to the Board on 10 October 2013. He is responsible for the overall business development, strategic planning and operations of the Group.

Kelvin Lim Ching Song has more than 14 years of experience in the security products and solutions industry. He joined the Group in 2008 as division manager of the general security division in IPS Securex, and was promoted to senior vice president in 2012. In January 2013, he was appointed as the CEO of IPS Technologies Pte. Ltd. ("IPST"). In July 2013, he stepped down as CEO of IPST and was appointed as CEO of IPS Securex.

Kelvin Lim Ching Song is instrumental in formulating and implementing the business strategies and spearheading the growth of the business. He has designed and completed numerous security projects, ranging from the developing and implementation of integrated security solutions for small residential properties, luxury condominiums, industrial buildings to large factories. In 2008, Kelvin Lim Ching Song started a new division in IPS Securex for the provision of integrated security solutions to customers from various industries such as educational institutions, government bodies and agencies, and financial institutions. He has, over the years, also established new relationships with new suppliers and customers and reaffirmed established relationships with our existing suppliers and customers. This has helped to expand the business to several regional markets, including Malaysia, Indonesia, Hong Kong, China and Thailand.

Kelvin Lim Ching Song obtained a Diploma in Marketing and Public Relations from the Thames Business School and a Certificate in Office Skills from the Institute of Technical Education in 1999 and 1996, respectively.

## 3 ONG CHIN HIN
NON-EXECUTIVE DIRECTOR

Ong Chin Hin is the Non-Executive Director of the Group. He was appointed to the Board on 10 October 2013.

Ong Chin Hin first joined IPSG in 2003 as a group financial controller, and was responsible for handling all matters in the areas of finance, human resource, administration, legal, warehousing, IT, secretarial, corporate tax, treasury, and mergers and acquisitions. In 2010, he was promoted to group director of finance, corporate, business advisory and administration, and was further promoted to group managing director in 2014.

Prior to joining IPSG, from 2001 to 2003, Ong Chin Hin was group financial controller of Goodpack Limited and was responsible for heading the finance, human resource, administration, secretarial, corporate tax and treasury functions of that company. From 1999 to 2001, he was the Group's chief financial officer of TV Media Holdings Pte. Ltd., where he was responsible for various aspects of the Group, which includes, business advisory, finance, treasury, administration, legal, corporate secretarial and corporate tax. From 1994 to 1999, he was in Inchape Distribution Services, Inc. in the Philippines and his last position held was general manager where he was overall in charge of the company. From 1993 to 1994, he was an accountant of Kvaerner National/National Oilwell Pte. Ltd.. From 1989 to 1993, he was with Deloitte & Touche Singapore.

Ong Chin Hin is a non-practicing Chartered Accountant. He graduated with a Bachelor of Accountancy from the National University of Singapore in 1989.




## 4 ONG BENG CHYE
LEAD INDEPENDENT DIRECTOR

Ong Beng Chye is the Lead Independent Director of the Group. He was appointed to the Board on 6 June 2014.

Ong Beng Chye has over 20 years of experience in the financial sector. He joined Appleton Global Private Limited as director in 2007 and is providing business management and consultancy services. He is also presently serving as an independent director of Geo Energy Resources Limited, Hafary Holdings Ltd, Kitchen Culture Holdings Ltd and Heatec Jietong Holdings Ltd. In the past, amongst others, he was an executive director and chief financial officer of Time Watch Investments Private Limited, a watch manufacturer and retailer, an executive director and vice-president of SAC Capital Private Limited, a corporate advisory firm and a senior manager in Deloitte & Touche LLP in Singapore.

Ong Beng Chye is a fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants. He graduated with a Bachelor of Science with Honours from The City University, United Kingdom in 1990.

## 5 ANTHONY ANG MENG HUAT
INDEPENDENT DIRECTOR

Anthony Ang Meng Huat is the Independent Director of the Group. He was appointed to the Board on 26 January 2015.

Anthony Ang Meng Huat is currently an Advisor to the ARA Group ("ARA") and sits on several of its boards, including the ARA Asset Management (Fortune) Limited ("Fortune Manager") – Manager of Fortune REIT, ARA Asia Dragon Limited – ARA's flagship private fund, and Am ARA REIT Managers Sdn Bhd – Manager of AmFirst REIT listed on Bursa Malaysia. From 2010 to 2015, Anthony Ang Meng Huat was the chief executive officer and executive director of Fortune Manager, which manages a portfolio of 17 retail properties in Hong Kong (with over 3.18 million square feet of retail space and assets under management of over HK$35.2 billion, as at 30 June 2015). Before joining the ARA Group, Anthony Ang Meng Huat spent many years in international marketing, investment and manufacturing activities. He served 14 years at the Singapore Economic Development Board ("SEDB"), including six years in the USA as the regional director of SEDB's North American operations. On returning to Singapore, Anthony Ang Meng Huat held various senior positions with: Armstrong Industrial Corporation Limited (as its executive director and group general manager); Vertex Management Pte Ltd (as a senior vice president for venture capital investments); GIC Real Estate Pte Ltd (as an executive vice president with global responsibilities for administrative and corporate affairs) and Majulah Connection Limited (as founding executive director for its global networking and consulting activities).

Anthony Ang Meng Huat holds a Bachelor of Science (Mechanical Engineering) with First Class Honors from the Imperial College, London University in 1979, and obtained a Masters of Business Administration from INSEAD in 1982 on a scholarship from the Singapore and French governments. Anthony Ang Meng Huat is a fellow of the Chartered Management Institute (UK). He currently serves on the executive committee of The SEDB Society; REITAS (REIT Association of Singapore); The Business Management Advisory Committee of the Nanyang Polytechnic, and The School Advisory Council of Bukit Panjang Government High School.

## 6 JOSEPH TAN PENG CHIN
INDEPENDENT DIRECTOR

Joseph Tan Peng Chin is the Independent Director of the Group. He was appointed to the Board on 6 June 2014.

Joseph Tan Peng Chin has over 30 years of experience in legal practice. He was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1982 and thereafter practiced as a legal associate at Freshfields before founding Wong Yoong Tan & Molly Lim in 1987 and subsequently becoming its managing partner. In 1994, he founded Tan Peng Chin LLC and oversaw the company's practice as managing partner/senior director until 2014 when he became a consultant in the company. In addition, Joseph Tan Peng Chin was an Independent Director of Armstrong Industrial Corporation from 1995 to 2014 and since 2007, he has been an Independent Director of OM Holdings Limited, a company listed on the Australia Stock Exchange. He also sits on the board of other companies in Singapore as well as overseas, and is a Notary Public and Commissioner of Oaths in Singapore.

Joseph Tan Peng Chin graduated with a Bachelor of Laws (Hons) from the National University of Singapore. He specialises in corporate finance, banking, corporate and commercial laws.

# MANAGEMENT TEAM

## LEE YEOW KOON

CHIEF OPERATING OFFICER

Lee Yeow Koon is the Chief Operating Officer of the Group. He has more than eight years of managerial experience in the security products and solutions industry and is responsible for overseeing and managing the day-to-day operations of the Group's business operations. He joined the Group in 2005 as service engineer for IPS Securex and was involved in the provision of maintenance support services to existing customers on the security products and integrated security solutions supplied by IPS Securex. Subsequently, he was a sales engineer in the sales department with responsibility for the sales development and account management of IPS Securex, and had also assisted the division manager in securing several key projects for the Company. Lee Yeow Koon was promoted in 2011 to contract manager and was responsible for managing and reviewing the Company business contracts and agreements and handling key customer accounts. Lee Yeow Koon then served as the General Manager – Operations of the Group from 2013 to September 2015, and was subsequently promoted to Chief Operating Officer of the Group.

Prior to joining the Group, from 2003 to 2005, Lee Yeow Koon was a project executive in Premier Exhibition Services Pte. Ltd. and assisted in the management and execution of consumer exhibitions. He was an air defence systems specialist for the Republic of Singapore Air Force and gained technical experience in the operation and maintenance of air defence systems from 1997 to 2003.

Lee Yeow Koon holds a Diploma in Electronics, Computer and Communications Engineering from Singapore Polytechnic.

## LEE SIEW HAN

FINANCIAL CONTROLLER

Lee Siew Han is the Financial Controller of the Group. She joined the Group in 2013 and is in charge of the Group's financial and accounting operations.

Lee Siew Han has more than 23 years of experience in accounting and finance-related matters. She has worked in the finance and administration department of IPSG as deputy general manager and financial controller with the responsibility of the management of the accounts and finance, sales administration support, purchasing, stock control and compliance functions of IPSG and its subsidiaries.

Before joining IPSG, between 2004 and 2010, Lee Siew Han gained experience in the management of accounting and finance matters from managerial positions held in KS Distribution Pte. Ltd., Aqua-Terra Supply Co., Ltd., and National University Hospital. Prior to this, from 1984 to 2009, she held accounting positions at Sunshine Welfare Action Mission, NTUC Club, VICOM Ltd., AGRA Baymont Pte. Ltd. and Trident Travels Ltd.

Lee Siew Han is a member of the Association of Chartered Certified Accountants and the Institute of Singapore Chartered Accountants.

## LEE CHEA SIANG

OPERATIONS MANAGER

Lee Chea Siang is the Operations Manager of the Group. He joined the Group in 2005 and is responsible for the management of the project team and service team of IPS Securex. In particular, Lee Chea Siang oversees the project management for the Group's Homeland Security Products division. This includes the initial planning of the project, supervision of the works, setup and system integration, programme management, and planning and monitoring of the project progress.

Prior to joining the Group, Lee Chea Siang gained project management experience as a project engineer for Wilson Parking (Singapore) Pte. Ltd. from 2003 to 2005, where he worked on systems integration and specialised in carpark systems. From 2001 to 2003, he was involved in research and development as a software engineer for Omron Asia-Pacific-Technical Centre.

Lee Chea Siang obtained a Bachelor of Science with Honours in Computing and Management from the University of Bradford in 2000.

# FINANCIAL HIGHLIGHTS

## REVENUE (S$'000)


## GROSS PROFIT (S$'000)


| | FY2015 | FY2014 | FY2013 |
|---|---|---|---|
| PROFIT FOR THE YEAR | S$2.254 MILLION | S$1.114 MILLION | S$1.718 MILLION |
| CASH AND CASH EQUIVALENTS | S$4.769 MILLION | S$4.531 MILLION | S$1.465 MILLION |
| NET ASSETS | S$11.804 MILLION | S$8.247 MILLION | S$3.034 MILLION |

# FINANCIAL AND OPERATIONS REVIEW

The Group has two major business segments, namely the Security Solutions Business and Maintenance and Leasing Business.

## REVENUE

For the financial year ended 30 June ("FY") 2015, the Group recorded an increase of approximately 25.9% in revenue to S$15.7 million in FY2015 from S$12.4 million in FY2014.

Revenue from the Group's Security Solutions Business increased by approximately 19.8% to S$10.1 million in FY2015 from S$8.5 million in FY2014. The increase was mainly attributable to the increased sale of security products due to an increased demand for integrated security solutions from customers in Singapore and the rest of Southeast Asia, an increased demand for Acoustic Hailing Systems from customers in Indochina, and the supply of parts for Border Security Equipment to customers in the rest of Southeast Asia in aggregate of $9.2 million. This was partially offset by the decrease in the sale of security products in aggregate of S$7.6 million, which was due to the decreased demand for Acoustic Hailing Systems by customers in Singapore and the rest of Southeast Asia, and the decrease in the sale of security products in relation to the SIT Project (as defined and disclosed in the Company's offer document dated 20 June 2014 in relation to its Initial Public Offering ("IPO") on the Catalist of the SGX-ST), (the "Offer Document") as the project was approaching its completion.

Revenue from the Group's Maintenance and Leasing Business increased by approximately 38.7% to S$5.5 million in FY2015 from S$4.0 million in FY2014. The increase was mainly attributable to the provision of maintenance support services to customers in Indochina and the rest of Southeast Asia, contracts secured from the lease-and-maintenance contracts entered into with Housing & Development Board ("HDB") in the second half of the financial year ended 30 June 2014 ("2H2014") and the first half of the financial year ended 30 June 2015 ("1H2015"), the ad-hoc replacement of a component in a security system for a public sector customer in Singapore in the second half of FY2015 ("2H2015"), and consultancy fees earned for an on-going consultancy work in relation to an airport project which began in 2H2014.

## COST OF SALES

The Group's cost of sales increased by approximately 42.9% to S$9.2 million in FY2015, which was mainly due to the increase in sale of security products and integrated security solutions in Indochina, the rest of Southeast Asia and Singapore, and the continued amortisation costs of several extended supply contracts that the Group had entered into in 2H2014 over the duration of several maintenance support services contracts that were renewed with several public sector customers and its dealers.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by approximately 7.6% to S$6.5 million in FY2015 from S$6.0 million in FY2014, with a decrease in gross profit margin from 48.2% in FY2014 to 41.2% in FY2015. The decrease in gross profit margin was mainly due to the lower margins secured by the Security Solutions Business in 2H2015.

## OTHER OPERATING INCOME

Other operating income increased by approximately S$252,000 to S$551,000 in FY2015, which was mainly due to foreign exchange gains, reversal of allowance for inventories obsolescence, and government grants and subsidies. This was partially offset by the absence of the forfeiture of a customer's sales deposit due to an order cancellation in FY2014.

## ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative expenses decreased by approximately 6.4% to S$4.4 million in FY2015. This was mainly due to the absence of IPO-related expenses, which was partially offset by the increase in distribution and marketing expenses, on-going compliance fees and professional fees, directors' and employees' remuneration and benefit expenses, and director's fees in connection with the appointment of directors pursuant to the IPO. Other operating expenses remained relatively stable at $22,000 in FY2015 and S$28,000 in FY2014.

## FINANCE COSTS

Finance costs increased by approximately $36,000 to S$37,000 in FY2015 from S$1,000 in FY2014 due to interest expenses and bank charges payable in relation to credit facilities utilized for general working capital purposes.

## INCOME TAX EXPENSES

Income tax expenses decreased to S$303,000 in FY2015 from S$466,000 in FY2014. This was mainly attributable to the timing differences between the tax and accounting depreciation of the plant and equipment that the Group owns and the utilization of tax losses of holding company under the group tax relief system.

## PROFIT FOR THE YEAR

As a result of the above, the Group's net profit for the year increased by approximately $1.1 million to S$2.3 million in FY2015.

## FINANCIAL POSITION

As at 30 June 2015, the Group had current assets of S$14.0 million compared to S$11.2 million as at 30 June 2014. The increase was mainly attributable to the increase in trade receivables, mainly due to higher sales made on credit terms from the Security Solutions Business towards the financial year end and which had remained outstanding as at 30 June 2015.

Non-current assets were recorded at S$6.1 million as at 30 June 2015 compared to S$2.9 million as at 30 June 2014. The increase was mainly attributable to the increase in plant and equipment, mainly due to purchases made for the Alert Alarm Systems in respect of the HDB Project (as defined and disclosed in the Offer Document) that was awarded in 2H2014 and 1H2015.

As at 30 June 2015, the Group had current liabilities of S$7.8 million compared to S$5.8 million as at 30 June 2014. The increase was mainly attributable to the increase in trade and other payables due to suppliers which had remained outstanding as at 30 June 2015, and an increase in bank borrowings and finance leases.

Non-current liabilities were recorded at S$604,000 as at 30 June 2015 with an increase of approximately S$500,000 from S$104,000 as at 30 June 2014. This increase was attributable to the increase in deferred tax liabilities, mainly due to the timing difference for the accounting treatment of the Alert Alarm Systems under plant and equipment and the increase in bank borrowings.

Due mainly to the net proceeds from the Placement[1] and profits in FY2015, the capital and reserves of the Group increased from approximately S$8.2 million as at 30 June 2014 to S$11.8 million as at 30 June 2015.

## CASH FLOWS

The Group's cash and cash equivalents increased from approximately S$4.5 million as at 30 June 2014 to S$4.8 million as at 30 June 2015.

The net cash from operating activities was approximately S$1.3 million, which consisted mainly of operating cash flows before working capital changes of S$2.9 million, offset by net working capital outflow of S$1.3 million and the income tax paid of S$364,000. The net working capital outflow was mainly attributable to the increase in trade receivables, decrease in other payables, and partially offset by the increase in trade payables and the decrease in other receivables.

The net cash used in investing activities amounted to approximately S$3.0 million in FY2015, which was mainly due to payment for the purchase made in relation to the Alert Alarm Systems in respect of the HDB Project (as defined and disclosed in the Offer Document) awarded in 2H2014 and 1H2015 and the purchase of a company van.

[1] The Company undertook a share placement exercise (the "Placement") whereby 6,000,000 new ordinary shares were allotted and issued to Mr Goh Khoon Lim on 14 October 2014 as a subscription price of S$0.42 per share. Please refer to the Company's announcements on SGXNET dated 16 October 2014, 10 October 2014 and 26 September 2014 for further details.

# SECURITY SOLUTIONS BUSINESS

We distribute and sell a wide range of security products from suppliers who are well recognised for their product quality and innovation. These products can be generally classified as Homeland Security Products and General Security Products.

Homeland Security Products are supplied to government bodies and agencies such as the police and other law enforcement agencies. Such products may be deployed offsite or at seaports, airports, navy, police, military and air bases, customs border checkpoints, and military camps. General Security Products are supplied to commercial entities, private consumers and government bodies and agencies, and are installed in buildings such as schools, residential, industrial and commercial buildings, at critical infrastructure facilities in townships such as train stations and roads, and in vehicles.

We also offer integrated security solutions that meet the customers' security system requirements. In designing such solutions, we would typically integrate various security products from suppliers to create customised integrated security solutions that meet a customer's specific needs. For integrated security systems, we will normally design, supply and install the systems, including developing the proprietary software to operate the systems if necessary. Alternatively, we are also able to design and supply the integrated security systems while customers engage their appointed contractors to install the systems. In both instances, we would conduct a comprehensive testing and commissioning of the integrated security systems before handing them over to the customers. Customers who procure the integrated security solutions include commercial entities, government bodies and agencies.

For the supply of security products or the design, supply, installation, testing and commissioning of integrated security solutions, we typically take between two to 12 months from the date of entering into an agreement with a customer to fulfil the order. The Group has distribution agreements and close business relationships with reputable and reliable suppliers for the distribution of a carefully selected range of their security products in the Asia-Pacific.

# MAINTENANCE AND LEASING BUSINESS

The Maintenance and Leasing Business focuses on providing regular extended and/or ad-hoc maintenance support services and leasing services for the security products and integrated security solutions provided to the customers.

The extended maintenance support services are provided to the customers under a separate maintenance contract of between one and five years upon the expiry of the warranty period. In addition, we provide ad-hoc maintenance support services at the request of customers with whom we do not have maintenance support services contracts with.

We are also able to provide long-term lease-and-maintenance services to customers on a case-by-case basis for the integrated security solutions that we design and supply. Under a lease-and-maintenance arrangement, we will design, supply, install, test, commission and maintain the security systems for customers but would retain ownership of the systems, as well as the proprietary software that we develop. The customers would typically pay us an agreed monthly fee for the lease and maintenance of such systems, and such lease-and-maintenance contracts typically are for a period of at least seven years.

SAR1508007 • IPS SECUREX HOLDINGS AR • 06/10/2015 16:04 • 09_IPS Securex_Security Solutions Business.indd

# OUR DISTRIBUTION RIGHTS


[1] Under the distribution agreement with Ultra Electronics – USSI, the sales of security products and integrated security solutions in Australia and India are undertaken exclusively with certain customers whom we have an existing relationship with.

# AWARDS AND CERTIFICATIONS

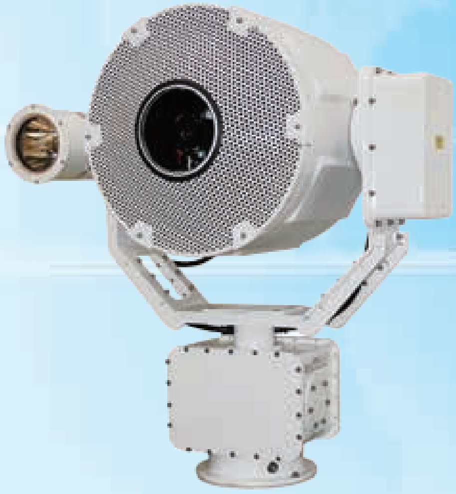
| | |
|---|---|
| **2004/2010** | ISO 9001:2000/ISO 9001:2008 |
| **2009** | Enterprise 50 Award |
| **2010** | Singapore SME 500 Company<br>Ultra Electronics – USSI Hyperspike Excellence in Sales Award |
| **2011** | Ultra Electronics – USSI Hyperspike Excellence in Sales Award |
| **2012** | Ultra Electronics – USSI Hyperspike Reseller of the Year 2012<br>MOBOTIX AG Project of the Year 2012 in Singapore |
| **2013** | Top 100 Singapore Excellence Award (Platinum)<br>Ultra Electronics – USSI Reseller of the Year 2013 |
| **2014** | Asia-Pacific Brands Award 2014<br>Midas Touch Asia 2014 Platinum Award<br>Ultra Electronics – USSI Reseller of the Year 2014 |
| **2015** | MOBOTIX AG – Partner of the Year 2015<br>Singapore Corporate Awards – Best Investor Relations Merit Award<br>(First-Year Listed Companies) |

# HOMELAND SECURITY PRODUCTS

**Leidos Inc.** ("Leidos") is a leading scientific, engineering and technology company, providing technology products and services for security and defense, transportation, energy, the environment, critical infrastructure and healthcare.


**Leidos VACIS IP6500** FullScan integrated cargo inspection system helps authorities inspect containers for nuclear material, weapons, hazardous material, contraband, undeclared cargo and other items of interest.

The compact, lightweight **Leidos Reveal CT-80DR+** explosives detection system, designed for both networked and stand-alone screening operations, is ideal for airport, port, facility protection, and freight scanning operations requiring enhanced detection.



**Ultra Electronics – Undersea Sensor System, Inc.** ("USSI") is an innovative global supplier of highly intelligible, long range acoustic communication devices and mass notification systems. Being deployed world-wide, these products are used in diverse applications such as crowd control, mass notification, border/port security, law enforcement, maritime security, perimeter protection and more.

Combining USSI's unique and proprietary **HyperSpike** technology with the innovative Opti-Port equipment bay, the customizable **HS-18** is an ideal sound reinforcement solution. With an acoustic footprint of 2000 metres, clear, intelligible and authoritative commands are broadcast to intended targets with industry leading clarity.


**United Tactical Systems, LLC ("UTS"). PepperBall-branded products** are developed, manufactured and distributed by UTS, a privately held company that provides less-lethal weapons for military, government, law enforcement, corrections, private security and consumer markets. UTS products, sold under the trademark and brand name "PepperBall", have been proven safe and effective by more than 5,000 agencies including the United States Border Patrol and the United States Immigration and Customs Enforcement, as well as private entities, security services and bail enforcement agencies around the world. UTS also offers recreational shooting products within the consumer sporting goods market.

# HOMELAND SECURITY PRODUCTS

**Bio-Nexus Research Pte. Ltd. ("BNR")** is a company that engages in the research, design and development of a "mobile workflow engine" software platform which includes but is not limited to, a command and control solution with remote supervision capabilities, for military and civilian medical operations, aerospace and utility market tactical maintenance.

The **"mobile workflow engine" software platform** is capable of interfacing with third party existing devices and any type of Enterprise Resource Planning ("ERP") software or central servers. It can securely receive and send data at the point of contact or inquiry where critical data are immediately transferred and recorded at the receiving centre without losing any information, which enables faster decision-making and efficient workflow processing.




**Accipiter Radar Technologies Inc. ("Accipiter Radar")** is a North American company that develops, sells and operates high performance radar and sensor information networks engineered to monitor the environment and to characterize the behaviour of targets such as small vessels, low flying aircrafts, vehicles and birds, as well as distributed phenomenon such as weather, waves, snow and ice.

Accipiter Radar's range of products and solutions are used in homeland security, law enforcement, critical infrastructure protection, bird strike prevention and environmental protection.

# GENERAL SECURITY PRODUCTS

**MOBOTIX AG ("MOBOTIX")** is known as the leading pioneer in network camera technology and its concept has made high-resolution video systems cost efficient. MOBOTIX has been producing megapixel cameras exclusively for many years now and is regarded as the global market leader for high-resolution video systems.

The modular design of the **M15D** system platform ensures maximum flexibility for the MOBOTIX thermographic camera. The **M15D-Thermal camera** comes standard with a thermal image sensor and a dummy module which is possible to use any MOBOTIX sensor modules in the M15D-Thermal for identification. Camera software is then used to activate the dual image display on one of the two image sensors or both simultaneously.

An elegant, ultra-compact and weatherproof IP dome camera. The **Q25 Hemispheric camera** opens up a whole new range of application scenarios thanks to the 360 view for recording an entire room, widescreen panoramic images and simultaneous quad display in all four cardinal directions.

**Primion Technology AG ("Primion")** is a supplier of complete solutions in the areas of security systems, access control, time and attendance as well as security monitoring and surveillance. It develops and implements customised systems for companies that are straightforward and easy to use. Its intelligent security technology enables all forms of security management at the highest level.

Primion is breaking new ground to renew the design front-end of its **T&A Terminals and Access Control Readers** with the combination of state-of-the-art technologies.

IPS Securex also provides various **Auto Swing Gate Barriers** that provide a secure access to lift lobbies and offices. These security barriers enable quick clearing and fast throughput of people while operating quietly and include customised gates for disabled access.

# CORPORATE SOCIAL RESPONSIBILITY

IPS Securex strongly believes that the success of an organisation is not based solely on its business achievements, but also by the role it plays in community engagement and towards social sustainability. We recognise our responsibilities to our employees, shareholders, business partners and the communities in which we operate, and are committed to achieving long-term mutually sustainable relationships with these stakeholders.

We have adopted a corporate social responsibility ("CSR") policy which revolves around social interaction and financial contributions to benefit the community at large across Singapore.

## COMMITMENT TO THE COMMUNITY

We strive to enhance our CSR in the community through contributions to charitable organisations such as Ren Ci Nursing Home, Shan You Counselling Centre and SWAMI Home. In March 2015, the Company led a group of 32 employees to Ren Ci Nursing Home where IPS Securex employees spent the morning interacting with the patients and served them lunch. The Company had also made cash donations to Shan You Counselling Centre, a non-profit voluntary welfare organisation, and SWAMI Home, which is a nursing home for the elderly and needy, to support their various programmes. Looking ahead, the Company is committed to giving back to the community, and will continue to seek opportunities to do so.

## SECURED VIRTUAL HEALTHCARE SYSTEMS AND SOLUTIONS (THE "SVHSS")

We are also glad to be making a social impact through our business products and systems as seen from our pilot run of our Secured Virtual Healthcare Systems and Solutions (the "SVHSS") on 26 March 2015.

This pilot run, representing the initial phase of the SVHSS, enables real-time communication and interface between volunteers of the Kembangan-Chai Chee Seniors Activity Centre and the elderly at home who require emergency assistance. The SVHSS seeks to meet the growing demands of healthcare infrastructure and medical professionals who support the needs of the elderly due to Singapore's aging population. We envisage that the SVHSS will eventually connect patients at home with their hospitals, doctors and other healthcare personnel for the provision of healthcare-related services.

## CSR AND BEYOND

We believe that CSR boils down to three key areas that measure responsible organisational success. These three areas are namely social, economic and environmental responsibilities. Going forward, IPS Securex will periodically introduce elements of environmental sustainability into our CSR programme while we continue to enhance our economic and social sustainability to the various communities in which we operate.

# INVESTOR RELATIONS

Investor Relations ("IR") is a strategic management responsibility that integrates corporate governance, compliance and communications with the aim to preserve our shareholders' assets, enhance shareholders' value, deliver transparent and timely disclosures to all stakeholders, as well as, provide regular engagement and communication with the investment community. In addition, we believe that regular face-to-face communication is important. We provide financial performance and business development updates to the investment community through one-to-one meetings, analysts briefings, conference calls, corporate day events and media interviews.

IPS Securex places great emphasis on effective communication with shareholders, where we endeavour to provide timely and adequate information to them as well as provide effective channels for shareholder communications. We also welcome and encourage greater shareholder participation at the Annual General Meetings to direct questions regarding the Company to the Directors and management.

## FINANCIAL CALENDAR

| | |
|---|---|
| **27-29 August 2014** | Invited Media, Analysts, Funds to Safety & Security Asia 2014 Exhibition |
| **15 September 2014** | Media Interview with Shares Investment Editor |
| **27 October 2014** | Analyst Meeting |
| **28 October 2014** | Analysts & Institutional Sales Group Meeting |
| **30 October 2014** | Annual General Meeting |
| **5 December 2014** | Proposed Share Split of 1 Existing Share Into 2 Shares |
| **30 December 2014** | Notice of Shares Split Books Closure Date |
| **13 January 2015** | Non-Deal Roadshow |
| **16 January 2015** | Analysts Meeting |
| **21 January 2015** | Completion of Share Split |
| **11 February 2015** | Results Announcement for Half Year Ended 31 December 2014 |
| **11 February 2015** | Notice of Dividend Payment Date |
| **11 February 2015** | Notice of Books Closure Date |
| **13 February 2015** | Meeting with Asset Management Firm |
| **15 April 2015** | Invited Analysts to INTERPOL 2015 Exhibition |
| **5 May 2015** | Meeting with Asset Management Firm |
| **6 May 2015** | Analysts & Institutional Sales & External Funds Meetings |
| **18 May 2015** | Meeting with Asset Management Firm |
| **26 May 2015** | Media Interview with The Edge Singapore |
| **10 June 2015** | Meeting with Asset Management Firm |
| **11 June 2015** | Analyst & Institutional Sales Meeting |
| **2 July 2015** | Meeting with Asset Management Firm |
| **5 August 2015** | Institutional Sales Meeting |
| **20 August 2015** | Results Announcement for Financial Year Ended 30 June 2015 |
| **21 August 2015** | Non-Deal Roadshow |
| **31 August 2015** | Proposed Share Split of 1 Existing Share Into 3 Shares |
| **9 September 2015** | Institutional Sales Meeting |
| **22 September 2015** | Notice of Shares Split Books Closures Date |
| **30 October 2015** | Annual General Meeting |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**CHAN TIEN LOK**
(Non-Executive Chairman)

**KELVIN LIM CHING SONG**
(Executive Director and Chief Executive Officer)

**ONG CHIN HIN**
(Non-Executive Director)

**ONG BENG CHYE**
(Lead Independent Director)

**ANTHONY ANG MENG HUAT**
(Independent Director)

**JOSEPH TAN PENG CHIN**
(Independent Director)

## AUDIT COMMITTEE

**ONG BENG CHYE**
(Chairman)

**ANTHONY ANG MENG HUAT**

**JOSEPH TAN PENG CHIN**

## NOMINATING COMMITTEE

**ANTHONY ANG MENG HUAT**
(Chairman)

**CHAN TIEN LOK**

**ONG BENG CHYE**

**JOSEPH TAN PENG CHIN**

## REMUNERATION COMMITTEE

**JOSEPH TAN PENG CHIN**
(Chairman)

**ANTHONY ANG MENG HUAT**

**ONG BENG CHYE**

## COMPANY SECRETARY

**SHIRLEY TAN SEY LIY** (ACIS)

## REGISTERED OFFICE

71 Tech Park Crescent
Singapore 638072

## COMPANY REGISTRATION NUMBER:

201327639H

## AUDITORS

**DELOITTE & TOUCHE LLP**
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809

Partner-in-charge:
**TAY HWEE LING**
(A member of the Institute of Singapore Chartered Accountants)
Date of Appointment: 9 January 2014

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

**BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

## PRINCIPAL BANKERS

**UNITED OVERSEAS BANK LIMITED**
80 Raffles Place
UOB Plaza
Singapore 048624

**OVERSEA-CHINESE BANKING CORPORATION LIMITED**
65 Chulia Street
OCBC Centre #09-00
Singapore 049513

**MALAYAN BANKING BERHAD**
2 Battery Road
Maybank Tower
Singapore 049907

**DBS BANK LTD.**
12 Marina Boulevard, Level 46
DBS Asia Central @ MBFC Tower 3
Singapore 018982

## INVESTOR RELATIONS

**COGENT COMMUNICATIONS PTE LTD**
100 Beach Road
Shaw Tower #32-02/03
Singapore 189702
Tel: (65) 6704-9288
Email: staff@cogentcomms.com

# CORPORATE GOVERNANCE REPORT

IPS Securex Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2012 (the "Code") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met.

The Board of Directors (the "Board" or "Directors") confirms that the Company has adhered to the guidelines as set out in the Code for the financial year ended 30 June 2015 ("FY2015"). Where there are deviations from the Code, appropriate explanations are provided.

## (A) BOARD MATTERS

### The Board's Conduct of its Affairs

***Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.***

The Board oversees the business and corporate affairs of the Group. The principal duties of the Board include the following:

- Protecting and enhancing long-term value and returns to the Company's shareholders ("Shareholders");
- Reviewing and approving, *inter alia*, the release of the interim and full year results announcements, the annual report and financial statements, material acquisitions and disposals of assets, and interested person transactions of the Group;
- Providing leadership and guidance on corporate strategy, business directions, risk management policies and implementation of corporate objectives;
- Establishing, reviewing and approving the annual budget;
- Ensuring the effectiveness and integrity of management ("Management");
- Monitoring the Management's achievement of goals and overseeing succession planning for Management;
- Conducting periodic reviews of the Group's financial performance against the budget, internal controls and compliance with the relevant statutory and regulatory requirements;
- Approving nominations to the Board and appointment of key Management personnel;
- Ensuring the Group's compliance with all relevant and applicable laws and regulations; and
- Assuming responsibility for the corporate governance of the Group.

# CORPORATE GOVERNANCE REPORT

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist in the execution of its responsibilities, the Board has established the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC") (collectively, the "Board Committees"). The Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also constantly reviewed by the Board.

The Company's Articles of Association provide for meetings for the Directors to be held by means of telephonic conference or other methods of simultaneous communication be it electronic or telegraphic means when necessary. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The frequency of meetings and the attendance of each Director at each Board and Board Committee meeting for FY2015 are disclosed in the table reflected below:

| | Board | | Nominating Committee | | Remuneration Committee | | Audit Committee | |
|---|---|---|---|---|---|---|---|---|
| Name | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| Chan Tien Lok | 2 | 2 | 1 | 1 | 1 | 1* | 2 | 2* |
| Kelvin Lim Ching Song | 2 | 2 | 1 | – | 1 | – | 2 | 2* |
| Ong Chin Hin | 2 | 2 | 1 | – | 1 | – | 2 | 2* |
| Ong Beng Chye | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 2 |
| Joseph Tan Peng Chin | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 2 |
| Anthony Ang Meng Huat[1] | 2 | 1 | 1 | – | 1 | – | 2 | 1 |
| Peter Boo Song Heng[2] | 2 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |

* By invitation

[1] Anthony Ang Meng Huat was appointed as an Independent Director, Chairman of the NC and a member of the AC and the RC with effect from 26 January 2015.

[2] Peter Boo Song Heng retired from the Board and did not seek re-election at the Company's annual general meeting on 30 October 2014. He also ceased to be Chairman of the NC and a member of the AC and the RC.

# CORPORATE GOVERNANCE REPORT

The Board has adopted a set of internal guidelines setting forth matters that require the Board's approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and funding proposals, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions relating to investment, funding, legal and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. Directors are required to act in good faith and discharge their fiduciary duties and responsibilities in the interest of the Company at all times.

The Directors are also updated regularly on any changes to the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Catalist Rules"), risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committee members.

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board. The Company Secretary would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The external auditors, Deloitte & Touche LLP ("EA") would update the AC and the Board on the new and revised financial reporting standards that may affect the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet with the Management so as to gain a better understanding of the Group's business.

Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties, responsibilities and obligations. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for on-going education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Catalist Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. Upon appointment, a new Director receives a brief on the Director's duties, responsibilities and disclosure obligations as a Director. He is also briefed on key disclosure duties and statutory obligations.

# CORPORATE GOVERNANCE REPORT

## BOARD COMPOSITION AND GUIDANCE

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

As at the date of this annual report, the Board comprises one Executive Director, two Non-Executive Directors and three Independent Directors:

| Name of Director | Board Membership | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| Chan Tien Lok | Non-Executive Chairman | – | Member | – |
| Kelvin Lim Ching Song | Executive Director and Chief Executive Officer ("CEO") | – | – | – |
| Ong Chin Hin | Non-Executive Director | – | – | – |
| Ong Beng Chye | Lead Independent Director | Chairman | Member | Member |
| Joseph Tan Peng Chin | Independent Director | Member | Member | Chairman |
| Anthony Ang Meng Huat[1] | Independent Director | Member | Chairman | Member |

[1] Anthony Ang Meng Huat was appointed as an Independent Director, Chairman of the NC and a member of the AC and the RC with effect from 26 January 2015.

The Board has appointed Ong Beng Chye as its Lead Independent Director. There is presently a strong and independent element on the Board. Half of the Board is made up of Independent Directors and the independence of each Independent Director is reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code. The independence of each Director is assessed and reviewed at least annually by the NC. In its deliberation as to the independence of a Director, the NC takes into account examples of relationships as set out in the Code. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Directors' independent judgement of the Group's affairs. The NC has reviewed, determined and confirmed the independence of each Independent Director.

The Non-Executive Directors and Independent Directors participate actively during Board meetings. The Company has benefited from the Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Non-Executive Directors and Independent Directors communicate amongst themselves and with the Company's internal and external auditors and Management. When necessary, the Company co-ordinates informal meetings for the Non-Executive Directors and Independent Directors to meet without the presence of the Executive Director and/or Management.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

# CORPORATE GOVERNANCE REPORT

The NC and the Board reviews the resumes and assesses the capabilities and competencies of candidates for the appointment of new Directors. The Company would also conduct a background check on the new candidate(s). The new candidate(s) would provide the relevant declarations to the NC and the Board. The Company's sponsor is also kept abreast of any new applicants and the new candidates' resume is also provided to them for review. The Company's sponsor would interview the new candidate separately.

The NC has reviewed the size and composition of the Board. It is satisfied that after taking into account the nature and scope of the Group's operations, the current Board size is appropriate and effective.

The Board comprises Directors who as a group provides core competencies and diversity of experience to enable them to lead and control the Group effectively. Such competencies and experiences include industry knowledge, strategic planning, business and general management, legal and finance.

Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and take into account the long-term interests of not only the Shareholders, but also of the employees and reviewing the performance of Management in meeting agreed goals and objectives. The NC considers its Non-Executive Directors and Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process. The NC continually reviews the composition of the Board, taking into account the balance and diversity of skills, experience and gender, among other factors.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

***Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

The Company practices a clear division of responsibilities between the Chairman and the CEO. This ensures that an appropriate balance of power between the Chairman and the CEO and thereby allows for increased accountability and greater capacity of the Board for independent decision making. The Group keeps the posts of the Chairman and CEO separate. Chan Tien Lok is the Non-Executive Chairman while Kelvin Lim Ching Song is the CEO. The Non-Executive Chairman is responsible for the formulation of the Group's strategic direction and expansion plans while the CEO is responsible for the conduct of the Group's daily business operations. The Non-Executive Chairman and the CEO are not related.

The Non-Executive Chairman ensures that Board members are provided with complete, adequate and timely information. The Non-Executive Chairman ensures that procedures are introduced to comply with the Code and ensures effective communication within the Board and with the Shareholders.

# CORPORATE GOVERNANCE REPORT

In view that the Non-Executive Chairman is non-independent, the Board has appointed Ong Beng Chye as the Lead Independent Director and he is available to Shareholders where they have concerns which contact through the channels of the Non-Executive Chairman and/or CEO has failed to resolve such concerns or where it is inappropriate to do so.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Non-Executive Chairman after such meetings.

## BOARD MEMBERSHIP

***Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills to enable the Board to make effective decisions.

The NC comprises one (1) Non-Executive Director and three (3) Independent Directors, as follows:

**Nominating Committee**

Anthony Ang Meng Huat (Chairman)
Ong Beng Chye
Joseph Tan Peng Chin
Chan Tien Lok

Based on the written terms of reference approved by the Board, the principal functions of the NC are:

- Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;

- Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Group;

- Procuring that at least one-third of the Board shall comprise Independent Directors;

# CORPORATE GOVERNANCE REPORT

- Reviewing Board succession plans for Directors, in particular, the Executive Director and CEO;

- Determining whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;

- Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to each Director's contribution and performance, including the Independent Directors;

- Determining whether a Director is independent as guided by the Code and any other salient factors; and

- Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In identifying suitable candidates for the appointment of new Directors, the NC will consider all relevant channels to recruit any new candidates including referrals from business partners, use of the service of external advisors to facilitate a search and also consider candidates with the appropriate qualifications and working experience from internal or external sources. After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Group's business and affairs), his/her independence, his/her other board appointments and principal occupation and commitments outside of the Group, and any other factors as may be deemed relevant by the NC.

The employment of persons who are related to the Directors or controlling shareholders of the Company is also subject to the approval of the NC.

The Company's Articles of Association requires that all Directors retire at the first AGM of the Company and one-third of the Board retire from office at every subsequent AGM. Accordingly, the NC has recommended that Chan Tien Lok, Kelvin Lim Ching Song and Anthony Ang Meng Huat be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendations.

Each member of the NC shall abstain from voting on any resolutions with respect to his re-nomination as a Director. There is no alternate director being appointed to the Board.

# CORPORATE GOVERNANCE REPORT

For the financial year under review, the NC, having considered Guideline 2.3 of the Code, is of the view that the Independent Directors of the Company are independent and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems necessary.

The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless it is in exceptional cases.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on page 45 of this Annual Report.

**Board Performance**

***Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.***

In line with the principles of good corporate governance, the NC has adopted a process to evaluate the performance of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors. This encourages constructive feedback from the Board and leads to an enhancement of its performance over time.

The effectiveness of the Board, Board Committees and contribution of each Director is assessed annually. The results of the evaluation will be collated by the Company Secretary and the findings analysed and discussed with the Board and Board Committees. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

The Board is of the view that it has satisfactorily met its performance objectives for FY2015. No external facilitator was engaged in the evaluation.

# CORPORATE GOVERNANCE REPORT

### ACCESS TO INFORMATION

***Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

To enable the Board to fulfill its responsibility, the Management strives to provide Board members with complete, adequate and timely information for Board and Board Committees meetings on an on-going basis. The Board and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. Directors are given separate and independent access to the Management and the Company Secretary to address any enquiries.

The Company Secretary attends all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings and assists the Chairman in ensuring good information flows within the Board and its Board Committees and between Management and the Non-Executive Directors and Independent Directors, and that Board procedures are followed and reviewed in accordance with the Company's Articles of Association, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act, Chapter 50 and the Catalist Rules, so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Directors either individually or as a group have the right to seek independent legal and/or other professional advice in the furtherance of their duties. The costs of such services will be borne by the Company.

## (B) REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

***Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The RC comprises three (3) Independent Directors, as follows:

**Remuneration Committee**

Joseph Tan Peng Chin (Chairman)
Ong Beng Chye
Anthony Ang Meng Huat

# CORPORATE GOVERNANCE REPORT

Based on the terms of reference approved by the Board, the principal functions of the RC are:

- To review and recommend to the Board for endorsement, the service contracts and remuneration packages of the Executive Director and key Management personnel of the Company;
- To review the appropriateness of compensation for the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities including but not limited to, their Directors' fees, allowances, share options and performance shares;
- Overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;
- Reviewing and administering the award of performance shares and/or share options to Directors and employees under the employee performance share plan and/or employee share option scheme adopted by the Company;
- Carrying out other duties as may be agreed by the RC and the Board, subject always to any conditions that may be imposed upon the RC by the Board from time to time.

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his or her own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2015.

In reviewing the service contracts of the Executive Director and key Management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service contracts, to ensure that such service contracts contain fair and reasonable termination clauses which commensurate with industry norms and their past contributions. The RC aims to be fair and avoid rewarding poor performance.

# CORPORATE GOVERNANCE REPORT

**Level and Mix of Remuneration**

***Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key Management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The Executive Director does not receive Directors' fees. The remuneration for the Executive Director and certain key Management personnel comprise a fixed and variable component. The variable component is performance related and is linked to the Group's performance as well as the performance of each individual Executive Director and key Management personnel, with a view to align the interests of the Executive Director and the key Management personnel with those of Shareholders.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and key Management personnel with those of shareholders by linking rewards to corporate and individual performance, as well as to commensurate with the roles and responsibilities of each Director. The RC reviews the remuneration received by the Executive Director and CEO against the financial performance of the Group. The Executive Director and CEO reviews the remuneration of key Management personnel against the staff remuneration guidelines to ensure that their remuneration packages are in line and commensurate with their respective job scope and responsibilities. The RC is satisfied that the performance conditions for the Executive Director and CEO and key Management personnel for FY2015 were met.

On 27 May 2014, the Company entered into a service agreement with the Executive Director and CEO, Kelvin Lim Ching Song for an initial period of three years ("Initial Term") with effect from the date of admission of the Company to Catalist and thereafter for such period as the Board may decide. Kelvin Lim Ching Song would be paid a monthly basic salary and shall be entitled to an annual performance bonus based on the Group's audited consolidated profit before tax (after deducting profit before tax attributable to minority interests) and before deducting the Performance Bonus of the Group ("NPBT") as follows:

| NPBT | Performance Bonus |
|---|---|
| NPBT above S$400,000 and up to S$800,000 | 5.0% of the NPBT |
| NPBT more than S$800,000 | 10.0% of the NPBT |

The remuneration package, including the Performance Bonus, of the Executive Director and CEO, Kelvin Lim Ching Song, shall be subject to review by the RC.

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# CORPORATE GOVERNANCE REPORT

Performance conditions such as the financial performance and operations of the Group, as well as any other business objectives such as adherence to corporate values which may from time to time be determined by the Board are used to determine the short-term incentive schemes employed on the remuneration of the Executive Director and CEO and key Management personnel. In addition, the Company has adopted the IPS Securex Employee Share Option Scheme ("IPS Securex ESOS") and IPS Securex Performance Share Plan ("IPS Securex PSP"). The Executive Director and CEO, Independent Directors, Non-Executive Directors and key Management personnel are eligible to participate in the IPS Securex ESOS and IPS Securex PSP.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate them. The Independent Directors and Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM of the Company. The IPS Securex ESOS and the IPS Securex PSP are employed as long-term incentive schemes in the remuneration of the Executive Director and CEO and key Management personnel, and is designed to reward, retain and motivate employees to achieve superior performance and to align the interests of employees with shareholders of the Company. The performance conditions used to determine entitlements under the IPS Securex ESOS and the IPS Securex PSP include specific performance targets including but not limited to, sustained profit growth, market share, tenure of employment, as well as, the prevailing economic conditions. As at the date of this Annual Report, no share options or awards have been granted under the IPS Securex ESOS and the IPS Securex PSP, respectively.

The remuneration of employees related to the Directors and controlling shareholders of the Company (if any), will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their job scopes and responsibilities. Any bonuses, increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and CEO and key Management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in reputational damage and/or financial loss to the Group. The Executive Director and CEO and key Management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director and CEO and key Management personnel in the event of such breach of their fiduciary duties. In addition, the Company has in place alternate corporate governance practices described herein such as Whistle-Blowing Policy and outsourced internal audit function as checks and balances to prevent the occurrence of such instances.

# CORPORATE GOVERNANCE REPORT

## DISCLOSURE ON REMUNERATION

***Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key Management personnel, and performance.***

A breakdown showing the level and mix of remuneration of Directors and top five (5) key Management personnel of the Group (who are not Directors or the CEO) for FY2015 is set out below:

| Name of Director | Salary | Bonus | Directors' fees | Allowances and Other Benefits | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Above S$500,000 | | | | | |
| Kelvin Lim Ching Song | 53 | 42 | – | 5 | 100 |
| Below S$250,000 | | | | | |
| Chan Tien Lok | – | – | 100 | – | 100 |
| Ong Chin Hin | – | – | 100 | – | 100 |
| Ong Beng Chye | – | – | 100 | – | 100 |
| Joseph Tan Peng Chin | – | – | 100 | – | 100 |
| Anthony Ang Meng Huat[1] | – | – | 100 | – | 100 |
| Peter Boo Song Heng[2] | – | – | 100 | – | 100 |

[1] Ang Meng Huat was appointed as Independent Director on 26 January 2015.

[2] Peter Boo Song Heng retired as Independent Director on 30 October 2014.

| Key Management Personnel | Salary | Bonus | Allowances and Other Benefits | Total |
|---|---|---|---|---|
| | % | % | % | % |
| Below S$250,000 | | | | |
| Lee Yeow Koon | 67 | 16 | 17 | 100 |
| Lee Siew Han | 73 | 18 | 9 | 100 |
| Lee Chea Siang | 67 | 16 | 17 | 100 |
| Koh Tian Siang | 68 | 13 | 19 | 100 |
| Affendi Bin Ali | 73 | 6 | 21 | 100 |

For FY2015, the aggregate total remuneration paid to the top five (5) key Management personnel of the Group (who are not Directors or the CEO) amounted to S$575,795.

# CORPORATE GOVERNANCE REPORT

There were no terminations, retirement or post-employment benefits granted to Directors and key Management personnel other than the standard contractual notice period termination payment in lieu of service for FY2015.

The Company does not have any employee who is an immediate family member of a Director or the CEO whose remuneration in FY2015 exceeded S$50,000.

In view of confidentiality of the remuneration policies of the Company, the Board is of the opinion that it is in the best interests of the Group to disclose the remuneration of its Directors and key Management personnel in salary bands.

The IPS Securex ESOS and the IPS Securex PSP will also provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

***Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.***

Accountability to Shareholders is demonstrated through the presentation of the Group's interim and annual financial statements, results announcements and all announcements on the Group's business and operations. In this respect, the AC reviews all interim and annual financial statements, results announcement and all announcements on the Group's business and operations, and recommends them to the Board for approval.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half yearly basis and when deemed appropriate by particular circumstances.

In line with the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in respect of the interim financial statements. For the financial year under review, the Executive Director and CEO, and the Financial Controller have provided assurance to the Board on the integrity of the Group's financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of half-year and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board is responsible for the overall internal controls framework, and acknowledges that the system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks, and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss and that Shareholders' investments and the Group's assets are safeguarded. As the Group continues to grow its business, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of internal controls.

The Board and Management assume the responsibility of the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews significant policies and procedures and highlights significant matters to the Board on a periodic basis.

The Group had embarked on the implementation of a structured Enterprise Risk Management framework which will provide documented guidance on how the Group should identify and assess risks, determine if countermeasures are adequate and frequency of risk reports to be submitted to the Board and Audit Committee. A formal risk assessment has been performed and completed. A risk reporting structure is now in place and the Group's employees have been familiarized with the Enterprise Risk Management framework. The implementation plan shall follow in the coming financial year.

The Company is continually reviewing and improving the business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions. All the significant controls policies and procedures and all significant matters are highlighted to the AC and the Board. The significant risk management policies are disclosed in the audited financial statements of this Annual Report.

Relying on the above risk reports and reports from the internal auditors, BDO LLP ("IA") and EA, the AC carried out assessments of the effectiveness of key internal controls during the year. Weaknesses in the internal controls or recommendations from the IA and EA to further improve the internal controls of the Group were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the IA and EA. Based on the reports submitted by the IA and EA received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls are not satisfactory for the type and size of business conducted.

# CORPORATE GOVERNANCE REPORT

Based on the work performed by both the EA and IA, the risk report and assurance from the Executive Director and CEO and the Financial Controller and the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that there are adequate internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks as at the date of this Annual Report.

The Executive Director and CEO and the Financial Controller have assured the Board that:

(a) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2015 give a true and fair view in all material aspects, of the Company's operations and finances; and

(b) The Group's internal control and risk management systems are operating effectively in all material aspects given its current business environment.

## AUDIT COMMITTEE

***Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

The AC comprises three (3) Independent Directors as follows:

**Audit Committee**

Ong Beng Chye (Chairman)
Joseph Tan Peng Chin
Anthony Ang Meng Huat

The AC is established to assist the Board with discharging its responsibility of safeguarding the Group's assets, maintaining adequate accounting records, and developing and maintaining effective systems of internal controls. The Board is of the opinion that at least 2 members of the AC possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- review the periodic consolidated financial statements of the Company and results announcements before submission to the Board for approval, focusing on, in particular, the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by the external auditors, and compliance with financial reporting standards, the Catalist Rules and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of the Company and results announcements;

# CORPORATE GOVERNANCE REPORT

- review, with the EA and IA, their audit plans, scope of work, evaluation of the adequacy of our internal controls, audit reports, management letters on internal controls and Management's response, where applicable;

- at least annually, review and report to the Board, the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks prior to the incorporation of such results in the annual report;

- review the independence and objectivity of the EA;

- review and discuss with the EA, and commission and review the findings of internal investigations relating to any suspected fraud or irregularity, or failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and solicit for Management's response;

- monitor and review the implementation of the EA's and IA's recommendations concurred with Management in relation to the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks;

- review the co-operation given by Management to the EA and IA, where applicable;

- make recommendations to the Board on proposals to shareholders of the Company for the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the EA;

- make recommendations to the Board on proposals for the appointment, re-appointment, removal, remuneration and terms of engagement of the IA;

- review any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules (if any);

- review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

- review and recommend foreign exchange hedging policies, if any, to the Board for approval;

- review the policy and arrangements by which staff or any other person may, in confidence, raise concerns about possible improprieties on matters of our business operations, financial reporting or any other matters and to ensure that arrangements are in place for the independent investigation of such matter and for appropriate follow-up;

- investigate any matters within its terms of reference; and

# CORPORATE GOVERNANCE REPORT

- undertake generally such other functions and duties as may be requested by our Board or required by statute or the Catalist Rules and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position, and to review its findings. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or key Management personnel to attend the meetings and has reasonable resources to enable it to discharge its functions. The EA has unrestricted access to the AC.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the EA and approval of the remuneration of the EA. The AC has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as EA at the forthcoming AGM of the Company. The Company confirms that Rule 712 and Rule 715(1) of the Catalist Rules have been complied with.

The AC has met with the EA and the IA without the presence of Management as and when necessary to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the EA for FY2015.

For FY2015, the fees that are charged to the Group by the EA for audit services were approximately S$122,000. There were no non-audit fees payable to the EA for FY2015.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the EA. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

## WHISTLE BLOWING POLICY

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees and external parties to raise concerns about possible improprieties on matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

# CORPORATE GOVERNANCE REPORT

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

As at the date of this Annual Report, there were no reports received through the whistle blowing mechanism.

## INTERNAL AUDIT

***Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard Shareholders' investments and the Group's businesses and assets while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed BDO LLP, an external risk advisory consultancy firm to undertake the functions of an IA for the Group. The IA has unfettered access to all the Group's documents, records, properties and personnel including access to the AC. The IA reports directly to the AC and administratively to the Executive Director and CEO.

BDO LLP is an international auditing firm and they perform their work based on the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC reviews and approves the internal audit plan submitted by the IA. The IA reports to the AC any significant weaknesses and risks identified in the course of internal audits conducted. Recommendations to address control weaknesses are further reviewed by the IA based on implementation dates agreed with the Management. The AC also reviews, at least annually, the adequacy and effectiveness of the internal audit function.

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

## SHAREHOLDER RIGHTS

***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

The Company does not practise selective disclosure. In line with continuous obligations of the Company under the Catalist Rules and the Companies Act, Chapter 50, the Board's policy is that all Shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

# CORPORATE GOVERNANCE REPORT

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices contained in the annual report or circulars sent to all Shareholders. These notices are also advertised in a national newspaper as may be required in accordance with the Articles of Association of the Company. All Shareholders are encouraged to attend and participate in the general meetings. If any Shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's current Memorandum and Articles of Association does not allow corporations which provide nominee and custodial services to appoint more than two proxies. The Company will consider amending its Articles of Association at an appropriate time to allow corporations which provide nominee or custodial services to appoint more than 2 proxies so that Shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

## COMMUNICATION WITH SHAREHOLDERS

***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Company believes in high standards of transparent corporate disclosure and is committed to disclose information to Shareholders in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The information is disseminated to the Shareholders on a timely basis through:

- Annual report prepared and issued to all Shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required including those of the Companies Act, Chapter 50, Catalist Rules and Singapore Financial Reporting Standards;

- Semi-annual announcements containing a summary of the financial information and affairs of the Group for that period; and

- Press releases on major developments of the Group;

- Notices of explanatory memoranda for AGMs and extraordinary general meetings ("EGMs"). Notice of AGMs and EGMs are also advertised in a national newspaper; and

- The Company's website at http://www.ips-securex.com/ at which Shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group.

# CORPORATE GOVERNANCE REPORT

By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its Shareholders based on trust and accessibility. The Company has engaged Cogent Communications Pte. Ltd. as the Group's investor relations firm ("IR") who will focus on facilitating the communications with all stakeholders, Shareholders, analysts and media on a regular basis, to attend to their queries or concerns as well as to keep the investing public apprised of the Group's corporate developments and financial performance.

To enable Shareholders to contact the Company easily, the contact details of the IR personnel are set out in the corporate information page of the annual report as well as on the Company's website. The IR personnel have procedures in place for responding to investors' queries as soon as applicable. We engage the investment community through one-to-one meetings, analysts briefings, conference calls, corporate day events and media interviews to provide investors, Shareholders and other stakeholders with a forum to understand the Group, its business and Management better.

The Company does not practice selective disclosure. Price-sensitive information is publicly released on an immediate basis where required under the Catalist Rules through SGXNet.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for the business growth and other factors as the Board may deem appropriate.

For FY2015, the Board has recommended a final ordinary cash dividend (the "Final Dividend") of S$0.0025 per Share (as adjusted for the share split of every one (1) then-existing share held by Shareholders of the Company into three (3) shares, which was approved by Shareholders at the extraordinary general meeting of the Company held on 25 September 2015 (the "Share Split") which is subject to Shareholders' approval at the AGM of the Company to be convened. Subject to Shareholders' approval for the Final Dividend at the AGM of the Company to be convened, there is no change to the gross amount of Final Dividend payable before and after the Share Split.

## CONDUCT OF SHAREHOLDER MEETINGS

***Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's performance strategies and growth plans. Notice of the general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from Shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by poll.

# CORPORATE GOVERNANCE REPORT

All Directors, including the Chairman of the Board and the respective Chairman of the AC, NC and RC, as well as the EA are intended to be present and at the forthcoming AGM to address any relevant queries by Shareholders.

The Company will make available minutes of general meetings to Shareholders upon their request.

## (E) CORPORATE SOCIAL RESPONSIBILITY

The Board has established a corporate social responsibility policy with reference to the SGX-ST's Guide to Sustainability Reporting for Listed Companies published on 27 June 2011, which includes the review of the following areas of the Group's activities:

(i) to review and recommend the Group's policy in respect of corporate social responsibility issues;

(ii) to review the Group's health, safety and environmental policies and standards;

(iii) to review the social impact of the Group's business practices in the communities that it operates in;

(iv) to review and recommend policies and practices with regards to key stakeholders (suppliers, customers and employees); and

(v) to review and recommend policies and practices with regard to regulators.

Please refer to page 18 of this Annual Report for further information or the Group's corporate social responsibility initiatives.

## (F) DEALING IN COMPANY'S SECURITIES

**Rule 1204(19) of the Catalist Rules**

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by the Company, its Directors and officers.

The Company has adopted a Code of Best Practices to provide guidance to its Directors and all staff of the Group with regards to dealings in the Company's securities.

The Company, its Directors and officers are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of the announcement of the relevant results.

Directors and staff are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, Chapter 50, the Catalist Rules and any other relevant regulations with regards to their securities transactions. They are expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

# CORPORATE GOVERNANCE REPORT

## (G) INTERESTED PERSON TRANSACTIONS

**Rule 907 of the Catalist Rules**

The Group has established internal control policies in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted in a timely manner to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms that will not be prejudicial to the Company and its minority Shareholders.

The AC has reviewed the following significant transactions entered into by the Company with its interested persons for the FY2015 in accordance with its existing procedures:–

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| IPS Group Pte. Ltd. ("IPSG") | Provision of group services by IPSG (such as human resources and administrative services), as well as, rental payable to IPSG for office and storage premises – S$162,929 | Nil |

The Board is of the view that the services above were not conducted on arm's length basis and were not based on normal commercial terms but were beneficial to the Group and were not prejudicial to the interests of the Group or the Company's minority shareholders as they allowed the Group to leverage off the expertise of IPSG for the group services under a cost-effective arrangement. Please refer to the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions" of the Company's offer document dated 20 June 2014 in relation to its initial public offering on the Catalist of the SGX-ST on 30 June 2014 for further details on the provision of group services by IPSG to the Group.

The Company does not have any Shareholders' mandate for interested person transactions pursuant to Rule 920 of the Catalist Rules.

# CORPORATE GOVERNANCE REPORT

## (H) MATERIAL CONTRACTS AND LOANS

**Rule 1204(8) of the Catalist Rules**

The Company confirms that save for the service agreement entered into between the Company and the Executive Director and CEO, Kelvin Lim Ching Song, and as disclosed in the Report of Directors and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling Shareholder of the Company, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

## (I) USE OF PROCEEDS FROM PLACEMENT

**Rule 1204(22) of the Catalist Rules**

The Company undertook a placement exercise of 6,000,000 new ordinary shares at a subscription price of S$0.42 per share, which were allotted and issued to Goh Khoon Lim on 14 October 2014, raising net proceeds of approximately S$2.5 million (the "Placement"). Please refer to the Company's announcement dated 26 September 2014, 10 October 2014 and 16 October 2014 for further details of the Placement. The net proceeds raised from the Placement have not been utilised to date.

## (J) NON-SPONSOR FEES

**Rule 1204(21) of the Catalist Rules**

Pursuant to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees payable to the Company's sponsor, United Overseas Bank Limited, for FY2015.

# CORPORATE GOVERNANCE REPORT

## PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

| Name of Director | Academic/ Professional Qualifications | Board Appointment Executive/ Non-executive | Board Committees as Chairman or Member | Directorship Date First Appointed | Date of Last Re-election | Directorships in other listed companies and other major appointments | Past directorships in other listed companies and other major appointments over the preceding 3 years |
|---|---|---|---|---|---|---|---|
| Chan Tien Lok | • Cambridge General Certificate of Education Ordinary Level certificate | Non-Executive Chairman | Chairman of the Board and Member of the Nominating Committee | 10 October 2013 | 30 October 2014 | Nil | Nil |
| Kelvin Lim Ching Song | • Diploma in Marketing and Public Relations from Thames Business School<br>• Certificate in Office Skills from Institute of Technical Education | Executive Director and Chief Executive Officer | Board Member | 10 October 2013 | 30 October 2014 | Nil | Nil |
| Ong Chin Hin | • Bachelor of Accountancy from the National University of Singapore<br>• Non practising Chartered Accountant | Non-Executive Director | Board Member | 10 October 2013 | 30 October 2014 | Nil | Nil |
| Ong Beng Chye | • Bachelor of Science with Honours from The City University, United Kingdom<br>• Fellow of the Institute of Chartered Accountants in England and Wales<br>• Chartered Financial Analyst<br>• Non-practising member of the Institute of Singapore Chartered Accountants | Lead Independent Director | Board Member, Chairman of the Audit Committee, Member of Remuneration Committee and Nominating Committee | 6 June 2014 | 30 October 2014 | • Geo Energy Resources Limited<br>• Hafary Holdings Limited<br>• Kitchen Culture Holdings Ltd<br>• Heatec Jietong Holdings Ltd. | Nil |
| Joseph Tan Peng Chin | • Bachelor of Laws (Hons) from the National University of Singapore<br>• Member of the Law Society of Singapore and the Singapore Academy of Law | Independent Director | Board Member, Chairman of the Remuneration Committee and Member of the Nominating Committee and Audit Committee | 6 June 2014 | 30 October 2014 | • OM Holdings Limited | Armstrong Industrial Corporation Limited |
| Anthony Ang Meng Huat | • Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University<br>• Master of Business Administration from the European Institution of Business Administration (INSEAD)<br>• Fellow of the Chartered Management Institute (United Kingdom) | Independent Director | Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee | 26 January 2015 | Nil | • ARA Asset Management (Fortune) Limited<br>• Europtronic Group Ltd. | Armstrong Industrial Corporation Limited |

# FINANCIAL CONTENTS

# REPORT OF THE DIRECTORS

The directors of the Company present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2015.

## 1 DIRECTORS

The directors of the Company in office at the date of this report are:

Chan Tien Lok
Kelvin Lim Ching Song
Ong Chin Hin
Ong Beng Chye
Joseph Tan Peng Chin
Anthony Ang Meng Huat (Appointed on 26 January 2015)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraph 5 of the Report of the Directors.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 ("Companies Act") except as follows:

| | Shareholdings registered in name of directors | | | Shareholdings in which directors are deemed to have an interest | | |
|---|---|---|---|---|---|---|
| **Name of directors and company in which interests are held** | **At beginning of year** | **At end of year** | **At 21 July 2015** | **At beginning of year** | **At end of year** | **At 21 July 2015** |
| The Company (Ordinary shares) | | | | | | |
| Chan Tien Lok | – | – | – | 46,620,000 | 92,840,000 | 91,840,000 |
| Kelvin Lim Ching Song | 12,600,000 | 22,985,000 | 19,985,000 | – | – | – |
| Ong Chin Hin | 3,790,000 | 7,930,000 | 6,930,000 | – | – | – |
| Ong Beng Chye | 100,000 | 200,000 | 200,000 | – | – | – |
| Joseph Tan Peng Chin | 100,000 | 200,000 | 200,000 | – | – | – |

# REPORT OF THE DIRECTORS

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

| | Shareholdings registered in name of directors | | | Shareholdings in which directors are deemed to have an interest | | |
|---|---|---|---|---|---|---|
| **Name of directors and company in which interests are held** | **At beginning of year** | **At end of year** | **At 21 July 2015** | **At beginning of year** | **At end of year** | **At 21 July 2015** |
| Ultimate holding company – IPS Technologies Pte. Ltd. (Ordinary shares) | | | | | | |
| Chan Tien Lok | 2,080,000 | 2,080,000 | 2,080,000 | – | – | – |

By virtue of Section 7 of the Companies Act, Chan Tien Lok is deemed to have an interest in the Company and all the related corporations of the Company.

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## 5 SHARE OPTIONS AND SHARE-BASED INCENTIVE

The Company has adopted the IPS Securex Performance Share Plan (the "PSP") and the IPS Securex Employee Share Plan Option Scheme (the "ESOS") which were approved by the shareholders at an Extraordinary General Meeting held on 29 May 2014.

(i) The PSP and the ESOS are administered by the committee whose members are Joseph Tan Peng Chin, Anthony Ang Meng Huat and Ong Beng Chye (the "Committee").

# REPORT OF THE DIRECTORS

## 5 SHARE OPTIONS AND SHARE-BASED INCENTIVE (CONTINUED)

(ii) Both the PSP and the ESOS will continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing on the date of the PSP and the ESOS were adopted by the Company in general meeting. However, the PSP and the ESOS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities that may then be required.

(iii) The total number of new shares which may be issued or shares which may be delivered pursuant to awards granted under the PSP or options granted under the ESOS, when added to the total number of new shares issued and issuable in respect of:

a. all awards granted under the PSP;

b. all options granted under the ESOS; and

c. all shares, options, or awards granted under such share-based incentive schemes of the Company then in force, shall not exceed 15.0% of the issued capital of the Company (including treasury shares) on that day preceding the relevant date of award.

(iv) The PSP awards participants fully paid shares free of charge, upon the participant achieving prescribed performance targets which will be set by the Committee depending on each individual participant's job scope and responsibilities.

(v) The options under the ESOS may have exercise prices that are, at the Committee's discretion, which may be at market price or discount to the market price. The options which are at market price may be exercised after the first anniversary of the date of grant of the option while the options exercisable at a discount to the market price may only be exercised after the second anniversary from the date of grant of the option. The options granted under the ESOS will expire upon the tenth anniversary of the date of grant of the option.

(vi) During the year, no awards and options have been granted by the Company or its subsidiary corporations during the financial year.

(vii) There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

(viii) There were no unissued shares of the Company or of its subsidiary corporations under options as at the end of the financial year.

# REPORT OF THE DIRECTORS

## 6 AUDIT COMMITTEE

The members of the Audit Committee of the Company, comprise the Independent Directors, Ong Beng Chye (Chairman), Anthony Ang Meng Huat (Member) and Joseph Tan Peng Chin (Member). The Audit Committee has met twice since the last Annual General Meeting ("AGM"), and has reviewed the following, where relevant, with the Executive directors and external and internal auditors of the Company:

a) The audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls and management response;

b) The adequacy and effectiveness of the Group's internal controls addressing financial, operational and compliance risks prior to the incorporation of such results in the annual report;

c) The Group's financial and operating results and accounting policies;

d) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

e) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

f) The findings of internal investigations relating to any suspected fraud or irregularity, or failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;

g) The co-operation and assistance given by the management to the Group's external and internal auditors;

h) Interested person transactions falling within the scope of Chapter 9 of the Listing Manual, Section 8: Rules of Catalist of the Singapore Securities Trading Limited and other relevant statutory requirements and any potential conflicts of interests; and

i) The re-appointment of the external and internal auditors of the Group.

# REPORT OF THE DIRECTORS

## 6 AUDIT COMMITTEE (CONTINUED)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD OF DIRECTORS

**Chan Tien Lok**
*Director*

**Kelvin Lim Ching Song**
*Director*

6 October 2015

# STATEMENT BY DIRECTORS

In the opinion of the directors:

a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 55 to 107 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS

**Chan Tien Lok**
*Director*

**Kelvin Lim Ching Song**
*Director*

6 October 2015

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IPS Securex Holdings Limited (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 107.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

6 October 2015

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| | Note | Group 2015 | Group 2014 | Company 2015 | Company 2014 |
|---|---|---|---|---|---|
| **ASSETS** | | **$** | **$** | **$** | **$** |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | **4,768,941** | 4,531,440 | **2,479,364** | 3,580,791 |
| Trade receivables | 7 | **8,054,844** | 5,330,591 | **–** | – |
| Other receivables | 8 | **516,276** | 795,059 | **2,187,541** | 811,044 |
| Loan to a subsidiary corporation | 9 | **–** | – | **4,149,654** | – |
| Inventories | 11 | **675,721** | 495,480 | **–** | – |
| Total current assets | | **14,015,782** | 11,152,570 | **8,816,559** | 4,391,835 |
| **Non-current assets** | | | | | |
| Long term trade receivables | 7 | **1,340,342** | 1,214,932 | **–** | – |
| Plant and equipment | 12 | **4,803,771** | 1,734,055 | **–** | – |
| Investment in subsidiary corporations | 13 | **–** | – | **3,000,199** | 3,000,199 |
| Total non-current assets | | **6,144,113** | 2,948,987 | **3,000,199** | 3,000,199 |
| **Total assets** | | **20,159,895** | 14,101,557 | **11,816,758** | 7,392,034 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Borrowings | 14 | **800,000** | – | **–** | – |
| Trade payables | 15 | **5,409,799** | 3,440,797 | **–** | – |
| Other payables | 16 | **1,238,660** | 1,946,364 | **506,017** | 667,838 |
| Finance lease | 17 | **211,027** | – | **–** | – |
| Income tax payable | | **92,509** | 363,814 | **–** | – |
| Total current liabilities | | **7,751,995** | 5,750,975 | **506,017** | 667,838 |
| **Non-current liabilities** | | | | | |
| Finance lease | 17 | **289,716** | – | **–** | – |
| Deferred tax liability | 18 | **314,526** | 103,756 | **–** | – |
| Total non-current liabilities | | **604,242** | 103,756 | **–** | – |
| **Capital and reserves** | | | | | |
| Share capital | 19 | **9,405,906** | 6,888,165 | **9,405,906** | 6,888,165 |
| Reserves | 20 | **(589,999)** | (589,999) | **210,000** | 210,000 |
| Accumulated profits (losses) | | **2,987,751** | 1,948,660 | **1,694,835** | (373,969) |
| Total equity | | **11,803,658** | 8,246,826 | **11,310,741** | 6,724,196 |
| **Total liabilities and equity** | | **20,159,895** | 14,101,557 | **11,816,758** | 7,392,034 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2015

| | | Group | |
|---|---|---|---|
| | Note | 2015 | 2014 |
| | | $ | $ |
| **Revenue** | 21 | **15,664,280** | 12,445,668 |
| Cost of sales | | **(9,203,439)** | (6,441,117) |
| **Gross profit** | | **6,460,841** | 6,004,551 |
| Other operating income | 22 | **551,151** | 298,836 |
| Administrative expenses | | **(4,395,909)** | (4,694,637) |
| Other operating expenses | | **(22,127)** | (28,090) |
| Finance costs | 23 | **(36,585)** | (632) |
| **Profit before income tax** | 24 | **2,557,371** | 1,580,028 |
| Income tax expense | 25 | **(303,280)** | (465,883) |
| **Profit for the year, representing total comprehensive income for the year** | | **2,254,091** | 1,114,145 |
| Basic and diluted earnings per share (cents) | 27 | **1.42** | 0.88 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2015

| | Share capital | Merger reserve (Reserves) | Other reserve (Reserves) | Accumulated profits | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| | | (Note 2) | (Note 20) | | |
| Group | | | | | |
| Balance at 1 July 2013 | 2,200,000 | – | – | 834,515 | 3,034,515 |
| Transactions with owners, recognised directly in equity | | | | | |
| Issuance of shares at date of incorporation of the Company (Note 19) | 1 | – | – | – | 1 |
| Adjustment pursuant to the restructuring exercise (Note 19) | (2,200,000) | (799,999) | – | – | (2,999,999) |
| Issuance of ordinary shares pursuant to the restructuring exercise (Note 19) | 2,999,999 | – | – | – | 2,999,999 |
| Issuance of ordinary shares pursuant to the Initial Public Offering ("IPO"), net (Note 19) | 3,888,165 | – | – | – | 3,888,165 |
| Deemed capital contribution | – | – | 210,000 | – | 210,000 |
| Total | 4,688,165 | (799,999) | 210,000 | – | 4,098,166 |
| Profit for the year, representing total comprehensive income for the year | – | – | – | 1,114,145 | 1,114,145 |
| Balance at 30 June 2014 | 6,888,165 | (799,999) | 210,000 | 1,948,660 | 8,246,826 |
| Transactions with owners, recognised directly in equity | | | | | |
| Issuance of ordinary shares pursuant to the placement, net of placement expenses capitalised (Note 19) | 2,517,741 | – | – | – | 2,517,741 |
| Dividends (Note 26) | – | – | – | (1,215,000) | (1,215,000) |
| Total | 2,517,741 | – | – | (1,215,000) | 1,302,741 |
| Profit for the year, representing total comprehensive income for the year | – | – | – | 2,254,091 | 2,254,091 |
| Balance at 30 June 2015 | 9,405,906 | (799,999) | 210,000 | 2,987,751 | 11,803,658 |

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# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

YEAR ENDED 30 JUNE 2015

| | Share capital | Other reserve | Accumulated (losses) profits | Total |
|---|---|---|---|---|
| | $ | $ (Note 20) | $ | $ |
| Company | | | | |
| Transactions with owners, recognised directly in equity | | | | |
| Issuance of shares at date of incorporation (Note 19) | 1 | – | – | 1 |
| Issuance of ordinary shares pursuant to the restructuring exercise (Note 19) | 2,999,999 | – | – | 2,999,999 |
| Issuance of ordinary shares pursuant to the IPO, net (Note 19) | 3,888,165 | – | – | 3,888,165 |
| Deemed capital contribution | – | 210,000 | – | 210,000 |
| Total | 6,888,165 | 210,000 | – | 7,098,165 |
| Loss for the year, representing total comprehensive loss for the year | – | – | (373,969) | (373,969) |
| Balance at 30 June 2014 | 6,888,165 | 210,000 | (373,969) | 6,724,196 |
| Transactions with owners, recognised directly in equity | | | | |
| Issuance of ordinary shares pursuant to the placement, net of placement expenses capitalised (Note 19) | 2,517,741[1] | – | – | 2,517,741 |
| Dividends (Note 26) | – | – | (1,215,000) | (1,215,000) |
| Total | 2,517,741 | – | (1,215,000) | 1,302,741 |
| Profit for the year, representing total comprehensive income for the year | – | – | 3,283,804 | 3,283,804 |
| Balance at 30 June 2015 | 9,405,906 | 210,000 | 1,694,835 | 11,310,741 |

[1] The company undertook a share placement exercise whereby 6,000,000 new ordinary shares were issued and allocated to Mr Goh Khoon Lim on 14 October 2014 at a subscription price of $0.42 per share.

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2015

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| **Operating activities** | **$** | **$** |
| Profit before income tax | **2,557,371** | 1,580,028 |
| Adjustments for: | | |
| Interest income | **(35,823)** | (512) |
| Finance costs | **36,585** | 632 |
| Depreciation of plant and equipment | **613,111** | 233,129 |
| Loss on disposal of plant and equipment | **–** | 947 |
| Inventories written off | **126** | 210 |
| Reversal of allowance for inventory obsolescence | **(98,887)** | (7,398) |
| Allowance for inventory obsolescence | **–** | 6,341 |
| Net foreign exchange (gain) loss | **(170,714)** | 13,754 |
| Share based payments | **–** | 210,000 |
| Operating cash flows before working capital changes | **2,901,769** | 2,037,131 |
| Trade receivables | **(2,724,253)** | (5,657,960) |
| Other receivables | **280,083** | (275,386) |
| Inventories | **(81,480)** | (64,697) |
| Trade payables | **1,969,002** | 3,164,620 |
| Other payables | **(709,333)** | 755,138 |
| Cash generated from (used in) operations | **1,635,788** | (41,154) |
| Income tax paid | **(363,815)** | – |
| Interest received | **4,823** | 512 |
| Net cash from (used in) operating activities | **1,276,796** | (40,642) |
| **Investing activity** | | |
| Purchase of plant and equipment, representing net cash used in investing activity[a] | **(3,044,276)** | (767,409) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

YEAR ENDED 30 JUNE 2015

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| **Financing activities** | | |
| Restricted cash | – | 10,509 |
| Proceeds from incorporation of company | – | 1 |
| Proceeds from issuance of shares, net of issuance costs | **2,517,741** | 3,888,165 |
| Dividends paid | **(1,215,000)** | – |
| Interest paid | **(34,956)** | – |
| Proceeds from bank borrowings | **950,000** | – |
| Repayments of bank borrowings | **(150,000)** | – |
| Repayments of finance lease | **(137,808)** | – |
| Net cash from financing activities | **1,929,977** | 3,898,675 |
| Net increase in cash and cash equivalents | **162,497** | 3,090,624 |
| Cash and cash equivalents at beginning of the year | **4,531,440** | 1,454,570 |
| Effect of exchange rates changes on the balance of cash held in foreign currencies | **75,004** | (13,754) |
| **Cash and cash equivalents at end of the year (Note 6)** | **4,768,941** | 4,531,440 |
| Cash and cash equivalents in the Group's cash flow statements comprise the following: | | |
| Cash at bank and on hand | **3,268,941** | 4,531,440 |
| Fixed deposits | **1,500,000** | – |
| | **4,768,941** | 4,531,440 |

[a] In FY2015, the Group acquired plant and equipment with an aggregate cost of $3,682,827 (2014: $767,409) of which $638,551 (2014: $Nil) was acquired by way of finance leases. Cash payments of $3,044,276 (2014: $767,409) were made to purchase equipment relating to the Group's Alert Alarm Systems.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 1 GENERAL

The Company (Registration No. 201327639H) is incorporated in Singapore with its principal place of business and registered office at 71 Tech Park Crescent, Singapore 638072. The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 June 2014. The financial statements are expressed in Singapore dollars.

The principal activities of the company are that of business and management consultancy services, provision of services and trading.

The principal activities of the subsidiary corporations are disclosed in Note 13 to the financial statements.

Pursuant to the Group restructuring exercise ("Restructuring Exercise") to rationalise the structure of the Company and its subsidiary corporations (hereinafter collectively referred to as the "Group") in preparation for the proposed listing of the Company on the SGX-ST, the Company underwent the following in 2014:

(a) Incorporation of the Company

The Company was incorporated on 10 October 2013 in the Republic of Singapore in accordance with the Singapore Companies Act.

(b) Acquisition of IPS Securex Pte. Ltd.

Pursuant to a share exchange agreement dated 5 March 2014 entered into between the Company and IPS Technologies Pte. Ltd. ("IPST"), the Company acquired from IPST the entire issued and paid-up share capital of IPS Securex Pte. Ltd. ("IPSS"), comprising an aggregate of 2,200,000 ordinary shares for a total consideration of $3,000,000 based on the audited net tangible asset of IPSS as at 30 June 2013.

The purchase consideration was satisfied by the issue and allotment of an aggregate of 2,999,999 shares in the capital of the Company ("Consideration Shares") to IPST and its nominees, Kelvin Lim Ching Song and Ong Chin Hin, at an issue price of $1.00 per share, credited as fully paid-up and was arrived at on a willing buyer willing seller basis.

The issuance of the Consideration Shares to each of IPST and its nominees, Kelvin Lim Ching Song and Ong Chin Hin, were as follows:

| Number of Shares | Name of Shareholder |
|---|---|
| 2,219,999 | IPST, whose shareholders are Chan Tien Lok (65.0%) and Tan Suan Yap (35.0%) |
| 600,000 | Kelvin Lim Ching Song |
| 180,000 | Ong Chin Hin |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 1 GENERAL (CONTINUED)

The Group resulting from the above Restructuring Exercise was regarded as a continuing entity as the Group was ultimately controlled by the common shareholder both before and after the Restructuring Exercise. Accordingly, although the Company was only incorporated on 10 October 2013, the first set of financial statements of the Group was prepared using the principles of merger accounting for the years ended 30 June 2013 and 2014.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2015 were authorised for issue by the Board of Directors on 6 October 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 July 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments/improvements to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 115 *Revenue from Contracts with Customers*[2]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*[1]
- FRS 109 *Financial Instruments*[3]
- Improvements to Financial Reporting Standards (November 2014)[1]

[1] *Applies to annual periods beginning on or after January 1, 2016, with early application permitted.*

[2] *Applies to annual periods beginning on or after January 1, 2017, with early application permitted.*

[3] *Applies to annual periods beginning on or after January 1, 2018, with early application permitted.*

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs and amendments/improvements to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

***FRS 115 Revenue from Contracts with Customers***

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from the financial year beginning on or after 1 January 2017 with retrospective application required. Under this transition method, an entity shall apply this Standard retrospectively only to contracts that are not completed at the date of initial adoption. Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial adoption.

***Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative***

The amendments which will be effective 1 January 2016 have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments – An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes – Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to FRS 1 on the financial statements of the Group and of the Company in the period of initial adoption.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF COMBINATION – The financial statements incorporate the financial statements of the Company and its subsidiary corporations and had been prepared using the principles of merger accounting and on the assumption that the re-organisation of entities controlled by the same shareholders collectively has been effected as at the beginning of 2011.

Under merger accounting, the assets, liabilities, revenue, expenses and cash flows and all the entities within the Group are combined after making such adjustments as are necessary to achieve consistency of accounting policies. This manner of presentation reflects the economic enterprise, although the legal parent-subsidiary relationship between the Company and the subsidiary corporations was not established until 5 March 2014.

All significant intercompany transactions and balances between Group enterprises are eliminated on combination.

BASIS OF CONSOLIDATION – Acquisitions of subsidiary corporations and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary corporations. Control is achieved where the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation of a subsidiary corporation begins when the Company obtains control over the subsidiary corporation and ceases when the Company loses control of the subsidiary corporation. Specifically, income and expenses of a subsidiary corporation acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary corporation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary corporations is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary corporations to bring its accounting policies in line with the Group's accounting policies.

**Changes in the Group's ownership interests in existing subsidiary corporations**

Changes in the Group's ownership interests in subsidiary corporations that do not result in the Group losing control over the subsidiary corporations are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporations. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary corporation, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary corporation and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary corporation are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary corporation (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary corporation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investment in subsidiary corporations is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

**Financial assets**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

The classification of financial assets depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

*Trade and other receivables*

Trade and other receivables are measured at fair value on initial recognition, and subsequently at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term balances when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade or other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group will continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

*Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method except for short-term balances when the recognition of interest would be immaterial.

Interest-bearing bank loans are measured at fair value, and are subsequently measured at amortised cost, using effective interest rate method. Any difference between the proceeds (net of transaction costs) and settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the First-In-First-Out method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Work-in-progress projects comprise technical service work for customers. Cost is made up of direct materials, related parts and other costs requested for installation and commissioning of the equipment.

PLANT AND EQUIPMENT – Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of asset, other than equipment under construction, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Computers and office equipment | – | 2 to 3 years |
| Furniture, fixtures and office renovation | – | 3 to 5 years |
| Tools and equipment | – | 3 to 5 years |
| Motor vehicles | – | 5 to 10 years |
| Alert alarm systems | – | 7 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress relates to the construction of alert alarm systems and setting up of computer network are carried at cost, less any recognised impairment loss. Cost includes professional fees and depreciation of these assets commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRACT FOR PROVISION OF INTEGRATED SECURITY SOLUTIONS PROJECTS ("CONTRACT WORK-IN-PROGRESS") – Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the certified contract value of work performed to date relative to the estimated total contract value, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract work-in-progress is presented in the statement of financial position as amount due from contract customers within "trade receivables" for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed cost incurred plus recognised profits, then the difference is presented as amount due to contract customers within "trade payables" in the statement of financial position.

Progress billings not yet paid by the customers and retentions are included in the statement of financial position under "trade receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, classified under "trade and other payables".

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*The Group as lessee*

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recovered amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS – The Group issues share grants (equity-settled share-based payments) to certain directors.

Share grants are measured at fair value of the equity instruments at the date of grant and are recognised as expense in profit or loss.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Rendering of services*

Revenue from maintenance is recognised on a straight-line basis over the contract period.

Revenue from technical service works is recognised upon the completion of the services rendered and acceptance by the customers.

Revenue from contract to provide services is recognised by reference to the stage of completion and the outcome of such work can be reliably estimated, unless the service is short-term and revenue is recognised upon completion of the service (see above contract work-in-progress policy).

*Rental income*

The Group's policy for recognition of revenue from operating leases is described above.

*Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

GOVERNMENT GRANTS – Government grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiary corporations except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

MERGER RESERVE – Merger reserve represents the difference between the nominal amount of the share capital of the subsidiary corporations at the date on which it was acquired by the Company and the amount of the share capital issued as consideration for the acquisition.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand, bank balances, fixed deposits and bank borrowings that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (i) Critical judgements in applying the Group's accounting policies

The critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies, and that have the most significant effect on the amount recognised in the financial statements as follows:

(a) *Classification of rental income as operating lease*

The Group has entered into a supply, installation and maintenance arrangement for alert alarm systems with total sales contract value of $4,488,870 (2014: $3,688,888). Upon expiry of the contract, the company is responsible for dismantling of the alarm systems and the company will retain ownership of the alarm systems. At the inception of the agreement, management has assessed whether substantially all risks and rewards have been transferred to the lessee in accordance with FRS 17 Leases and concluded that this arrangement should be accounted for as an operating lease (Note 29).

### (ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Inventory valuation method*

Inventory is valued at the lower of the actual cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group reviews annually its inventory levels in order to identify slow-moving and obsolete items which have a market price that is lower than its carrying amount. The Group then estimates the amount of inventory loss as an allowance on inventory. The carrying amount of inventory is disclosed in Note 11 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (ii) Key sources of estimation uncertainty (Continued)

*(b)* *Contract work-in-progress*

The Group recognises contract revenue and contract costs using the percentage of completion method. The stage of completion is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of certified contract value of work performed to date relative to the estimate total contract value.

Significant assumptions are required in estimating the total contract costs which affect the contract cost recognised to-date based on the percentage of completion. Total contract revenue also includes estimation for variation works that are recoverable from customers. In making those estimates, the Group relies on past experience and the work of specialists.

In addition, the valuation of construction contracts can be subject to uncertainty in respect of variation works and estimation of future costs. The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 10 to the financial statements. The contract revenue recognised as revenue amounted to $1,524,966 (2014: $529,462).

*(c)* *Recoverability of trade receivables*

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss.

Specific credit risk management and the carrying amount of the trade receivable is further disclosed discussed in Note 4c(i) and Note 7 to the financial statements respectively.

The carrying amount of the trade receivables is disclosed in Note 7 to the financial statements.

*(d)* *Useful lives of plant and equipment*

As described in Note 2, the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. In 2015 and 2014, the useful lives of plant and equipment were estimated to be 2 years to 10 years.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (ii) Key sources of estimation uncertainty (Continued)

*(e) Income tax*

Significant judgement is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of the deferred tax and income tax expense are provided in Notes 18 and 25 to the financial statements.

*(f) Impairment of investment in subsidiary corporations*

The Company reviews its investment in subsidiary corporations amounting to $3,000,199 (2014: $3,000,199) as disclosed in Note 13 to determine whether there are any indications that those investments have suffered an impairment loss. In performing its review, the Group considers the economic outlooks relating to the entities as well as current financial performance and prospective financial information. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss, if any. No indication of impairment was identified as at 30 June 2015 and 2014.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Financial assets | | | | |
| Loans and receivables (including cash and cash equivalents) | **14,421,881** | 11,456,546 | **8,798,498** | 4,390,335 |
| Financial liabilities | | | | |
| Amortised cost | **7,636,515** | 5,020,181 | **506,017** | 667,838 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (b) Financial instruments subject of offsetting, enforceable master netting arrangements and similar arrangements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar agreements.

### (c) Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations. The key financial risks include credit risk, foreign currency risk and liquidity risk. The Group's risk management approach seeks to minimise the potential material adverse effects from these risk exposures. The management manages and monitors these exposures and ensures appropriate measures are implemented on a timely and effective manner.

*(i) Credit risk management*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables. The Group minimises credit risk via advance payments from customers, performance of credit risk assessment for customers and regular monitoring of customers' financial standing. No other financial assets carry a significant exposure to credit risk.

As at year end, the Group has concentration of credit risk on 5 (2014: 2) customers, which accounted for 94.5% (2014: 80.6%) of the total trade receivables. Of this:

- One customer accounts for 57% of the 94.5% and the balance is not past due as at end of the year.
- Another customer accounts for 6% of the 94.5%, and the balance is past due but not impaired.

In respect of the above, management has evaluated and is confident of the collections by taking into consideration, amongst other factors, ongoing working relationships with and backgrounds of the respective customers.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 respectively.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (c) Financial risk management objectives and policies (Continued)

(ii) *Foreign currency risk management*

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Singapore dollars against the United States dollars.

Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the Singapore dollars are as follows:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities | | Assets | | Liabilities | | Assets | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| United States dollars | **5,834,248** | 3,381,117 | **9,421,042** | 6,045,007 | **–** | 12,493 | **983,634** | 12,496 |

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the Singapore dollars were to strengthen/weaken by 10% against the United States dollars, profit will decrease/increase by:

Group

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Profit or loss | **358,679** | 266,389 |

Company

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Profit or loss | **98,363** | – |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (c) Financial risk management objectives and policies (Continued)

*(iii) Interest rate risk management*

The Group's and Company's interest rate risks relate primarily to its variable rate bank borrowings. The Group and Company currently do not use any derivative contracts to hedge its exposure to interest rate risk.

No sensitivity analysis is prepared as the Group and Company does not expect any material effect on its profit or loss arising from the effects of reasonably possible changes to interest rates on the interest-bearing financial instruments at the end of the reporting period.

*(iv) Liquidity risk management*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. To manage liquidity risk, the Group also monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions, if necessary. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated future interest attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (c) Financial risk management objectives and policies (Continued)

*(iv) Liquidity risk management (Continued)*

Non-derivative financial liabilities (Continued)

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | Adjustment | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| Group | | | | | |
| **2015** | | | | | |
| Non-interest bearing | – | 6,152,088 | – | – | 6,152,088 |
| Finance lease liability (fixed rate) | 2.50 | 221,160 | 294,871 | (15,288) | 500,743 |
| Variable interest rate instruments | 2.76 | 822,707 | – | (22,707) | 800,000 |
| Fixed interest rate instruments | 3.03 | 189,424 | – | (5,740) | 183,684 |
| Total | | 7,385,379 | 294,871 | (43,735) | 7,636,515 |
| **2014** | | | | | |
| Non-interest bearing | – | 4,687,229 | – | – | 4,687,229 |
| Fixed interest rate instruments | 2.21 | 340,477 | – | (7,525) | 332,952 |
| Total | | 5,027,706 | – | (7,525) | 5,020,181 |

Company

The financial liabilities of the Company are interest-free and repayable on demand or within one year from the end of the reporting period.

Non-derivative financial assets

All the financial assets of the Group and the Company in 2015 and 2014 are repayable on demand or due within 1 year from the end of the reporting period and interest-free except for fixed deposits which the effective interest rate is disclosed in Note 6 to the financial statements and long term trade receivables as disclosed in Note 7 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (c) Financial risk management objectives and policies (Continued)

*(v) Fair values of financial assets and financial liabilities*

The carrying amounts of cash and bank balances, trade and other receivables and trade and other payables and borrowings approximate their respective fair values due to the relatively short term maturity of these financial instruments, except for long term trade receivables as disclosed in Note 7 and finance lease as disclosed in Note 17 to the financial statements.

The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

### (d) Capital risk management policies and objectives

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group comprises only of issued capital, reserves and accumulated profits. The Group's overall strategy remains unchanged from 2014.

## 5 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS

The Company is a subsidiary of IPST incorporated in Singapore which is also the Company's ultimate holding company. The ultimate controlling party is Mr Chan Tien Lok whose interest in the Company is held through his shareholdings in IPST.

Prior to the Restructuring Exercise in 2014, IPST was a subsidiary of IPS Group Pte. Ltd. ("IPSG") whose shareholders are Chan Tien Lok (65%) and Tan Suan Yap (35%). Members of the IPSG's group excluding IPST's group entities are referred to in these financial statements as related parties. Related companies in these financial statements refer to members of the IPST's group of companies.

Some of the Group's transactions and arrangements are with related parties and related companies and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, repayable on demand and interest-free, unless otherwise stated.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 5 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

In addition to the information disclosed elsewhere in the financial statements, the Group entered into the following significant transactions:

| | 2015 | 2014 |
|---|---|---|
| | **$** | **$** |
| Ultimate holding company | | |
| Rental expense | **–** | 32,435 |
| Related parties | | |
| Perfex International Pte. Ltd. and IPS-Eurotec Asia Pacific Pte. Ltd.: | | |
| Sales | **(1,050)** | (300) |
| IPS Group Pte. Ltd.: | | |
| Other income | **(60,600)** | (45,450) |
| Accounting and administrative services | **81,600** | 112,200 |
| Rental expense | **64,529** | 35,241 |
| Warehouse rental | **16,800** | 10,596 |
| IPS-Lintec Asia Pacific Pte. Ltd.: | | |
| Warehouse operation services | **22,560** | 31,520 |
| Powersource International Pte. Ltd.: | | |
| Purchases | **350** | 6,708 |

**Compensation of directors and key management personnel**

The remuneration of directors and other members of key management are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Short-term employee benefits | **1,173,755** | 891,841 |
| Post-employment benefits | **50,755** | 47,465 |
| Share-based payments | **–** | 210,000 |
| Total compensation | **1,224,510** | 1,149,306 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 6 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Cash on hand | 6,592 | 6,322 | – | – |
| Cash at bank | 3,262,349 | 4,525,118 | 979,364 | 3,580,791 |
| Fixed deposits | 1,500,000 | – | 1,500,000 | – |
| Cash and cash equivalents in the statement of cash flows | 4,768,941 | 4,531,440 | 2,479,364 | 3,580,791 |

As at 30 June 2015, the fixed deposits bore an average interest of 0.93% (2014: Nil) per annum with a tenure of approximately 3 months (2014: Nil).

Significant cash and bank balances of the Group and Company that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| United States dollars | 1,034,094 | 266,107 | 26,980 | 12,496 |

## 7 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Trade receivables due from third parties | 9,129,565 | 6,278,729 |
| Accrued revenue | 230,546 | 137,063 |
| | 9,360,111 | 6,415,792 |
| Amount due from contract customers (Note 10) | 35,075 | 129,731 |
| | 9,395,186 | 6,545,523 |
| Analysed as: | | |
| Current | 8,054,844 | 5,330,591 |
| Non-current | 1,340,342 | 1,214,932 |
| | 9,395,186 | 6,545,523 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 7 TRADE RECEIVABLES (CONTINUED)

The credit period on sale of goods and rendering of services are 30 to 90 days (2014: average 30 days) terms. No interest is charged on the outstanding balance. They are recognised at their original invoice amounts which represent their fair values on initial recognition except for the long term trade receivables amounting to $1,340,342 (2014: $1,214,932) which is due by six pre-agreed instalments commencing from July 2016 to March 2019. These long term trade receivables are discounted based on cost of borrowing and carried at amortised cost as at end of reporting period. Management estimates that the carrying amount of long term trade receivables approximate its fair value as the effective interest rate approximates to the market rate.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience. Management has assessed that there is no allowance for doubtful debts required, in respect of trade receivables which are not past due as well as trade receivables which are past due but not impaired.

The table below is analysis of trade receivables as at end of each reporting period:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Not past due and not impaired | **8,494,681** | 4,609,841 |
| Past due but not impaired[i] | **865,430** | 1,805,951 |
| Total trade receivables, net | **9,360,111** | 6,415,792 |

[i] Aging of receivables that are past due but not impaired:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| <3 months | **319,733** | 1,788,117 |
| 3 months to 6 months | **545,697** | – |
| 6 months to 12 months | **–** | 613 |
| >12 months | **–** | 17,221 |
| | **865,430** | 1,805,951 |

Significant trade receivables of the Group that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| United States dollars | **7,299,261** | 5,586,233 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 8 OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Other receivables due from: | | | | |
| Third parties | **22,542** | 81,312 | **1,300** | – |
| Subsidiary corporation (Note 5) | **–** | – | **2,167,680** | 809,294 |
| | **22,542** | 81,312 | **2,168,980** | 809,294 |
| Deposits | **270,287** | 428,002 | **500** | 250 |
| Deferred expenditure | **131,033** | 169,234 | **–** | – |
| Prepayments | **92,414** | 116,511 | **18,061** | 1,500 |
| | **516,276** | 795,059 | **2,187,541** | 811,044 |

Deferred expenditure pertains to prepaid subcontract costs incurred for maintenance projects.

Other receivable due from third parties as at year end are within their cash collection cycles and are not past due.

Significant other receivables of the Group and Company that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| United States dollars | **1,087,687** | 192,667 | **956,654** | – |

## 9 LOAN TO A SUBSIDIARY CORPORATION

The loan to a subsidiary corporation is unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 10 CONTRACT WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Contracts work-in-progress at the end of the reporting period: | | |
| Amount due from contract customers included in trade receivables (Note 7) | **35,075** | 129,731 |
| Cumulative contract cost incurred and cumulative attributable profit recognised to date | **480,770** | 460,370 |
| Less: Cumulative progress billings | **(445,695)** | (330,639) |
| Net | **35,075** | 129,731 |
| Retention monies held by customer for contract work (unbilled) | **53,490** | 31,573 |

At 30 June 2015, retention monies held by customers for contract work of $53,490 (2014: $31,573) was included in trade receivables.

They have been classified as current because they are expected to be realised in the normal operating cycle.

## 11 INVENTORIES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Inventories, net of allowance for inventory obsolescence | **618,098** | 481,559 |
| Work-in-progress | **57,623** | 13,921 |
| | **675,721** | 495,480 |

Movement in the allowance for inventory obsolescence:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Balance at beginning of the year | **98,887** | 99,944 |
| Reversal of allowance for inventory obsolescence[1] | **(98,887)** | (7,398) |
| Provision during the year | **–** | 6,341 |
| Balance at end of the year | **–** | 98,887 |

[1] Reversal of allowance for inventory obsolescence was due to sales of goods to third party.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 12 PLANT AND EQUIPMENT

| | Computers and office equipment | Furniture, fixtures and office renovation | Tools and equipment | Motor vehicles | Alert alarm systems | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Group | | | | | | | |
| Cost: | | | | | | | |
| At 1 July 2013 | 283,730 | 32,760 | 109,618 | 62,707 | 1,367,498 | – | 1,856,313 |
| Additions | 73,192 | 14,150 | – | – | 162,138 | 517,929 | 767,409 |
| Disposals | (252,429) | (24,489) | (76,040) | – | – | – | (352,958) |
| At 30 June 2014 | 104,493 | 22,421 | 33,578 | 62,707 | 1,529,636 | 517,929 | 2,270,764 |
| Additions | 31,216 | 2,500 | 702 | 120,649 | – | 3,527,760 | 3,682,827 |
| Transfer | 58,095 | – | – | – | 3,968,023 | (4,026,118) | – |
| Disposals | – | (336) | (247) | – | – | – | (583) |
| At 30 June 2015 | 193,804 | 24,585 | 34,033 | 183,356 | 5,497,659 | 19,571 | 5,953,008 |
| Accumulated depreciation: | | | | | | | |
| At 1 July 2013 | 266,328 | 30,790 | 87,240 | 47,827 | 223,406 | – | 655,591 |
| Depreciation for the year | 25,700 | 3,070 | 6,648 | 5,760 | 191,951 | – | 233,129 |
| Disposals | (252,429) | (24,489) | (75,093) | – | – | – | (352,011) |
| At 30 June 2014 | 39,599 | 9,371 | 18,795 | 53,587 | 415,357 | – | 536,709 |
| Depreciation for the year | 56,005 | 3,560 | 6,208 | 23,438 | 523,900 | – | 613,111 |
| Disposals | – | (336) | (247) | – | – | – | (583) |
| At 30 June 2015 | 95,604 | 12,595 | 24,756 | 77,025 | 939,257 | – | 1,149,237 |
| Carrying amount: | | | | | | | |
| At 30 June 2015 | 98,200 | 11,990 | 9,277 | 106,331 | 4,558,402 | 19,571 | 4,803,771 |
| At 30 June 2014 | 64,894 | 13,050 | 14,783 | 9,120 | 1,114,279 | 517,929 | 1,734,055 |

As at 30 June 2015, plant and equipment of the Group with carrying amount of $592,940 (2014: $Nil) are under finance lease arrangements as disclosed in Note 17 to the financial statements. The assets are held as collateral.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 13 INVESTMENT IN SUBSIDIARY CORPORATIONS

| | Company 2015 | Company 2014 |
|---|---|---|
| | $ | $ |
| Unquoted equity shares, at cost | **3,000,199** | 3,000,199 |

Details of the Company's subsidiary corporations are as follows:

| Name of subsidiary corporation | Country of incorporation and operation | Proportion of ownership interest and voting power held 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| | | % | % | |
| IPS Securex Pte. Ltd.[a] | Singapore | **100** | 100 | Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services. |
| IPS Securex (B) Sdn Bhd[b] | Brunei | **100** | 100 | Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services. |

Notes:

[a] Audited by Deloitte & Touche LLP, Singapore.

[b] Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

## 14 BORROWINGS

| | Group 2015 | Group 2014 |
|---|---|---|
| | $ | $ |
| Secured – at amortised cost | | |
| Bank loans | **800,000** | – |

The Group's bank borrowings bear effective interest rates from 2.37% to 3.15% (2014: Nil) per annum. Repayments commenced on April 2015 and will continue until July 2016 but subject to payment on demand by the bank. The borrowings are secured against the corporate guarantee given by the Company.

At 30 June 2015, the Group had available $6,825,165 (2014: $1,967,048) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 15 TRADE PAYABLES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Third parties | **5,409,799** | 3,440,797 |

Trade payables are normally settled within 90 days (2014: 90 days) terms. No interest is charged on the trade payables except those under trade financing.

As at year end, the trade payables under trade financing amounted to $183,684 (2014: $332,952) with an interest rate at 3.03% (2014: 2.21%) per annum, are repayable within one year. In 2015, the trade financing facilities are secured by corporate guarantee given by the Company. In 2014, the trade financing facilities were secured by personal guarantees by the Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok and the other Controlling Shareholder, Tan Suan Yap.

Significant trade payables of the Group that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| United States dollars | **4,713,850** | 3,190,453 |

## 16 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Other payables: | | | | |
| Third parties | **160,430** | 432,835 | **34,109** | – |
| Subsidiary corporation (Note 5) | **–** | – | **86,634** | 367,705 |
| Related party (Note 5) | **–** | 105,551 | **–** | – |
| Loan due to subsidiary corporation (Note 5) | **–** | – | **–** | 22,493 |
| Accruals[a] | **765,543** | 1,040,998 | **385,274** | 277,640 |
| Advance from customers | **312,687** | 366,980 | **–** | – |
| | **1,238,660** | 1,946,364 | **506,017** | 667,838 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 16 OTHER PAYABLES (CONTINUED)

[a] The Group accrued $525,541 (2014: $713,473) in relation to employee-related expenses. The Company accrued $309,350 (2014: $210,559) in relation to employee-related expenses.

Significant other payables of the Group and Company that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| United States dollars | **1,120,398** | 190,664 | **–** | 12,493 |

## 17 FINANCE LEASES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Amounts payable under finance leases: | | | | |
| Within one year | **221,160** | – | **211,027** | – |
| In the second to fifth years inclusive | **294,871** | – | **289,716** | – |
| | **516,031** | – | **500,743** | – |
| Less: future finance charges | **(15,288)** | – | **–** | – |
| Present value of lease obligations | **500,743** | – | **500,743** | – |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(211,027)** | – |
| Amount due for settlement after 12 months | | | **289,716** | – |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 17 FINANCE LEASES (CONTINUED)

The average lease term is 3 years. For the year ended 30 June 2015, the average effective borrowing rate was 2.5% (2014: Nil).

Interest rates are fixed at contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

## 18 DEFERRED TAX LIABILITY (ASSET)

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting reports:

| | Group |
|---|---|
| | $ |
| At 1 July 2013 | (29,485) |
| Charge to profit or loss for the year (Note 25) | 61,454 |
| Underprovision in respect of prior years (Note 25) | 71,787 |
| At 30 June 2014 | 103,756 |
| Charge to profit or loss for the year (Note 25) | 210,770 |
| At 30 June 2015 | 314,526 |

The deferred tax liabilities and assets arise from the temporary differences of plant and equipment.

The following is the analysis of the deferred tax balances for statement of financial position purposes:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Deferred tax liability | **314,526** | 103,756 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 19 SHARE CAPITAL

| | Group | | | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | Number of ordinary shares | | $ | $ |
| Issued and paid up: | | | | |
| At beginning of the year | **75,000,000** | 2,200,000 | **6,888,165** | 2,200,000 |
| Issue of shares at incorporation of the Company | **–** | 1 | **–** | 1 |
| Adjustment pursuant to the Restructuring Exercise (Note 1) | **–** | (2,200,000) | **–** | (2,200,000) |
| Issue of shares pursuant to the Restructuring Exercise (Note 1) | **–** | 2,999,999 | **–** | 2,999,999 |
| | **75,000,000** | 3,000,000 | **6,888,165** | 3,000,000 |
| Sub-division of shares[1] | **–** | 63,000,000 | **–** | – |
| Issue of shares pursuant to the IPO, net of IPO expenses capitalised[2] | **–** | 12,000,000 | **–** | 3,888,165 |
| Issuance of shares pursuant to Share Placement, net of placement expenses capitalised[3] | **6,000,000** | – | **2,517,741** | – |
| Additional shares from Share Split[4] | **81,000,000** | – | **–** | – |
| At end of the year | **162,000,000** | 75,000,000 | **9,405,906** | 6,888,165 |

| | Company | | | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | Number of ordinary shares | | $ | $ |
| Issued and paid up: | | | | |
| At beginning of the year | **75,000,000** | – | **6,888,165** | – |
| Issue of shares on incorporation | **–** | 1 | **–** | 1 |
| Issue of shares pursuant to the Restructuring Exercise (Note 1) | **–** | 2,999,999 | **–** | 2,999,999 |
| | **75,000,000** | 3,000,000 | **6,888,165** | 3,000,000 |
| Sub-division of shares[1] | **–** | 63,000,000 | **–** | – |
| Issue of shares pursuant to the IPO, net of IPO expenses capitalised[2] | **–** | 12,000,000 | **–** | 3,888,165 |
| Issuance of shares pursuant to Share Placement, net of placement expenses capitalised[3] | **6,000,000** | – | **2,517,741** | – |
| Additional shares from Share Split[4] | **81,000,000** | – | **–** | – |
| At end of the year | **162,000,000** | 75,000,000 | **9,405,906** | 6,888,165 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 19 SHARE CAPITAL (CONTINUED)

Notes:

[1] At the Extraordinary General Meeting held on 29 May 2014, the shareholders approved the sub-division of each ordinary share in the existing issued and paid up share capital of the Company into 21 ordinary shares.

[2] On 30 June 2014, pursuant to the IPO, 12,000,000 ordinary shares were issued at $0.35 per share, which resulted to a net proceed of $3,888,165 after deducting share issuance expenses of $311,835.

Included in share issuance expenses are non-audit fees of $37,440 paid to the auditor of the Company for services rendered in connection with the IPO of the Company's shares.

[3] The Company undertook a share placement exercise (the "Share Placement") whereby 6,000,000 new ordinary shares were allotted and issued to Mr Goh Khoon Lim on 14 October 2014 at a subscription price of $0.42 per share, which resulted to a net proceed of $2,517,714 after deducting share issuance expenses of $2,259.

[4] On 5 December 2014, the Company announced a proposed share split of every one (1) existing share held by shareholders of the Company into two (2) shares (the "Share Split") which resulted in the Company having a share capital of 162,000,000 shares, the listing of which had commenced with effect from 9.00 a.m. on 22 January 2015. For comparative purposes, the weighted average number of shares for 2015 and 2014 has been adjusted for the Share Split (Note 27).

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 20 OTHER RESERVE

Other reserve pertains to deemed capital contribution by the Controlling Shareholders of the holding company for issuance of shares to directors as share based payment as part of the Restructuring Exercise in 2014. The holding company issued and granted 16.38 million shares, adjusted for subdivision of ordinary shares, to certain directors for their past services to the holding company and its former ultimate holding company's group of entities at no consideration, with no vesting conditions. Management estimated the fair value of shares granted by the Controlling Shareholders is based on the services provided by the directors to the holding company.

## 21 REVENUE

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Sales of goods | **6,028,687** | 7,932,829 |
| Rendering of services | **8,637,981** | 4,154,022 |
| Rental income | **997,612** | 358,817 |
| | **15,664,280** | 12,445,668 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 22 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Government grants and subsidies | **67,929** | 33,419 |
| Interest income | **35,823** | 512 |
| Reversal of allowance for inventory obsolescence | **98,887** | 7,398 |
| Charges to related party – IPS Group Pte. Ltd. (Note 5) | **60,600** | 45,450 |
| Forfeiture of customer's sales deposit[1] | **–** | 185,000 |
| Net foreign exchange gain | **268,970** | – |
| Others | **18,942** | 27,057 |
| | **551,151** | 298,836 |

Note:

[1] The forfeiture is recognised as other income as the management is of the opinion that there is no further performance obligation from the Group.

## 23 FINANCE COSTS

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Interest expense | | |
| Trade financing | **13,646** | 632 |
| Hire purchase | **9,632** | – |
| Term loans | **13,307** | – |
| | **36,585** | 632 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 24 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Directors' remuneration | | |
| – of the Company | **822,282** | 259,050 |
| – of a subsidiary corporation | **2,000** | 530,399 |
| Total directors' remuneration | **824,282** | 789,449 |
| Employee benefits expense (inclusive of directors' remuneration): | | |
| Share-based payments[3] | **–** | 210,000 |
| Defined contribution plans | **287,647** | 263,722 |
| Salaries and related expenses | **2,731,517** | 2,232,910 |
| Total employee benefits expense | **3,019,164** | 2,706,632 |
| Audit fees paid to auditors of the Company | **122,000** | 116,000 |
| Depreciation of plant and equipment[1] | **613,111** | 233,129 |
| Loss on disposal of plant and equipment | **–** | 947 |
| Inventories written off | **126** | 210 |
| Allowance for inventory obsolescence | **–** | 6,341 |
| Reversal of allowance for inventory obsolescence | **(98,887)** | (7,398) |
| Inventories recognised as an expenses in cost of sales | **8,712,956** | 5,069,607 |
| Net foreign exchange (gain) loss | **(268,970)** | 14,295 |
| Expenses relating to the Company's IPO[2] | **–** | 1,101,889 |
| Government grants and subsidies | **(67,929)** | (33,419) |
| Forfeiture of customer's sales deposit | **–** | (185,000) |

[1] Included in cost of sales and administrative expenses.

[2] This included non-audit fees of $Nil (2014: $196,560) paid to the auditors of the Company in connection with the Company's IPO.

[3] This was a one-off share grant relating to the financial effect of IPS Securex group arising from IPO.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 25 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Current tax expense | **143,938** | 357,103 |
| Overprovision for current tax of prior years | **(51,428)** | (24,461) |
| Deferred tax expense (Note 18) | **210,770** | 61,454 |
| Underprovision for deferred tax of prior years (Note 18) | **–** | 71,787 |
| | **303,280** | 465,883 |

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Profit before income tax | **2,557,371** | 1,580,028 |
| Income tax expense calculated at 17% (2014: 17%) | **434,753** | 268,605 |
| Effect of different tax rate of subsidiary operating in other jurisdiction | **–** | (282) |
| Effect of expenses that are not deductible | **88,189** | 261,194 |
| Effect of income that are not taxable | **(13)** | (136) |
| Effect of tax exemptions | **(114,350)** | (110,824) |
| Group relief[1] | **(57,940)** | – |
| Net (over)/under provision of tax in prior years | **(51,428)** | 47,326 |
| Others | **4,069** | – |
| Tax expense for the year | **303,280** | 465,883 |

[1] In 2015, $340,822 (2014: $Nil) of loss was transferred from the Company to its subsidiary corporation under the Group Relief scheme. This resulted in tax expense for the year to be reduced by $57,940 (2014: $Nil).

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 26 DIVIDENDS

During the financial year ended 30 June 2015, the Company declared and paid an interim tax exempt (one-tier) dividend of $0.0075 per ordinary share amounting to a total of $1,215,000 for the financial year ended 30 June 2015.

Subsequent to the financial year ended 30 June 2015, the Company proposed a final tax exempt (one-tier) dividend of $0.0025 per ordinary share amounting to a total of $1,215,000 for the financial year ended 30 June 2015.

The proposed dividend is subject to shareholders' approval during the forthcoming Annual General Meeting on 30 October 2015 and has not been included as a liability.

## 27 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the ordinary owners of the Company is based on the following data:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Earnings per ordinary share ("EPS") | | |
| Profit attributable to owners of the Company ($) | **2,254,091** | 1,114,145 |
| Weighted average number of ordinary shares after adjusting for share split[1] | **158,547,945** | 126,065,754 |
| EPS – Basic and diluted (cents) after adjusting for the share split[1] | **1.42** | 0.88 |
| (For illustrative purpose) | | |
| Weighted average number of ordinary shares | **79,273,973[2]** | 63,032,877[3] |
| EPS – Basic and diluted (cents) | **2.84** | 1.77 |

The basic and diluted earnings per share are the same for 2015 and 2014 as there were no potentially dilutive instruments as at 30 June 2015 and 30 June 2014.

[1] For comparative purposes, the weighted average number of ordinary shares for 2015 and 2014 has been adjusted for the Share Split. Weighted average number of ordinary shares after the Share Split (Note 19) may not be a product of the weighted average number of ordinary shares before the Share Split and the Share Split ratio due to rounding.

[2] The computation of the weighted average number of ordinary shares for 2015 is based on the post-IPO share capital of 75,000,000 shares and takes into account the 6,000,000 new ordinary shares allotted and issued to Mr Goh Khoon Lim on 14 October 2014 in connection with the Share Placement (Note 19).

[3] The computation of the weighted average number of ordinary shares for 2014 is based on the pre-IPO share capital of 63,000,000 shares and takes into account the 12,000,000 new ordinary shares allotted and issued in connection with the IPO and listing of the Company on 30 June 2014.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 28 SEGMENT INFORMATION

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the segments of the Group under FRS 108 *Operating Segments*.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristic, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, method of distribution, and if applicable, the nature of the regulatory environment.

For management purposes, the Group is currently organised into 2 operating segments:

(i) Security solutions business including sales of goods and contract for provision of integrated security solutions projects; and

(ii) Maintenance and leasing business including service, maintenance and rental income.

The Group is primarily engaged in the security solutions business, and maintenance and leasing business where each division distributes security products and provides integrated security solutions for the project undertaken, and provides service and maintenance services including preventive, corrective, comprehensive and ad-hoc maintenance services to the customers respectively.

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

| | Revenue | | Net profit | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Security solutions business[1] | **10,139,701** | 8,462,291 | **3,326,144** | 3,792,767 |
| Maintenance and leasing business[2] | **5,524,579** | 3,983,377 | **3,134,571** | 2,397,631 |
| | **15,664,280** | 12,445,668 | **6,460,715** | 6,190,398 |
| Other operating income | | | **551,151** | 106,438 |
| Administrative expenses | | | **(4,395,909)** | (4,694,637) |
| Other operating expenses | | | **(22,001)** | (21,539) |
| Finance costs | | | **(36,585)** | (632) |
| Profit before income tax | | | **2,557,371** | 1,580,028 |
| Income tax expense | | | **(303,280)** | (465,883) |
| Profit for the year | | | **2,254,091** | 1,114,145 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 28 SEGMENT INFORMATION (CONTINUED)

Notes:

[1] Included sales to related parties and former holding company of $430 (2014: $ Nil).

[2] Included sales to related parties and former holding company of $620 (2014: $300).

Segment revenue reported above represents revenue generated from external and internal customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of centralised other operating income and expenses, administrative expenses, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**Segment assets**

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Security solutions business | **8,744,129** | 5,725,688 |
| Maintenance and leasing business | **6,252,602** | 3,505,350 |
| Total segment assets | **14,996,731** | 9,231,038 |
| Unallocated assets | **5,163,164** | 4,870,519 |
| Total consolidated assets | **20,159,895** | 14,101,557 |

**Segment liabilities**

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Security solutions business | **4,741,782** | 3,026,093 |
| Maintenance and leasing business | **1,558,631** | 830,108 |
| Total segment liabilities | **6,300,413** | 3,856,201 |
| Unallocated liabilities | **2,055,824** | 1,998,530 |
| Total consolidated liabilities | **8,356,237** | 5,854,731 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 28 SEGMENT INFORMATION (CONTINUED)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers monitor the tangible and financial assets attributable to each segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Segment liabilities include all operating liabilities and consist primarily of trade payable, accruals and other payables.

### Other segment information

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Depreciation: | | |
| Maintenance and leasing business | **523,900** | 191,951 |
| Unallocated | **89,211** | 41,178 |
| | **613,111** | 233,129 |
| Additions to plant and equipment: | | |
| Maintenance and leasing business | **3,527,760** | 621,972 |
| Unallocated | **155,067** | 145,437 |
| | **3,682,827** | 767,409 |

### Geographical information

The Group's revenue and information about its segment assets (non-current assets excluding deferred tax assets) by geographical locations are detailed below:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Singapore | **6,017,609** | 5,294,405 | **4,803,771** | 1,734,055 |
| Indochina[1] | **2,626,099** | 162,208 | **–** | – |
| Rest of Southeast Asia[2] | **7,020,572** | 6,989,055 | **1,340,342** | 1,214,932 |
| Total | **15,664,280** | 12,445,668 | **6,144,113** | 2,948,987 |

[1] Includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

[2] Includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

Management evaluated and concluded that the information by individual country is not qualitatively material to the Group. Therefore, the information required by FRS 108 on the individual country is not disclosed.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 28 SEGMENT INFORMATION (CONTINUED)

**Information about major customers**

The Group's revenue derived from customers who individually amount for 10% or more of the Group revenue is detailed below:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Security solutions business | | |
| Customer A | **5,387,600** | – |
| Customer B | **2,218,121** | – |
| Customer C | **–** | 3,744,393 |
| Customer D | **–** | 2,537,011 |
| Customer E | **140,479** | 1,376,880 |
| Maintenance and leasing business | | |
| Customer F | **2,733,557** | 2,452,680 |

## 29 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group rents out its alert alarm systems under operating lease. The rental income earned during the financial year is disclosed in Note 21.

At the end of the reporting period, the Group's future lease income receivables are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Within one year | **1,480,788** | 392,802 |
| In the second to fifth year inclusive | **5,618,400** | 1,571,208 |
| More than five years | **1,896,877** | 157,592 |
| | **8,996,065** | 2,121,602 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 29 OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessee

In 2014, the Group had operating lease payments for provision of group services and office and warehouse space with IPS Group Pte. Ltd. and inventory storage management with IPS-Lintec Asia Pacific Pte. Ltd. The lease payments during the period are disclosed in Note 5. These are not renewed in 2015.

In 2015, the Group has operating lease payment for 2 copiers only.

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating lease, which fall due as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Within one year | **8,820** | 97,452 |
| In the second to fifth year inclusive | **28,665** | – |
| | **37,485** | 97,452 |

## 30 CAPITAL EXPENDITURE COMMITMENTS

Estimated amounts committed for future capital expenditure but not provided for in the financial statements at the end of the reporting period:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Construction for alert alarm systems | **–** | 1,228,255 |

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2015

## 31 COMPARATIVE FIGURES

The financial statements of the Group for the year ended 30 June 2014 were prepared based on merger accounting method as if the Group, who is ultimately controlled collectively by the same group of shareholders has been in existence prior to the Restructuring Exercise.

In 2014, the financial statements of the Company cover the financial period from 10 October 2013 (date of incorporation) to 30 June 2014. In 2015, the financial statements of the Company cover the financial year from 1 July 2014 to 30 June 2015.

## 32 EVENTS AFTER THE REPORTING PERIOD

On 31 August 2015, the Company proposed a share split of every one existing ordinary share in the capital of the Company held by the shareholders of the Company into three shares. Upon the completion of the Proposed Share Split, the Company shall have an issued and paid-up share capital of approximately S$9.4 million comprising 486,000,000 shares.

# STATISTICS OF SHAREHOLDINGS

AS AT 2 OCTOBER 2015

| | | |
|---|---|---|
| Issued and fully paid-up capital | – | S$9,405,906.00 |
| Class of Shares | – | Ordinary shares |
| No. of Shares | – | 486,000,000 |
| Voting Rights | – | One vote per share |

As at 2 October 2015, the Company does not have any treasury shares.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 100 – 1,000 | 2 | 0.69 | 600 | 0.00 |
| 1,001 – 10,000 | 39 | 13.45 | 221,900 | 0.05 |
| 10,001 – 1,000,000 | 227 | 78.27 | 36,744,000 | 7.56 |
| 1,000,001 AND ABOVE | 22 | 7.59 | 449,033,500 | 92.39 |
| **TOTAL** | **290** | **100.00** | **486,000,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | IPS TECHNOLOGIES PTE. LTD. | 248,820,000 | 51.20 |
| 2 | KELVIN LIM CHING SONG | 59,955,000 | 12.34 |
| 3 | GOH KHOON LIM | 36,000,000 | 7.41 |
| 4 | ONG CHIN HIN | 20,640,000 | 4.25 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 15,204,000 | 3.13 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 11,085,000 | 2.28 |
| 7 | DBS NOMINEES (PRIVATE) LIMITED | 9,291,600 | 1.91 |
| 8 | KGI FRASER SECURITIES PTE. LTD. | 8,325,000 | 1.71 |
| 9 | BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH | 7,103,100 | 1.46 |
| 10 | LOW SOW KUAN | 4,925,700 | 1.01 |
| 11 | DB NOMINEES (SINGAPORE) PTE LTD | 3,747,000 | 0.77 |
| 12 | PAUL YIP BOON TIONG | 3,450,000 | 0.71 |
| 13 | CITIBANK NOMINEES SINGAPORE PTE LTD | 3,400,800 | 0.70 |
| 14 | LEE SIEW HAN | 2,633,700 | 0.54 |
| 15 | TAN SOK HOON (CHEN SHUFEN) | 2,606,000 | 0.54 |
| 16 | RAFFLES NOMINEES (PTE) LIMITED | 2,436,200 | 0.50 |
| 17 | LIM KOK LENG | 2,370,000 | 0.49 |
| 18 | SIM YONG MUI | 1,950,000 | 0.40 |
| 19 | CHUA CHING LAM | 1,500,000 | 0.31 |
| 20 | ANGELA G TAN | 1,418,400 | 0.29 |
| | **TOTAL** | **446,861,500** | **91.95** |

# STATISTICS OF SHAREHOLDINGS

AS AT 2 OCTOBER 2015

## SUBSTANTIAL SHAREHOLDERS AS AT 2 OCTOBER 2015

(As recorded in the Register of Substantial Shareholders)

| | | Direct Interest | | Deemed Interests | |
|---|---|---|---|---|---|
| No. | Name | No. of shares held | % | No. of shares held | % |
| 1. | IPS Technologies Pte. Ltd. | 248,820,000 | 51.20 | – | – |
| 2. | Chan Tien Lok[1] | – | – | 248,820,000 | 51.20 |
| 3. | Tan Suan Yap[2] | – | – | 249,180,000 | 51.27 |
| 4. | Kelvin Lim Ching Song | 59,955,000 | 12.34 | – | – |
| 5. | Goh Khoon Lim | 36,000,000 | 7.41 | – | – |

**Notes:**

[1] Chan Tien Lok is deemed to be interested in the shares of the Company held by IPS Technologies Pte. Ltd. ("IPST") by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore as he owns 65.0% of the shareholding in IPST.

[2] Tan Suan Yap is deemed to be interested in (i) 248,820,000 shares held by IPST by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore as he owns 35.0% of the shareholdings in IPST and (ii) 360,000 shares held by his spouse, Wen Nanfei by virtue of Section 7 of the Companies Act, Chapter 50.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 2 October 2015, 24.46% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual – Section B: Rules of Catalist of the SGX-ST which requires 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of IPS Securex Holdings Limited (the "**Company**") will be held at Raffles Marina, Chartroom, 2nd Floor, 10 Tuas West Drive, Singapore 638404 on Friday, 30 October 2015 at 11.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend (tax exempt one-tier) of $0.0025 per ordinary share in respect of the financial year ended 30 June 2015. (2014: Nil) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$317,036 for the financial year ending 30 June 2016. (2015: S$312,818) **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Article 91 and Article 97 of the Articles of Association of the Company:

   Mr. Chan Tien Lok (Retiring under Article 91) **(Resolution 4)**
   Mr. Kelvin Lim Ching Song (Retiring under Article 91) **(Resolution 5)**
   Mr. Anthony Ang Meng Huat (Retiring under Article 97) **(Resolution 6)**

   [See Explanatory Note (i)]

5. To re-appoint Messrs Deloitte & Touche LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

7. **Authority to allot and issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Catalist Rules of the SGX-ST, the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

# NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

**PROVIDED ALWAYS** that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50.0%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 8)**

8. **Authority to issue shares under the IPS Securex Employee Share Option**

That pursuant to Section 161 of the Companies Act, Chapter 50, and the provisions of the IPS Securex Employee Share Option Scheme (the "**IPS Securex ESOS**") the Directors of the Company be authorised and empowered to offer and grant share options under the IPS Securex ESOS and to issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of share options granted by the Company under the IPS Securex ESOS, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the IPS Securex ESOS shall not exceed fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 9)**

9. **Authority to issue shares under the IPS Securex Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, and the provisions of the IPS Securex Performance Share Plan (the "**IPS Securex PSP**") the Directors of the Company be authorised and empowered to offer and grant share awards under the IPS Securex PSP and to issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of share awards under the IPS Securex PSP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 15 October 2015

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) Mr. Anthony Ang Meng Huat will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares), of which up to fifty per centum (50.0%) may be issued other than on a *pro rata* basis to existing shareholders of the Company for such purposes as they consider would be in the interest of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be calculated based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of Shares.

(iii) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the exercise of share options granted or to be granted under the IPS Securex ESOS provided that the aggregate additional Shares to be allotted and issued pursuant to the IPS Securex ESOS and IPS Securex PSP do not exceeding in total (for the entire duration of the IPS Securex ESOS and IPS Securex PSP) fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time.

(iv) Resolution 10 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the vesting of share awards under the IPS Securex PSP provided that the aggregate additional Shares to be allotted and issued pursuant to the IPS Securex PSP and IPS Securex ESOS do not exceeding in total (for the entire duration of the IPS Securex PSP and IPS Securex ESOS) fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time.

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 71 Tech Park Crescent Singapore 638072 not less than forty-eight (48) hours before the meeting.

# NOTICE OF ANNUAL GENERAL MEETING

**Personal Data Privacy**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**IPS SECUREX HOLDINGS LIMITED**
(Company Registration No. 201327639H)
(Incorporated In the Republic of Singapore on 10 October 2013)

**IMPORTANT:**
1. For investors who have used their CPF monies to buy shares of IPS Securex Holdings Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approval Nominees.

**ANNUAL GENERAL MEETING**

**PROXY FORM**

*(Please see notes overleaf before completing this Form)*

I/We, ____________________ (Name) NRIC/Passport No. ____________
of ________________________________________ (Address)
being *a member/members of **IPS SECUREX HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

*and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at Raffles Marina, Chartroom, 2nd Floor, 10 Tuas West Drive, Singapore 638404 on Friday, 30 October 2015 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)**

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| **Ordinary Businesses** | | | |
| 1 | Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015 | | |
| 2 | Declaration of final dividend (tax exempt one-tier) | | |
| 3 | Approval of Directors' fees amounting to S$317,036 for the financial year ending 30 June 2016 | | |
| 4 | Re-election of Mr. Chan Tien Lok as a Director | | |
| 5 | Re-election of Mr. Kelvin Lim Ching Song as a Director | | |
| 6 | Re-election of Mr. Anthony Ang Meng Huat as a Director | | |
| 7 | Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration | | |
| **Special Businesses** | | | |
| 8 | Authority to allot and issue new shares | | |
| 9 | Authority to issue shares pursuant to exercise of options under the IPS Securex Employee Share Option Scheme | | |
| 10 | Authority to issue shares under the IPS Securex Performance Share Plan | | |

Dated this ____________ day of ________________ 2015

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_______________________________
*Signature of Shareholder(s)*
*or, Common Seal of Corporate Shareholder*

*Delete where inapplicable
**IMPORTANT:** Please read notes overleaf

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100.0% of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 71 Tech Park Crescent Singapore 638072 not less than forty-eight (48) hours before the time fixed for holding the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the AGM as certified by the CDP to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 October 2015.