



IPS Securex Holdings Limited

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

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

Sponsor, Issue Manager and Placement Agent



(Company Registration No. 193500026Z)
 (Incorporated in the Republic of Singapore)

Offer Document Dated 20 June 2014

(Registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 20 June 2014)

Placement of 12,000,000 Placement Shares at S\$0.35 each, payable in full on application.

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER(S).

United Overseas Bank Limited (the "Sponsor", "Issue Manager" and/or "Placement Agent") has made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares (the "Shares") in the capital of IPS Securex Holdings Limited (the "Company") already issued, the new shares (the "Placement Shares") which are the subject of the Placement (as defined herein), the new Shares which may be issued under the IPS Securex Performance Share Plan (the "Performance Shares") and the new Shares which may be issued upon the exercise of the options which may be granted under the IPS Securex Employee Share Option Scheme (the "Option Shares") on Catalyst (as defined herein). Acceptance of applications will be conditional upon, *inter alia*, issue of the Placement Shares and the listing and quotation of all our existing issued Shares, the Placement Shares, the Performance Shares and the Option Shares. Monies paid in respect of any application accepted will be returned if the admission and listing do not proceed. The dealing in and quotation of the Shares will be in Singapore dollars.

Companies listed on Catalyst may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalyst without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalyst. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This offer of Placement Shares is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore (the "Authority").

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor and Issue Manager confirming that our Company is suitable to be listed and complies with the Listing Manual (as defined herein). The Authority and the SGX-ST have not, in any way, considered the merits of our existing issued Shares, the Placement Shares, the Performance Shares or the Option Shares issued or being issued, as the case may be, for investment. The registration of this Offer Document by the SGX-ST does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with.

We have not lodged this Offer Document in any other jurisdiction.

Investing in our Shares involves risks. Potential investors in our Company are advised to read the section entitled "Risk Factors" of this Offer Document and the rest of this Offer Document carefully and to seek professional advice if in doubt.

After the expiration of six months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.



CORPORATE PROFILE

We are one of Singapore's leading providers of security products and integrated security solutions to commercial entities and government bodies and agencies in Asia-Pacific.

Since 2000, we have been providing our 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. As at the Latest Practicable Date, we carry over 100 types of security products with distribution rights for some products spanning coverage of 10 countries in Asia-Pacific.

As a one-stop service provider that designs, supplies, installs, tests, commissions, maintains and leases security products and integrated security solutions, we have built an accomplished and thriving reputation in the security products and solutions industry. Our order books, as at the Latest Practicable Date, stand at S\$24.5 million.

OUR DISTRIBUTION RIGHTS



¹ Under our distribution agreement with Ultra Electronics – USSI, our 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
2010	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
2012	MOBOTIX AG Project of the Year 2012 in Singapore
2013	Top 100 Singapore Excellence Award (Platinum)
2013	Ultra Electronics – USSI Reseller of the Year 2013
2014	Asia Pacific Brands Award 2014

BUSINESS SEGMENTS

SECURITY SOLUTIONS BUSINESS

The security products we distribute can be generally classified as:

Homeland Security Products

- Deployed at seaports; airports; navy, police, military and air bases; customs border checkpoints; and military camps
- Customers include government bodies and agencies such as police and other law enforcement agencies

General Security Products

- Installed in schools; residential, industrial and commercial buildings; critical infrastructure facilities in townships such as train stations and roads; and in vehicles
- Customers include commercial entities, private consumers and government bodies and agencies



MAINTENANCE AND LEASING BUSINESS

We offer ad-hoc and/or regular extended maintenance support services of between one and five years to our customers, upon the expiry of the warranty period. We also provide long-term lease-and-maintenance services, in which we retain ownership of the security systems, for an agreed monthly fee, typically for a period of at least seven years.

A notable example of such lease-and-maintenance arrangements would be our two contracts with the Housing Development Board ("HDB"), of an aggregate value of approximately S\$6.3 million, to install, lease and maintain the Alert Alarm Systems in several blocks of residential housing for senior citizens. These systems enable senior citizens living in these residential housing to alert the relevant volunteer organisation in the event of emergencies.

COMPETITIVE STRENGTHS



Experienced and committed management team, with over 30 years of industry experience

An experienced team led by Executive Director and CEO, Kelvin Lim and supported by Executive Officers, including Lee Yeow Koon and Lee Chea Siang, who have collectively over 30 years of industry experience.

Close relationships with suppliers and dealers offer first-mover advantage

We have longstanding relationships with reputable suppliers that allow us to keep abreast of new technologies, product development and market trends. Our close relationships with our dealers drove regional revenue to account for more than 40% of total revenue during the Period Under Review.

Established track record of over 13 years

We have provided security products, integrated security solutions and maintenance support services to various government bodies and agencies, such as the Alert Alarm Systems for HDB; and to prominent landmarks such as One Raffles Place and Hotel Grand Chancellor in Singapore.

One-stop security solutions provider for customers across Asia-Pacific

Our one-stop integrated service covers a wide spectrum of services from the supply of our broad range of security products, the design, installation, testing and commissioning of integrated security solutions, to the provision of maintenance support and leasing services to our customers.

Commitment to quality service

Besides being certified ISO 9001:2008 compliant, we run a 24/7 hotline service for our customers on both technical and/or operational issues. We also conduct formal training sessions for our customers and dealers to familiarise them with the proper use of the security products and integrated security solutions. In recognition of our service quality, we have won various awards and certifications.

PROSPECTS

Heightened security concerns due to terrorism and political and social unrests support security-related expenditure.

Robust military demand for security systems with projected increase in defence spending in Singapore, Vietnam, Malaysia and Brunei.

Regional economic growth and urbanisation in Asia-Pacific have encouraged investments in public infrastructure, creating a demand for the latest security products and solutions.



ORDER BOOK

As at the Latest Practicable Date, our order book for the Security Solutions Business was approximately S\$6.7 million, while that of the Maintenance and Leasing Business was S\$17.8 million.

BUSINESS STRATEGIES AND FUTURE PLANS

We intend to build up our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific so as to establish long-term relationships with our customers and a source of recurring income.

We will continue to broaden our range of security products and integrated security solutions so as to enable us to offer the most relevant security products and integrated security solutions to our customers.

We will undertake larger projects and increase our customer base by expanding our network of dealers within and outside of our Distribution Markets; and actively undertake sales and marketing activities.

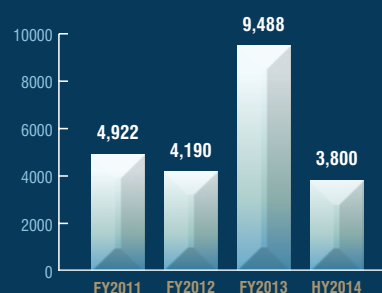
We will grow our business through acquisitions, joint ventures and/or strategic alliances that will give us access to new technologies, new markets, customers and businesses.

We will develop our business by entering into co-manufacturing agreements with our major suppliers. However, there are no immediate plans to engage in any co-manufacturing activities and any intention to do so will depend on various factors such as market demand, profitability, capital expenditure as well as availability of financing and manpower.

FINANCIAL HIGHLIGHTS

Financial Year ended 30 June

REVENUE (S\$'000)

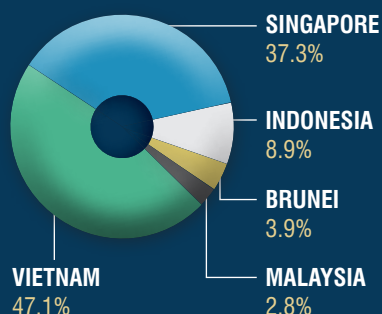


REVENUE BY BUSINESS SEGMENTS (S\$'000)

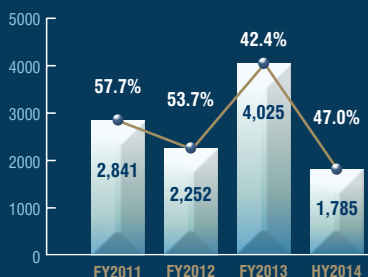
■ Security Solutions / ■ Maintenance and Leasing



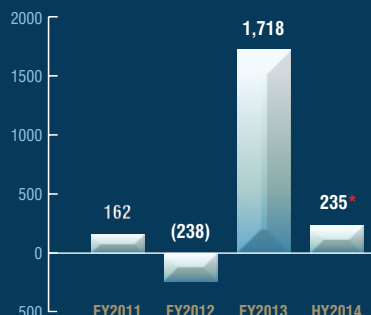
GEOGRAPHICAL BREAKDOWN OF REVENUE IN FY2013



GROSS PROFIT (S\$'000)



NET PROFIT (S\$'000)



* After accounting for expenses of S\$401,000 incurred in HY2014 in connection with the listing of our Company on Catalyst.

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Chan Tien Lok (<i>Non-Executive Chairman</i>) Kelvin Lim (<i>Executive Director and Chief Executive Officer</i>) Ong Chin Hin (<i>Non-Executive Director</i>) Ong Beng Chye (<i>Lead Independent Director</i>) Peter Boo (<i>Independent Director</i>) Tan Peng Chin (<i>Independent Director</i>)
COMPANY SECRETARY	:	Shirley Tan Sey Liy (ACIS)
REGISTERED OFFICE	:	71 Tech Park Crescent Singapore 638072
SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown 2, #32-00 Singapore 068809 Partner-in-charge: Tay Hwee Ling (A member of the Institute of Singapore Chartered Accountants)
SOLICITORS TO THE PLACEMENT AND LEGAL ADVISERS TO OUR COMPANY ON SINGAPORE LAW	:	RHTLaw Taylor Wessing LLP Six Battery Road, #10-01 Singapore 049909
LEGAL ADVISERS TO OUR COMPANY ON BRUNEI LAW	:	Ridzlan Lim, Advocates & Solicitors Units 6 and 7, Block L Bangunan Pengkalan Gadong Jalan Tungku/Batu Bersurat Gadong BE3519 Brunei Darussalam
SOLICITORS TO OUR SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT	:	Colin Ng & Partners LLP 36 Carpenter Street Singapore 059915
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place Singapore Land Tower, #32-01 Singapore 048623

CORPORATE INFORMATION

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

- DBS Bank Ltd.
12 Marina Boulevard, Level 46
DBS Asia Central @ MBFC Tower 3
Singapore 018982

RECEIVING BANK :

- United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

DEFINITIONS

In this Offer Document and the accompanying Application Forms, the following definitions apply throughout where the context so admits:

Companies and Persons within our Group

“Company”	:	IPS Securex Holdings Limited
“Group”	:	Our Company and our subsidiaries as at the date of this Offer Document
“IPS Brunei”	:	IPS Securex (B) Sdn Bhd
“IPS Securex”	:	IPS Securex Pte. Ltd. (formerly known as IPS Marketing Resources (Singapore) Pte Ltd)
“Kelvin Lim”	:	Kelvin Lim Ching Song
“Lee Chea Siang”	:	Lee Chea Siang @ Shu Loong
“Lee Yeow Koon”	:	Lee Yeow Koon (Li Yaokun)
“Peter Boo”	:	Peter Boo Song Heng
“Tan Peng Chin”	:	Tan Peng Chin Joseph Haydn

Our Suppliers

“Biosensor Applications”	:	Biosensor Applications Sweden AB, a Swedish company located in Solna, Stockholm, that develops, markets and manufactures drug and explosive detection equipment
“Iscon Imaging”	:	Iscon Imaging, Inc., a manufacturer, based in the United States of America, of patented infrared imaging systems for the global security market
“Leidos”	:	Leidos, Inc., previously known as Science Applications International Corporation, a US Fortune 500 company that provides services and products to the national security, engineering, and health industries
“Robotix”	:	MOBOTIX AG, a German supplier of digital high-resolution and network-based digital video security systems
“primion Technology”	:	primion Technology AG, a German supplier of complete solutions in the areas of security systems, access control, time and attendance, as well as video surveillance

DEFINITIONS

“Spiraltech” : Spiraltech Pte Ltd, a Singapore-based company that specialises in mega-pixels network cameras solution, 360-degree immersive video surveillance solution, complete enterprise video and alarm management solution, video-over internet protocol solution, network video recording, and codec solution and wireless solution

“Ultra Electronics – USSI” : UnderSea Sensor Systems, Inc. (“**USSI**”), a company located in the United States of America that designs, develops and produces advanced electronics, electro-mechanical, and hydro-acoustic sensor and sensor systems for military, homeland security, and commercial applications

Our Customers and End Users

“HDB” : The Housing and Development Board of Singapore

“Hotel Grand Chancellor, Singapore” : Hotel Grand Chancellor, Singapore, 3 Belilios Road, Singapore 219924

“One Raffles Place” : One Raffles Place, Singapore 048616

Other Corporations and Organisations

“ACRA” : Accounting and Corporate Regulatory Authority

“ASEAN” : Association of Southeast Asian Nations

“Authority” : The Monetary Authority of Singapore

“CDP” or “Depository” : The Central Depository (Pte) Limited

“CPF” : The Central Provident Fund

“CSH” : Cathay Strategic Holdings Ltd.

“IPSE” : IPS-Eurotec Asia Pacific Pte. Ltd. (formerly known as IPS Machinery (Singapore) Pte Ltd)

“IPSG” : IPS Group Pte. Ltd. (formerly known as International Project Supplies (Singapore) Pte Ltd)

“IPSL” : IPS-Lintec Asia Pacific Pte. Ltd. (formerly known as IPS Timber Industries (Singapore) Pte Ltd)

“IPSPH” : IPS Perfex Holdings Pte. Ltd. (formerly known as IPS Security and Aviation Pte. Ltd.)

“IPSSAS” : IPS SAS Pty. Ltd.

DEFINITIONS

“IPSSPL”	:	IPS Securex Pty. Ltd.
“IPST”	:	IPS Technologies Pte. Ltd. (formerly known as IPS Engineering Pte Ltd)
“IPSTHK”	:	IPS Technologies (HK) Ltd.
“IRAS”	:	The Inland Revenue Authority of Singapore
“MOM”	:	The Ministry of Manpower of Singapore
“NTUC”	:	The National Trades Union Congress
“PSI”	:	Powersource International Pte. Ltd.
“SCCS”	:	Securities Clearing and Computer Services (Pte) Limited
“SDC”	:	Security Distribution and Consultancy Pte. Ltd.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“SRC”	:	Singapore Radiation Centre Pte. Ltd.
“Sponsor”, “Sponsor and Issue Manager”, “Placement Agent”, “Sponsor, Issue Manager and Placement Agent”, “UOB”, “Receiving Bank” or “Principal Banker”	:	United Overseas Bank Limited

General

“Act” or “Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Application Forms”	:	The printed application forms to be used for the purpose of the Placement and which form part of this Offer Document
“Application List”	:	The list of applications for subscription of the Placement Shares
“Articles” or “Articles of Association”	:	The articles of association of our Company

DEFINITIONS

“Associate”	:	<ul style="list-style-type: none">(i) in relation to an entity, means:<ul style="list-style-type: none">(a) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or(b) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity of the controlling shareholder or controlling interest-holder, as the case may be, of the entity; and(ii) in relation to an individual, means:<ul style="list-style-type: none">(a) his immediate family;(b) a trustee of any trust of which the individual or any member of the individual’s immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or(c) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30.0% of the total votes attached to all voting shares
“Audit Committee”	:	The audit committee of our Company as at the date of this Offer Document, unless otherwise stated
“Award”	:	An award of Shares granted pursuant to the rules of the PSP
“Board” or “Board of Directors”	:	The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated
“CAGR”	:	Compounded annual growth rate
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“CEO”	:	Chief Executive Officer

DEFINITIONS

“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none">(i) holds directly or indirectly 15.0% or more of the votes attached to the voting shares in our Company; or(ii) in fact exercises control over our Company
“Directors”	:	The directors of our Company as at the date of this Offer Document, unless otherwise stated
“Distribution Markets”	:	The countries in which our Group has the right to distribute our suppliers’ products in, including Singapore, Brunei, Vietnam, Indonesia, Thailand and Malaysia
“Employees”	:	The employees of our Group, not including our Directors
“entity”	:	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
“EPS”	:	Earnings per Share
“ESOS”	:	The IPS Securex Employee Share Option Scheme, adopted by our Company on 29 May 2014, the rules of which are set out in Appendix G of this Offer Document
“Executive Directors”	:	The executive Directors of our Company as at the date of this Offer Document, unless otherwise stated
“Executive Officers”	:	The executive officers of our Company as at the date of this Offer Document, unless otherwise stated
“FY” or “Financial Year”	:	Financial year ended or ending 30 June, as the case may be
“General Security Products”	:	The range of security products supplied to and 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
“GST”	:	Goods and services tax
“HDB Project”	:	The projects entered into between IPS Securex and HDB in 2011 and 2014 through lease-and-maintenance contracts with tenures of at least seven years for the installation, leasing and maintenance of the Alert Alarm Systems owned by IPS Securex for several blocks of residential housing across Singapore for senior citizens

DEFINITIONS

“Homeland Security Products”	:	The range of security products supplied to government bodies and agencies such as police and other law enforcement agencies and which may be deployed offsite or at seaports, airports, navy, police, military and air bases, customs border checkpoints, and military camps
“HY” or “Half Year”	:	Financial period of the six months ended or ending 31 December, as the case may be
“Independent Directors”	:	The independent Directors of our Company as at the date of this Offer Document, unless otherwise stated
“IT”	:	Information Technology
“ISO”	:	International Organisation for Standardisation, an independent, non-governmental organisation which develops voluntary international standards covering aspects of technology and business
“Latest Practicable Date”	:	19 May 2014, being the latest practicable date prior to the date of lodgement of this Offer Document with the SGX-ST acting as agent on behalf of the Authority
“Listing Date”	:	The date on which our Shares are admitted to the Official List of the Catalist
“Listing Manual”	:	Section B of the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Maintenance and Leasing Business”	:	The Group’s business segment comprising the provision of regular extended and/or ad-hoc technical and maintenance support services and leasing services for the security products and solutions provided to customers
“Management and Sponsorship Agreement”	:	The management and sponsorship agreement dated 20 June 2014 entered into between our Company and UOB as the Sponsor and Issue Manager pursuant to which, <i>inter alia</i> , UOB agreed to manage and sponsor the Placement, details as described in the section entitled “ Management and Placement Arrangements ” of this Offer Document
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“NAV”	:	Net asset value
“Nominating Committee”	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated

DEFINITIONS

“Non-Executive Director”	:	The non-executive Director of our Company as at the date of this Offer Document, unless otherwise stated
“NTA”	:	Net tangible asset
“Offer Document”	:	This offer document dated 20 June 2014 issued by our Company in respect of the Placement
“Official List”	:	The list of issuers maintained by the SGX-ST in relation to the Catalist
“Option(s)”	:	The share option(s) which may be granted pursuant to the ESOS
“Option Shares”	:	The new Shares which may be allotted and issued upon the exercise of the Options granted under the ESOS
“OUB Project”	:	The project entered into in 2010 between: (i) IPS Securex and OUB Centre Limited for the design, supply, installation, testing and commissioning of the Surveillance and Monitoring Systems and Access Control Systems for OUB Centre Tower 1 at One Raffles Place; and (ii) IPS Securex and Sato Kogyo (S) Pte Ltd and Hitachi Plant Technologies, Ltd. JV for the design, supply, installation, testing and commissioning of the Surveillance and Monitoring Systems and Access Control Systems for OUB Centre Tower 2 at One Raffles Place
“PAT”	:	Profit after income tax
“PBT”	:	Profit before income tax
“PER”	:	Price earnings ratio
“Performance Shares”	:	The new Shares which may be allotted and issued from time to time pursuant to the vesting of the Awards granted under the PSP
“Period Under Review”	:	The period which comprises FY2011, FY2012, FY2013 and HY2014
“Placement”	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company for subscription at the Placement Price, subject to and on the terms and conditions of this Offer Document

DEFINITIONS

“Placement Agreement”	:	The placement agreement dated 20 June 2014 entered into between our Company and UOB as the Placement Agent pursuant to which, <i>inter alia</i> , UOB agreed to subscribe and/or procure subscribers for the Placement Shares, details as described in the section entitled “ Management and Placement Arrangements ” of this Offer Document
“Placement Price”	:	S\$0.35 for each Placement Share
“Placement Shares”	:	The 12,000,000 new Shares which are the subject of the Placement
“PSP”	:	The IPS Securex Performance Share Plan, adopted by our Company on 29 May 2014, the rules of which are set out in Appendix F of this Offer Document
“Relevant Period”	:	Period Under Review and up to the Latest Practicable Date
“Remuneration Committee”	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
“Restructuring Exercise”	:	The restructuring exercise undertaken by our Group prior to the Placement, as described in the section entitled “ Restructuring Exercise ” of this Offer Document
“Securities Account”	:	The securities account maintained by a depositor with CDP, but does not include a securities sub-account
“Security Solutions Business”	:	The Group’s business segment comprising the distribution of security products from suppliers, and the design, supply, installation, testing and commissioning of integrated security solutions
“Service Agreement”	:	The service agreement entered between our Executive Director and CEO, Kelvin Lim, and our Company as described in the section entitled “ Directors, Management and Staff – Service Agreement ” of this Offer Document
“SFA” or “Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SFR”	:	Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as amended, modified or supplemented from time to time
“SGXNET”	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies

DEFINITIONS

“Share(s)”	:	Ordinary share(s) in the capital of our Company
“Shareholder(s)”	:	Registered holder(s) of our Share(s), except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with our Shares
“Share Split”	:	The sub-division of 3,000,000 Shares into 63,000,000 Shares as described in the section entitled “ Share Capital ” of this Offer Document
“SIT Project”	:	The project entered into between IPS Securex and Spiraltech in 2012 for the supply of Surveillance and Monitoring Systems to Honeywell Pte Ltd. for installation at the grounds of the Singapore Institute of Technology and all the five polytechnics in Singapore
“Substantial Shareholder”	:	A person who has an interest or interests in Shares, the nominal amount of which is not less than 5.0% of the aggregate of the nominal amount of all the voting shares of our Company

Currencies, Units and Others

“Brunei Dollar” or “BND”	:	Brunei dollar
“Malaysian Ringgit” or “MYR”	:	Malaysian ringgit
“Singapore Dollars” or “S\$” and “cents”	:	Singapore dollars and cents, respectively
“sq ft”	:	Square feet
“United States Dollars” or “US\$”	:	United States dollar
“%” or “per cent”	:	Per centum or percentage

The expressions “our”, “ourselves”, “us”, “we” or “our Group” or other grammatical variations thereof shall, unless otherwise stated, refer to our Company and/or any member of our Group, as the context requires.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The expressions “associated company”, “associated entity”, “related corporation”, “related entity”, “entity at risk”, “interested person”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the meanings ascribed to them respectively in the Fourth Schedule of the SFR.

DEFINITIONS

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any discrepancies between the amounts listed and their totals in tables included herein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Any reference in this Offer Document and the Application Forms to any statute or enactment is a reference to that statute or enactment as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Act, the SFA, the SFR or any statutory modification thereof and used in this Offer Document and the Application Forms shall, where applicable or the context so requires, have the meaning ascribed to it under the Act, the SFA, the SFR or any statutory modification thereof, as the case may be.

Any reference in this Offer Document and the Application Forms to Shares being allotted to an applicant includes allotment or allocation to CDP for the account of that applicant.

Any reference to a time of day and date in this Offer Document and the Application Forms shall be a reference to Singapore time and date respectively, unless otherwise stated.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides an explanation of certain terms and abbreviations used in this Offer Document. The terms and abbreviations and their assigned meanings should not be treated as being definitive of their meanings, and may not correspond to standard industry meanings or common meanings or usage, as the case may be, of these terms and abbreviations.

“Access Control System”	:	A system used to manage entry into specified areas
“Acoustic Hailing System”	:	Highly-directional speakers designed to focus sound and voice in a narrow beam and transmit over long distances
“Alert Alarm System”	:	An emergency communication system designed to assist in alerting somebody through a third party messaging platform
“Audio Video Intercom System”	:	An inter-communication system which may also feature visual imaging between communicating parties
“Baggage Scanning System”	:	A scanning system for inspecting and screening baggage and parcels
“Biometric Identification System”	:	The use of biometrics (identification of humans by their characteristics or traits) as a form of identification and access control
“Border Security Equipment”	:	The suite of products, technologies and solutions used by countries for securing their borders
“Car Park System”	:	A control system that provides parking capacity within a designated parking area
“Data Migration”	:	The process of transferring data between storage types, formats, or computer systems
“Explosive Detection System”	:	An inspection process used to determine whether an object contains explosive material
“Lightning Warning System”	:	An electronic system which continuously monitors local electric field for an area and automatically triggers visual and audible alarms when there is potential for lightning
“Mass Notification System”	:	A system designed to support the communication of emergency messages to people
“Microsoft Dynamics – Navision”	:	An Enterprise Resource Planning System designed by Microsoft Corporation to simplify and streamline business processes across the entire organisation to help company gain better control, increase margins, and drive profitability growth

GLOSSARY OF TECHNICAL TERMS

“Narcotics and Drugs Detection System”	:	A platform for detecting and identifying traces of narcotics and drugs
“OCR Solution”	:	Optical character recognition, which is the mechanical or electronic conversion of scanned images of handwritten, typewritten or printed text into machine-encoded text
“PA System”	:	Public address system
“Personnel Scanning System”	:	Equipment designed to identify and quantify the presence of contraband on personnel
“Portable Non-Intrusive Inspection System”	:	A non-intrusive inspection system designed to identify and quantify the presence of contraband at ports of entry, on personnel, within vehicles, and onboard cargo in ships and aircraft
“Port Security Equipment”	:	Equipment designed to identify and quantify contrabands at ports of entry
“Radiation Detection and/or Identification System”	:	Instruments designed to detect and identify radioactive materials and ionising radiation
“Software Development”	:	The development of a software product, encompassing research, new development, prototyping, modification, re-use, re-engineering, maintenance and other activities resulting in the software product
“VACIS”	:	Vehicle and Cargo Inspection Scanning System designed for inspecting and identifying goods in transportation systems
“Video Surveillance System”	:	A system for monitoring activity in an area through the capturing of video images
“Video Torchlight Equipment”	:	Handheld torchlight with video surveillance and recording capabilities

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “anticipates”, “believes”, “could”, “estimates”, “expects”, “intends”, “seeks”, “projects”, “may”, “plans”, “will” and “would” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements.

These forward-looking statements, including, without limitation, statements as to:

- (i) our revenue and profitability;
- (ii) projections of capital expenditures in general and other financial items;
- (iii) expected growth in demand;
- (iv) expected industry trends;
- (v) anticipated expansion plans and whether we can successfully execute, manage and/or implement them;
- (vi) anticipated commencement and completion date for projects; and
- (vii) other matters discussed in this Offer Document regarding matters that are not historical facts,

are only predictions. Forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These forward-looking statements are based on our beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and hence the forward-looking statements based on these assumptions could be incorrect.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, the following:

- (i) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct business or expect to conduct business;
- (ii) changes in currency exchange rates or interest rates;
- (iii) our anticipated growth strategies and expected internal growth;
- (iv) changes in the availability and prices of materials we use or need for our business;
- (v) changes in customer demand or preferences;
- (vi) changes in competitive conditions and our ability to compete under these conditions;
- (vii) changes in our future capital needs and the availability of financing and capital to fund these needs;

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

- (viii) changes in government regulations and their interpretation, including tax laws, property laws and foreign investment laws;
- (ix) changes relating to and our relations with the Controlling Shareholders;
- (x) other factors beyond our control; and
- (xi) other factors that are described under the section entitled “**Risk Factors**” of this Offer Document.

Some of these factors are discussed in greater detail in this Offer Document, in particular, but not limited to the discussions under the sections entitled “**Risk Factors**”, “**Dividend Policy**”, “**General Information on our Group – Business Overview**”, “**Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans**” and “**Management’s Discussion and Analysis of the Results of Operations and Financial Condition**” of this Offer Document. All forward-looking statements made by or attributable to us, our Directors, our Executive Officers or our Employees acting on our behalf, the Sponsor, Issue Manager and Placement Agent and/or persons acting on our behalf, contained in this Offer Document are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as of the date of this Offer Document.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer Document. Neither our Company, the Sponsor, Issue Manager and Placement Agent nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We and the Sponsor, Issue Manager and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect further developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA, the SFR and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, we may lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority if, after this Offer Document is registered but prior to the close of the Placement, we become aware of:

- (i) a false or misleading statement or matter in this Offer Document;
- (ii) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA, the SFR or the Listing Manual; or
- (iii) a new circumstance which has arisen since this Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by Section 243 of the SFA, the SFR or the Listing Manual to be included in this Offer Document, if it had arisen before this Offer Document was lodged and which is materially adverse from the point of view of an investor.

We are also subject to the provisions of the Listing Manual regarding corporate disclosure upon our admission to the Official List of the Catalist.

DETAILS OF THE PLACEMENT

SELLING RESTRICTIONS

Singapore

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by our Company and the Sponsor, Issue Manager and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to our Company and the Sponsor, Issue Manager and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

By accepting this document, you agree to be bound by the foregoing limitations.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) distributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose.

LISTING ON THE CATALIST

The Sponsor and Issue Manager have on our behalf made an application to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued, the Placement Shares, the Performance Shares (which may be issued pursuant to the PSP) and the Option Shares (which may be issued pursuant to the ESOS) on Catalist. Such permission will be granted when our Company has been admitted to Catalist. Our acceptance of applications will be conditional upon, *inter alia*, the issue of the Placement Shares and permission being granted by the SGX-ST to deal in, and for quotation of, all our existing issued Shares, the Placement Shares, the Performance Shares and the Option Shares on Catalist. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if completion of the Placement does not occur or the said permission is not granted or for any reason (including where a Stop Order (as defined below) is issued) and you will not have any claims whatsoever against us and the Sponsor, Issue Manager and Placement Agent. After expiration of six months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document, and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issuance or sale of any of our Shares, on the basis of this Offer Document.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid

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market in the shares or units of shares traded on Catalist. The applicant should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with their professional adviser(s).

Acceptance of applications will be conditional upon, *inter alia*, the issue of the Placement Shares and permission being granted by the SGX-ST to deal in, and for quotation of, all our existing Shares as well as the Placement Shares on the Official List of the Catalist. If such permission is not granted or for any reasons or where the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority issues a Stop Order, monies paid in respect of any application accepted will be returned to the applicant at the applicant's own risk, without interest or any share of revenue or other benefit arising therefrom, and the applicant will not have any claim whatsoever against our Company or the Sponsor, Issue Manager and Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Offer Document. Admission to the Official List of the Catalist is not to be taken as an indication of the merits of the Placement, our Company, our subsidiaries, our Shares already issued, the Placement Shares and the Shares which may be issued pursuant to the PSP and/or ESOS.

A copy of this Offer Document has been lodged with and registered by the SGX-ST acting as agent on behalf of the Authority. Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document, or assumes any responsibility for the contents of this Offer Document. Registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority does not imply that the requirements of the SFA, or any other legal or regulatory requirements, have been complied with. The SGX-ST does not normally review the application for admission to Catalist but relies on the Sponsor and Issue Manager confirming that our Company is suitable to be listed and complies with the Listing Manual. The Authority and the SGX-ST have not, in any way, considered the merits of our existing issued Shares, the Placement Shares, the Performance Shares or the Option Shares issued or being issued, as the case may be, for investment. We have not lodged or registered this Offer Document in any other jurisdiction.

We are subject to the provisions of the SFA, the SFR and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Placement, we become aware of:

- (i) a false or misleading statement or matter in this Offer Document;
- (ii) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA, SFR or the Listing Manual; or
- (iii) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by Section 243 of the SFA, SFR or the Listing Manual to be included in this Offer Document, if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority.

In the event that a supplementary or replacement offer document is lodged with the Authority, our Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

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Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the Placement Shares, and:

- (i) where the Placement Shares have not been issued to the applicants, our Company shall either:
 - (a) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary offer document or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary offer document or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications and take all reasonable steps to make available within a reasonable period the supplementary offer document or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary offer document or replacement offer document;
 - (b) within seven days from the date of lodgement of the supplementary offer document or replacement offer document, give the applicants the supplementary offer document or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (c) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we shall within seven days from the date of lodgement of the supplementary offer document or replacement offer document, return to the applicants all monies the applicants have paid on account of their applications for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company or the Sponsor, Issue Manager and Placement Agent; or
- (ii) where the Placement Shares have been issued to the applicants but trading has not commenced, we shall either:
 - (a) (A) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary offer document or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary offer document or replacement offer document, as the case may be, and provide the applicants with an option to return, to our Company, those Placement Shares which they do not wish to retain title in; and
 - (B) take all reasonable steps to make available within a reasonable period the supplementary offer document or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary offer document or replacement offer document;
 - (b) within seven days from the date of lodgement of the supplementary offer document or replacement offer document, give the applicants the supplementary offer document or replacement offer document, as the case may be, and provide the applicants with an option to return to our Company the Placement Shares which they do not wish to retain title in; or

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- (c) deem the issue of the Placement Shares as void and refund the applicants' payments for the Placement Shares without interest or any share of revenue or other benefits arising therefrom and at their own risk within seven days from the date of lodgement of the supplementary or replacement offer document.

An applicant who wishes to exercise his option under paragraph (i)(a) or (i)(b) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary offer document or replacement offer document, notify our Company of this, whereupon our Company shall, within seven days from the receipt of such notification, return to the applicant all monies paid by the applicant on account of his application for those Placement Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company or the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (ii)(a) or (ii)(b) above to return the Placement Shares issued to him shall, within 14 days from the date of lodgement of the supplementary offer document or replacement offer document, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Shares to our Company, whereupon our Company shall, within seven days from the receipt of such notification and documents, if any, return to the applicant all monies paid by the applicant for those Placement Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company or the Sponsor, Issue Manager and Placement Agent, and the issue of those Placement Shares shall be deemed to be void.

Under the SFA, the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority may, in certain circumstances issue a stop order ("**Stop Order**") to our Company, directing that no Shares or no further Shares to which this Offer Document relates, be allotted, issued or sold. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter, which in the opinion of the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority is false or misleading, (ii) omits any information that should be included in accordance with the SFA, (iii) does not, in the opinion of the Authority, comply with the requirements of the SFA or (iv) if the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority is of the opinion that it is in the public interest to do so.

Where the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority issues a Stop Order pursuant to Section 242 of the SFA and applications to subscribe for the Placement Shares to which this Offer Document relates have been made prior to the Stop Order, then:

- (i) in the case where the Placement Shares have not been issued to the applicants, the applicants' applications for the Placement Shares shall be deemed to have been withdrawn and cancelled and our Company shall, within 14 days from the date of the Stop Order, return to the applicants all monies paid by them on account of their application for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company or the Sponsor, Issue Manager and Placement Agent; or
- (ii) in the case where the Placement Shares have been issued, the issue of the Placement Shares is required by the SFA to be deemed to be void and our Company shall, within 14 days from the date of the Stop Order, return to the applicants all monies paid by them on

DETAILS OF THE PLACEMENT

account of their application for the Placement Shares without interest or any share of revenue or other benefits arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company or the Sponsor, Issue Manager and Placement Agent.

This shall not apply where only an interim Stop Order has been served.

This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading.

No representation, warranty or covenant, express or implied, is made by us or the Sponsor, Issue Manager and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offer Document is, or shall, to the extent permitted by law, be relied upon as a promise, representation or covenant by us or the Sponsor, Issue Manager and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Neither our Company nor the Sponsor, Issue Manager and Placement Agent nor any other parties involved in the Placement is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Offer Document should be considered as being business, legal, financial or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser for advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by our Company or the Sponsor, Issue Manager and Placement Agent. Neither the delivery of this Offer Document and the Application Forms, any document relating to the Placement nor the Placement shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statement of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we will comply with the relevant requirements of the SGX-ST and/or other requirements of the SFA and/or the Authority and make an announcement of the same to the SGX-ST and, if required under the SFA, lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority and will make the same available to the public after lodgement. All applicants should take note of any such announcement, or supplementary or replacement offer document and, upon the release of such an announcement, or supplementary or replacement offer document, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries. The Placement Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document. This Offer Document has

DETAILS OF THE PLACEMENT

been prepared solely for the purpose of the Placement and may not be relied upon by any persons other than the applicants in connection with their application for the Placement Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such an offer, solicitation or invitation. Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause such circulation, reproduction or distribution to occur.

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability, during office hours from:

United Overseas Bank Limited

80 Raffles Place
UOB Plaza 1 #03-03
Singapore 048624

A copy of this Offer Document is also available on the SGX-ST's website at <http://www.sgx.com>.

The Application List will open immediately upon the registration of the Offer Document by the SGX-ST acting as agent on behalf of the Authority and will remain open until 12.00 noon on 26 June 2014 or for such further period or periods as our Directors may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws and regulations. In the event a supplementary offer document or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for applications to subscribe for the Placement Shares are set out in Appendix H – “Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document.

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INDICATIVE TIMETABLE FOR LISTING

An indicative timetable for the Placement and trading of our Shares is set out below for the reference of applicants:

Indicative Time and Date	Event
20 June 2014	Opening of Application List
12.00 noon on 26 June 2014	Close of Application List and closing date and time for the Placement
9.00 am on 30 June 2014	Commence trading on a “ready” basis
3 July 2014	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 26 June 2014, the date of admission of our Company to the Official List of the Catalist is 30 June 2014, the SGX-ST's shareholding spread requirement will be complied with and the Placement Shares will be issued and allotted (as the case may be) and fully paid-up prior to 30 June 2014. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “ready” basis and the commencement date of such trading.

Investors should consult the SGX-ST's announcement on the “ready” trading date on the internet (at the SGX-ST's website at <http://www.sgx.com>) or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:

- (i) through a SGXNET announcement to be posted on the internet at the SGX-ST's website at <http://www.sgx.com>; and
- (ii) through a paid advertisement in a local English newspaper.

We will publicly announce details of the results of the Placement as soon as it is practicable after the close of the Application List through the channels described in (i) and (ii) above.

OFFER DOCUMENT SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Offer Document. As it is a summary, it does not contain all the information that you should consider before investing in our Shares. You should read the entire Offer Document carefully, especially the matters set out under the section entitled “Risk Factors” of this Offer Document and our financial statements and related notes of this Offer Document, before deciding to invest in our Shares. The meanings of terms not defined in this summary can be found elsewhere in this Offer Document.

OVERVIEW OF OUR GROUP

We are one of Singapore’s leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies in Asia-Pacific. As a provider of security products and integrated security solutions, we design, supply, install, test, commission and maintain security products and solutions which are deployed to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure.

We have close business relationships with our suppliers including our major suppliers such as Leidos, Ultra Electronics – USSI, Spiraltech, and primion Technology who supply us with products that integrate and provide security solutions that meet our customers’ security system requirements. The security products that we provide from our major suppliers include the Acoustic Hailing System, Baggage Scanning System, Narcotics and Drugs Detection System, Personnel Scanning System, VACIS, and Portable Non-Intrusive Inspection System.

We have offices located in Singapore and Brunei, and reach out to our customers directly or to the end-users indirectly through our network of country specific dealers in Asia-Pacific. These dealers are appointed only after stringent internal assessment by us to ensure that they will be good ambassadors of our security products in their respective countries. We customarily provide our country specific dealers with our pre-determined price lists for the products we would sell to them.

OUR BUSINESS

We have two major business segments, namely (i) Security Solutions Business, and (ii) Maintenance and Leasing Business. By being able to offer our customers a wide range of high quality security products and solutions, whether as stand-alone security products or as integrated security solutions, along with our ability to offer extended long-term maintenance support and leasing services, we are able to provide a one-stop centre for the security system requirements of our customers.

Security Solutions Business

We distribute and sell a wide range of security products from suppliers who are well recognised for product quality and innovation. These products can be generally classified as Homeland Security Products and General Security Products. Our Homeland Security Products are supplied to government bodies and agencies such as 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. Our 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.

OFFER DOCUMENT SUMMARY

We have distribution agreements and close business relationships with reputable and reliable suppliers for the distribution of a carefully selected range of their security products in Asia-Pacific. Please refer to the section entitled “**General Information on our Group – Distribution Agreements**” of this Offer Document for further information.

Maintenance and Leasing Business

Our 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 we provide to our customers.

We are able to provide extended maintenance support services for the security products and integrated security solutions that we provide to our customers under a separate maintenance contract of between one and five years upon the expiry of the warranty period.

We are also able to provide long-term lease-and-maintenance services to our customers on a case-by-case basis for the integrated security solutions that we design and supply. Under a lease-and-maintenance arrangement, we would design, supply, install, test, commission and maintain the security systems for our customers but would retain ownership of the systems as well as the proprietary software that we develop.

Please refer to the section entitled “**General Information on our Group – Business Overview**” of this Offer Document for further information.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We have a committed and experienced management team

Our success is attributable to our experienced and committed management team, spearheaded by our Executive Director and CEO, Kelvin Lim, and supported by our team of Executive Officers, including Lee Yeow Koon and Lee Chea Siang, who have collectively over 30 years of experience in the security products and solutions industry. Kelvin Lim has been instrumental in formulating our business strategies and spearheading the growth of our business, and has established good relationships with both our existing and new customers and suppliers. Please refer to the section entitled “**Directors, Management and Staff**” of this Offer Document for further information on their experience.

We have close relationships with our suppliers and dealers

We value the relationships we have with our suppliers as our success and reputation are dependent on the quality and reliability of the security products that they supply to us. We have close working relationships with suppliers that are well recognised for their product quality and innovation, strong credentials and established track records. This is evident from the long working relationships we have with our major suppliers such as Ultra Electronics – USSI and Leidos, some of whom we have distributorship agreements with since the initial years when we commenced our business as a provider of security products and integrated security solutions in 2000. Please refer to the section entitled “**General Information on our Group – Our History and Development**” for further information.

OFFER DOCUMENT SUMMARY

We have also, through the years, built up close working relationships with our network of dealers and, hence, for the Period Under Review, a significant 40.3% of our revenue was derived from our Distribution Markets outside of Singapore, including Vietnam, Indonesia, Thailand and Malaysia.

We have an established track record in the provision and maintenance of security products and solutions

We have more than 13 years of track record in the security products and solutions industry and we believe we are one of Singapore's leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies in Asia-Pacific. Please refer to the sections entitled "**General Information on our Group – Our History and Development**" and "**General Information on our Group – Business Overview – Our Projects**" of this Offer Document for further information on some of the major projects that we have undertaken since the commencement of our business as a provider of security products and integrated security solutions in 2000.

We are able to serve as a one-stop service provider for the security system requirements of our customers across Asia-Pacific

We provide a broad range of Homeland Security Products and General Security Products which are deployed to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure. As at the Latest Practicable Date, we carry over 100 types of security products including the VACIS, Personnel Scanning System, Acoustic Hailing System, Video Surveillance System and Access Control System, with distribution rights for certain of these security products spanning a wide geographical coverage of 10 countries in Asia-Pacific, including countries within Southeast Asia such as Singapore, Brunei, Indonesia, Thailand, Malaysia and Vietnam, as well as other countries including Australia, India and Sri Lanka. Please refer to the section entitled "**General Information on our Group – Distribution Agreements**" of this Offer Document for further information on the distribution agreements entered into with our major suppliers.

Besides supplying security products, we have also developed the capabilities to design and develop integrated security systems, including the development of proprietary software, if necessary, and provide maintenance support services in varying degrees of scale and complexity to fulfil the different requirements and specifications of our customers.

By being able to offer our customers a broad range of quality security products in the Distribution Markets along with the capability to design, develop and install integrated security solutions as well as the provision of maintenance support and leasing services for these security products and integrated security solutions, we believe we are a one-stop service provider for all the security system requirements of our customers across Asia-Pacific.

We are known for our service commitment

We are committed to providing a high level of service and maintenance support to our customers which is vital to our success. To demonstrate our commitment, we have a 24-hour hotline service which operates seven days a week that provides assistance to our customers on both technical and/or operational issues which may be followed by an on-site visit, if required. As a testament to the quality service that we provide to our customers, we are certified ISO 9001:2008 compliant in the areas of design, supply, installation and maintenance of security products and integrated security solutions, and in the provision of training for such products and solutions. This is

OFFER DOCUMENT SUMMARY

reinforced by the various awards and certifications that we have received over the years. Please refer to the section entitled “**General Information on our Group – Awards and Certifications**” for further information.

Please refer to section entitled “**General Information on our Group – Competitive Strengths**” of this Offer Document for further information.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

We intend to focus on the following business strategies for the future growth and expansion of our business:

To build up our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific

With the successful implementation of our lease-and-maintenance projects with HDB, each typically for a period of at least seven years starting from 2011 and 2014, we intend to build up our portfolio of lease-and-maintenance projects in Singapore and Asia-Pacific. Our customers for such lease-and-maintenance projects would typically pay an agreed monthly fee for the lease and maintenance of the systems. Such contracts enable us to establish a long-term business relationship with our customers and also provide us with a source of recurring income.

To broaden our range of security products and integrated security solutions

We have close relationships with our customers and dealers and maintain regular contact with them to better understand the requirements and specifications of the security products and integrated security solutions that they and the end-users require.

With the introduction of new and more advanced technologies, manufacturers of security products are continually developing and marketing improved versions or the next generation of security products that may be superior to the security products that we currently procure from our existing suppliers. Hence, we will need to continue to build upon the relationships with our existing suppliers and actively source for new suppliers of the next generation of security products so that we are able to offer the most relevant security products and integrated security solutions to our customers.

To take on more and larger projects and to increase our customer base

Over the years we have built up a diverse portfolio of customers ranging from various entities, such as owners of residential property, industrial and commercial buildings, schools and hotels, to government bodies and agencies such as the police and other law enforcement agencies. Going forward, we intend to take on more and larger projects as well as increase our customer base by expanding our network of dealers within our Distribution Markets and by establishing relationships with new dealers outside of our present Distribution Markets.

To expand our business through acquisitions, joint ventures and/or strategic alliances

We may expand our business, whether in Singapore or overseas, through acquisitions, joint ventures and/or strategic alliances that we believe will complement our current and future businesses and be aligned with our longer-term interests. We believe that suitable acquisitions, joint ventures and/or strategic alliances will strengthen our competitive advantage by giving us access to new technologies, new markets, customers and businesses.

OFFER DOCUMENT SUMMARY

To develop our business by entering into co-manufacturing agreements with our major suppliers

We have, on 13 June 2013, entered into a co-manufacturing agreement (the “**Agreement**”) with one of our major suppliers, namely, Ultra Electronics – USSI, for the co-manufacturing of the HyperShield and HS-Micro security products (the “**Products**”) in Singapore, Malaysia, Indonesia and Thailand. Under this Agreement, Ultra Electronics – USSI would supply the audio components of the Products while IPS Securex would source for locally-produced encasing and/or shields and assemble the Products.

We do not have any present intention to engage in any co-manufacturing activities under the Agreement and any intention to do so would have to depend, *inter alia*, on the market demand for the Products, the margins and profitability of co-manufacturing the Products, the capital expenditure involved, availability of funds and financing, any technical expertise required, the level of support rendered by Ultra Electronics – USSI, availability of manpower and the receipt of any legal, regulatory, licensing and other approvals that may be required.

Please refer to the section entitled “**Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans**” of this Offer Document for more information.

SUMMARY OF OUR FINANCIAL INFORMATION

*You should read the following summary financial information in conjunction with the full text of this Offer Document, including the “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” and “**Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013**” as set out in Appendices A and B, respectively, and the section entitled “**Management’s Discussion and Analysis of the Results of Operations and Financial Condition**” of this Offer Document.*

Selected items from the Combined Statements of Comprehensive Income of our Group

S\$’000	← Audited →			← Unaudited →	
	FY2011	FY2012	FY2013	HY2013	HY2014
Revenue	4,922	4,190	9,488	4,016	3,800
Gross profit	2,841	2,252	4,025	2,067	1,785
Profit (Loss) before income tax	158	(245)	1,719	836	301
Profit (Loss) for the year/period	162	(238)	1,718	836	235
EPS (cents) ⁽¹⁾	0.3	n.m.	2.7	1.3	0.4
EPS as adjusted for the Placement (cents) ⁽²⁾	0.2	n.m.	2.3	1.1	0.3

n.m. denotes not meaningful

Notes:

- (1) For comparative purposes, EPS is calculated based on profit for the year or period, as the case may be, and the pre-Placement share capital of the Company of 63,000,000 Shares.
- (2) For comparative purposes, EPS is calculated based on profit for the year or period, as the case may be, and the post-Placement share capital of the Company of 75,000,000 Shares.

OFFER DOCUMENT SUMMARY

Selected items from the Combined Statements of Financial Position of our Group

	Audited as at 30 June 2013	Unaudited as at 31 December 2013
S\$'000		
Current assets	3,302	4,395
Non-current assets	1,230	1,201
Current liabilities	1,498	2,326
Total equity	3,034	3,270
NAV per share (cents) ⁽¹⁾	4.8	5.2

Note:

(1) The NAV per share is computed based on the net asset value of our Group and our pre-Placement share capital of 63,000,000 shares.

WHERE YOU CAN FIND US

Our registered office and our principal place of business in Singapore is located at 71 Tech Park Crescent, Singapore 638072. Our Singapore telephone and facsimile numbers are (65) 6863 4385 and (65) 6863 6270, respectively. Our company registration number is 201327639H. Our website address is at <http://www.ips-securex.com>.

Information on our website or any website directly or indirectly linked to our website or the website of any of our related corporations or other entities in which we may have an interest is not incorporated by reference into this Offer Document and does not constitute part of this Offer Document, and should not be relied on.

THE PLACEMENT

Placement Size	:	Placement in respect of 12,000,000 Placement Shares. The Placement Shares shall, upon their issue and allotment, be free from all pre-emption rights, charges, liens and other encumbrances, and will rank <i>pari passu</i> in all respects with our existing issued Shares.
Placement Price	:	S\$0.35 for each Placement Share.
The Placement	:	The Placement comprises a placement of 12,000,000 Placement Shares at the Placement Price, on the terms and subject to the conditions of this Offer Document.
Purpose of the Placement	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the Catalist will: (i) enhance our public image locally and internationally and enlarge our capital base for continued expansion of our business; (ii) enable us to tap the capital markets to fund our business growth; and (iii) provide members of the public with an opportunity to participate in the equity of our Company.
Listing Status	:	There has been no public market for our Shares prior to the Placement. Our Shares will be quoted in Singapore Dollars on the Catalist, subject to admission of our Company to the Official List of the Catalist and permission for dealing in, and for quotation of, our Shares and the Placement Shares and the Shares which may be issued under the PSP and/or ESOS being granted by the SGX-ST and the SGX-ST acting as agent on behalf of the Authority or other competent authority not issuing a Stop Order.
Risk Factors	:	Investing in our Shares involve risks which are described in the section entitled “ Risk Factors ” of this Offer Document.

PLAN OF DISTRIBUTION

The Placement

The Placement is for 12,000,000 Placement Shares offered in Singapore by way of placement and managed by UOB.

Prior to the Placement, there has been no public market for our Shares. The Placement Price is determined by our Company in consultation with the Sponsor, Issue Manager and Placement Agent, taking into consideration, *inter alia*, the prevailing market conditions and estimated market demand for our Shares determined through a book-building process. The Placement Price is the same for each Placement Share and is payable in full on application.

Pursuant to the Management and Sponsorship Agreement, we have appointed UOB, and UOB has agreed, to manage and sponsor the Placement.

Placement Shares

Application for the Placement Shares may only be made by way of the Application Forms or such other form of application as the Sponsor, Issue Manager and Placement Agent deem appropriate. The terms, conditions and procedures for application and acceptance are set out in Appendix H – “**Terms, Conditions and Procedures for Application and Acceptance**” of this Offer Document.

Pursuant to the Placement Agreement, UOB has agreed to subscribe and/or procure subscribers for the Placement Shares for a placement commission and brokerage of 3.0% of the Placement Price for each Placement Share, payable by our Company. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Placement Price (and the prevailing GST thereon, if applicable) to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

The Placement Agreement is conditional upon the Management and Sponsorship Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Sponsorship Agreement. Please refer to the section entitled “**Management and Placement Arrangements**” of this Offer Document for further information.

Subscription for Placement Shares

As at the date of this Offer Document, our Independent Directors, namely Ong Beng Chye, Peter Boo and Tan Peng Chin, have indicated that they intend to subscribe for 100,000 Placement Shares each, representing approximately 2.5% of the Placement Shares in aggregate.

Save as disclosed above, to the best of our knowledge and belief, none of our Directors, Substantial Shareholders or their Associates intend to subscribe for the Placement Shares in the Placement. If such person(s) were to make an application for Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time.

To the best of our knowledge and belief, none of our Independent Directors, members of our management or Employees intend to subscribe for 5.0% or more of the Placement Shares in the Placement.

PLAN OF DISTRIBUTION

To the best of our knowledge and belief, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for 5.0% or more of the Placement Shares. However, in assessing the market demand for our Shares, there may be persons who may indicate an interest to subscribe for Placement Shares amounting to 5.0% or more of the Placement Shares. If such person(s) were to make an application for Placement Shares amounting to 5.0% or more of the Placement Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be made in accordance with the shareholding spread and distribution guidelines as set out in the Listing Manual.

No Shares shall be allotted, issued or sold on the basis of this Offer Document later than six months after the date of registration of this Offer Document.

USE OF PROCEEDS AND LISTING EXPENSES

The estimated amount of expenses in relation to the Placement is approximately S\$1.5 million. The net proceeds to be raised by our Company from the issue of the Placement Shares are estimated to be S\$2.7 million.

The intended use of the proceeds from the Placement and major expenses are set out below:

Use of the proceeds	(S\$'000)	Estimated amount for each dollar of the gross proceeds from the issue of Placement Shares (cents)
To build our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific	2,000	47.6
Working capital	693	16.5
Net proceeds	2,693	64.1
Placement expenses⁽¹⁾		
Listing fees	54	1.3
Professional fees	1,157	27.6
Placement commission and brokerage ⁽²⁾	135	3.2
Miscellaneous expenses	161	3.8
Gross proceeds	4,200	100.0

Notes:

- (1) In accordance with the Singapore Financial Reporting Standards, a portion of the Placement expenses incurred by our Group in connection with the Placement amounting to approximately S\$1.1 million will be treated as a charge in our financial statements which will have an effect on our financial results in FY2014.
- (2) Pursuant to the Placement Agreement, the Placement Agent agreed to subscribe and/or procure the subscription of the Placement Shares for a placement commission and brokerage of 3.0% of the Placement Price for each Placement Share subscribed.

Additional information on our future plans may be found under the section entitled “**Prospects, Business Strategies and Future Plans**” of this Offer Document. Our future plans may be funded, apart from the net proceeds from the Placement, either through internally generated funds and/or external borrowings.

Should the net proceeds from the Placement exceed the amount estimated in this section, the excess will be applied towards the use of proceeds as disclosed above as our Directors may deem fit at their absolute discretion.

Pending the deployment of the net proceeds from the Placement, the funds may be placed in short-term deposits with financial institutions and/or used to invest in short-term money market instruments as our Directors may, in their absolute discretion, deem appropriate.

USE OF PROCEEDS AND LISTING EXPENSES

The discussion above represents our Company's reasonable estimate of its allocation of the net proceeds from the Placement based upon its current plans for our Group and reasonable estimates regarding its anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that our Company decides to reallocate the net proceeds from the Placement for other purposes, our Company will publicly announce its intention to do so through an SGXNET announcement to be posted on the internet at the SGX-ST's website at <http://www.sgx.com>.

In the opinion of our Directors, no minimum amount must be raised from the Placement.

MANAGEMENT AND PLACEMENT ARRANGEMENTS

Pursuant to the Management and Sponsorship Agreement, our Company has appointed the Sponsor and Issue Manager to sponsor and manage the Placement. The Sponsor and Issue Manager will receive a management fee from our Company for their services rendered in connection with the Placement.

Pursuant to the Placement Agreement, the Placement Agent has agreed to subscribe for and/or procure subscriptions for the Placement Shares for a placement commission and brokerage of 3.0% of the aggregate Placement Price for the total number of Placement Shares payable by our Company. The Placement Agent may, at its absolute discretion and at its own expense, appoint one or more sub-placement agents for the Placement Shares.

Subscribers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Placement Price (and the prevailing GST thereon and any other similar charges, if applicable) for each Placement Share to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert or any other person for subscribing for and/or purchasing or agreeing to subscribe for or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.

Notwithstanding anything contained in the Management and Sponsorship Agreement or the Placement Agreement, the Sponsor and Issue Manager and/or the Placement Agent may, in their absolute discretion, by notice in writing to our Company, rescind or terminate the Management and Sponsorship Agreement or the Placement Agreement if:

- (i) there shall come to the knowledge of the Sponsor and Issue Manager and/or the Placement Agent any material breach by the Company of any of the representations, warranties, covenants or undertakings given by our Company contained in the Management and Sponsorship Agreement or the Placement Agreement or that any of the representations, warranties, covenants or undertakings by our Company in the Management and Sponsorship Agreement or the Placement Agreement is untrue or incorrect in any material respect; or
- (ii) any "specified event" comes to the knowledge of the Sponsor and Issue Manager and/or the Placement Agent, and "specified event" means an event occurring on or after the date of the Management and Sponsorship Agreement and the Placement Agreement and prior to 12.00 noon on the date of the close of the Application List which, if it had occurred before the date or during the currency of the Management and Sponsorship Agreement and the Placement Agreement, would have rendered any of the representations, warranties or undertakings contained in the Management and Sponsorship Agreement and the Placement Agreement, untrue, incorrect or misleading in any material respect; or
- (iii) there shall have been, since the date of the Management and Sponsorship Agreement or the Placement Agreement:
 - (a) any material adverse change, or any development or event involving a prospective material adverse change, in the condition (business, trading, operational, financial or otherwise), performance or general affairs of our Company or of our Group as a whole;
 - (b) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive (whether or not

MANAGEMENT AND PLACEMENT ARRANGEMENTS

having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the ACRA, the Securities Industry Council of Singapore or the SGX-ST) in Singapore or elsewhere or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere that has or is reasonably expected to have a material adverse effect or prospective material adverse effect in the condition, performance, general affairs, prospects, future plans and trends, of any of the companies within the Group, financial or elsewhere, other than as disclosed in the preliminary offer document and/or the Offer Document;

- (c) any material adverse change, or any development involving a prospective material adverse change, or any crisis in local, national, regional or international political, industrial, legal, financial, monetary or economic conditions, taxation or exchange controls (including but without limitation to the conditions in the stock market, foreign exchange market, inter-bank market or interest rates or money market, in Singapore or any other jurisdiction), or the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST (including the Catalist) due to exceptional financial circumstances or otherwise or a combination of any such changes or development or crisis or deterioration thereof;
- (d) any imminent threat or occurrence or any local, national, regional or international outbreak or escalation of hostilities, insurrection, terrorists attacks or armed conflict whether war has been declared (whether or not involving financial markets in any jurisdiction);
- (e) the issue of a Stop Order by the Authority, the SGX-ST (acting as agent on behalf of the Authority) or any competent authority in accordance with Section 242 of the SFA (notwithstanding that a supplementary or replacement offer document is subsequently registered with the SGX-ST pursuant to Section 241 of the SFA);
- (f) any regional or local outbreak of disease that may have an adverse effect on the financial markets;
- (g) any other occurrence of any nature whatsoever, which event(s) shall in the reasonable opinion of the Sponsor and Issue Manager and/or the Placement Agent:
 - (A) results or be likely to result in a material adverse fluctuation or material adverse conditions in the stock market in Singapore or elsewhere; or
 - (B) be likely to materially prejudice the success of the Placement (whether in the primary market or in respect of dealings in the secondary market); or
 - (C) make it impracticable, inadvisable, inexpedient or not commercially viable to proceed with any of the transactions contemplated in the Management and Sponsorship Agreement or the Placement Agreement; or
 - (D) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or
 - (E) be such that no reasonable sponsor, issue manager or placement agent would have entered into the Management and Sponsorship Agreement or the Placement Agreement; or

MANAGEMENT AND PLACEMENT ARRANGEMENTS

- (F) result or is likely to result in the issue of a Stop Order by the SGX-ST acting as agent on behalf of the Authority or other competent authority pursuant to the SFA; or
 - (G) make it non-commercial or otherwise contrary to or outside the usual commercial practices of sponsoring and managing or placement in Singapore for the Sponsor and Issue Manager and/or the Placement Agent to observe or perform or be obliged to observe or perform the terms of the Management and Sponsorship Agreement or the Placement Agreement; or
- (iv) if it comes to the notice of the Sponsor and Issue Manager and/or the Placement Agent that (a) any statement contained in this Offer Document or the Application Forms relating thereto has, in the reasonable opinion of the Sponsor and Issue Manager and/or the Placement Agent, become untrue, incorrect or misleading in any material respect or (b) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute, in the reasonable opinion of the Sponsor and Issue Manager and/or the Placement Agent, a material omission of such information, and our Company fails to lodge a supplementary or replacement offer document within a reasonable time after being aware of such material misrepresentation or omission or fails to promptly take such steps, as the Sponsor and Issue Manager and/or the Placement Agent may reasonably require, to inform investors of the lodgement of such supplementary or replacement offer document. In such event, the Sponsor and Issue Manager and/or the Placement Agent reserve the right, at their absolute discretion, to inform the SGX-ST and to cancel the Placement and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the Placement Shares by ordinary post or telegraphic transfer at the applicants' own risk within 14 days of the termination of the Placement; or
- (v) the Shares (including the Placement Shares) have not been admitted to the Official List of the Catalist on or before 30 June 2014 (or such other date as our Company and the Sponsor and Issue Manager and/or the Placement Agent may agree).

Pursuant to the Management and Sponsorship Agreement and the Placement Agreement, our Company will hold the Sponsor and Issue Manager and/or the Placement Agent or each of the Placement Agent's sub-placement agents, and the affiliates, associated companies and related companies and corporations of the Sponsor and Issue Manager and/or the Placement Agent or each of the Placement Agent's sub-placement agents, as well as their respective directors, employees and agents (including the directors and employees of such agents) ("**Indemnified Persons**") fully and effectively indemnified against all liabilities, costs and expenses arising out of any claim which may be brought or threatened to be brought against any of them in relation to the Placement and the listing of the Company on the Catalist (whether or not such claim is successful, compromised or settled) for whatever reasons, including but not limited to:

- (i) any failure by the Company or any companies within the Group to comply with any requirements of any statute or statutory regulation, governmental or ministerial order or decree, or decision or circular of the SGX-ST (including the Listing Manual) or any other authority (including without limitation to the foregoing, any directive or order by the Authority or the SGX-ST pursuant to the SFA and the Listing Manual);

MANAGEMENT AND PLACEMENT ARRANGEMENTS

- (ii) the Offer Document not containing all information material in the context of the Placement, or any statement contained therein or in any information which is otherwise supplied by our Company to the Sponsor, Issue Manager and Placement Agent in connection with the Placement or the listing of the Company on Catalist being untrue, incorrect or misleading;
- (iii) any actual or alleged misrepresentation or in connection with any actual or alleged material inaccuracies in, or actual or alleged material omission in the preliminary offer document and/or Offer Document;
- (iv) any actual or alleged breach of our Company of any of its representations and warranties or any of its obligations as contained in the Management and Sponsorship Agreement and the Placement Agreement, respectively;
- (v) any failure or delay by our Company in performing its obligations in the Management and Sponsorship Agreement or the Placement Agreement; and
- (vi) any exercise by the Indemnified Persons of any of the rights and authorities granted to them under the Management and Sponsorship Agreement and the Placement Agreement,

including in any such case (but without prejudice to the generality of the foregoing) all costs, charges and expenses which the Indemnified Persons may properly or reasonably incur or bear in disputing any such claim made against any of them or in establishing any claim on their part under the foregoing provisions of this clause, in each case except in relation to any claim, action or proceeding which may be incurred or suffered or may be brought against any of the Indemnified Persons arising from the willful default, fraud or gross negligence by the Indemnified Persons. For the avoidance of doubt, the indemnity contained in:

- (i) the Management and Sponsorship Agreement is without prejudice to the right of termination of the Sponsor and Issue Manager under the Management and Sponsorship Agreement; and
- (ii) the Placement Agreement is without prejudice to the right of termination of the Placement Agent under the Placement Agreement.

The Management and Sponsorship Agreement and the Placement Agreement are conditional upon each agreement not having been terminated or rescinded pursuant to the provisions of each agreement or on the occurrence of certain events including those specified above.

In the event that the Management and Sponsorship Agreement or the Placement Agreement is terminated, we reserve the right, at the absolute discretion of our Directors, to cancel the Placement.

Save as disclosed above and in the section entitled “**Potential Conflicts of Interests – Interests of Sponsor, Issue Manager and Placement Agent**”, we do not have any material relationship with the Sponsor, Issue Manager and Placement Agent.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Offer Document before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of our Shares, including possible future sale of our Shares. Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgement of our Group have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, our business, operations, financial condition, results of operations and/or prospects could be adversely affected. In such cases, the trading price of our Shares could decline and investors may lose all or part of their investment in our Shares.

This Offer Document also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Offer Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on our key management and skilled personnel for our continued success and growth

Our continued success and growth to date have been largely attributable to the efforts of our Executive Director and CEO, Kelvin Lim, and the support of our Executive Officers. Kelvin Lim has been instrumental in formulating our business strategies and spearheading the growth of our business, and has established good relationships with both our existing and new customers and suppliers. With security-related technologies and demand trends evolving rapidly, we are dependent on Kelvin Lim to critically evaluate and keep us updated on the latest available security products and solutions in the market so that we could retain our ability to integrate and provide the best possible security solutions to cater to our customers' requirements. Our Executive Officers, on the other hand, play an important role in implementing the overall business strategy of our Group and executing our corporate development activities. Although we do not have key man insurance for Kelvin Lim, our Company maintains term life, accident and permanent disability insurances on him, with the net amount of any sum assured and any other monies payable under the insurance policies to be shared by both IPS Securex and him. Please refer to the section entitled "**Interested Person Transactions – Present and On-going Interested Person Transactions – Other present and on-going interested person transactions**" of this Offer Document for further information. However, in view of his contributions above, the term life, accident and permanent disability insurances may not fully cover the loss of the services of Kelvin Lim.

Our continued success and growth are also dependent upon our ability to recruit and retain skilled and qualified personnel such as sales and marketing, and engineering and technical personnel. Even though we intend to continue to devote significant resources to recruit, train and retain such personnel, there is no assurance that we will succeed in doing so.

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The resignation or the loss of services of Kelvin Lim, our Executive Officers or any of our key personnel without suitable and timely replacement or the inability to attract or retain qualified personnel could impair our ability to procure new businesses or perform our existing contractual obligations in an efficient, effective and timely manner. As a result, our business, operations, financial condition, results of operations and prospects may be adversely affected.

We are dependent on our major suppliers

We do not have our own manufacturing facilities and are dependent on our major suppliers to supply us with products that integrate and provide security solutions to our customers. Although we have not experienced any significant problems with our major suppliers and have maintained good business relationships with them since we began making purchases from them, there can be no assurance that our business relationships will remain cordial and/or that we will be able to continue purchasing from them on terms which are acceptable to us or at all. Our purchases from our major suppliers accounted for, in aggregate, approximately 73.4%, 62.7%, 89.9% and 85.5% of our total purchases in FY2011, FY2012, FY2013 and HY2014, respectively. Please refer to the section entitled “**General Information on our Group – Major Suppliers**” of this Offer Document for further information on our major suppliers.

We have distribution agreements with certain of our major suppliers. Some of these distribution agreements grant us the exclusive right to supply certain security products in the Distribution Markets for a period of one to five years. For distribution agreements that are non-exclusive in nature, our major suppliers reserve the right to engage other distributors to supply the same security products in the Distribution Markets. In such event, besides facing competition from our competitors providing competing security products, we would also face increased competition from those who provide the same products. As a result, our business, results of operations and prospects may be adversely affected. Please refer to the section entitled “**General Information on our Group – Distribution Agreements**” of this Offer Document for further information on our distribution agreements.

Our distribution agreements with our major suppliers are subject to renewal and there can be no assurance that we will be able to successfully renew these agreements on terms acceptable to us or at all or that these agreements will not be terminated prematurely or modified to our detriment for whatever reasons. There can also be no assurance that our major suppliers will be able to fulfill our purchase requirements in adequate quantities on a timely basis or at all. If any of these events were to occur, we may have to satisfy our purchase requirements from alternative sources in limited quantities or at higher costs, or may be liable for breach of contract with our customers pursuant to the non or partial fulfillment of the contract terms, or we may face difficulties sourcing for alternative security products that meet our customers’ requirements. Further, any significant delay or disruption in delivery of products by our suppliers may affect our ability to fulfill our customers’ orders which in turn could subject us to lost sales or penalties and could affect customer satisfaction and our reputation. As a result, our business, operations, financial condition, results of operations and prospects may be adversely affected.

A decline in the government budget, changes in government spending authorisations or government budgetary priorities in our Distribution Markets may significantly and adversely affect our future revenues and limit our prospects

We generated a significant proportion of our revenue during the Period Under Review from contracts, whether directly or indirectly through our dealers, with government bodies and agencies in our Distribution Markets. While spending authorisations for defence and security-related programmes by government bodies and agencies in our Distribution Markets have generally

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increased in recent years, these spending levels may not be sustainable and future spending authorisations for these programmes may not increase, or they may decrease or be allocated to areas where we do not provide services or are less likely to be awarded contracts for. Should there be a decline in the government budget or should any such changes in the spending authorisations or budgetary priorities of the government bodies and agencies in our Distribution Markets occur, our business, financial condition, results of operations and prospects may be adversely affected.

We may not be able to retain our existing customers

Our customers from our Security Solutions Business segment do not commit to definite and long-term purchase contracts for the security products and integrated security solutions we provide. These customers may also decide to make purchases from our competitors. While we have good business relationships with our customers, there can be no assurance that they will not significantly reduce and/or delay their orders or stop making purchases from us altogether in the future. If our major customers or a significant number of our other customers were to make purchases from sources other than our Group and if we are unable to secure alternative orders of comparable size, whether from new or existing customers, our business, financial condition, results of operations and prospects may be adversely affected.

We enter into agreements for a number of years with our customers from our Maintenance and Leasing Business segment for the provision of maintenance support services to the integrated security solutions we provide to them. However, there can be no assurance that business relationships with these customers would remain cordial, that they would continue to be satisfied with our quality of service, that these agreements will be successfully renewed on terms acceptable to us, or at all, or that they will not be terminated prematurely for whatever reasons. In addition, our bargaining position with our customers, such as those who are government bodies or agencies, may be such that they may be able to modify the terms of our agreements from time to time to our detriment notwithstanding the requirement for any such modification to be agreed in writing by both parties. If any of these events were to occur, our business, financial condition, results of operations and prospects may be adversely affected.

For the Period Under Review, approximately 62.6% of our total revenue was derived from two of our major customers who are government bodies and agencies and from our two Vietnamese dealers, namely, Vietnam-Japan Technology & Science Equipment Co., Ltd and Invest & Technique Development Group Joint Stock Co. Please refer to the section entitled “**General Information on our Group – Major Customers**” of this Offer Document for further information.

Our customers in the Maintenance and Leasing Business segment subject us to routine reviews of our performance against certain key indicators as well as compliance with applicable laws, regulations and standards. These key indicators include our ability to resolve any systems breakdown in a timely manner as set out in our contract. In the event that the review is not satisfactory, such customer may not renew our contract, or may impose a penalty on us, or may choose to terminate the contract prior to the expiry of the term of the contract. In such an event, our business, operations, financial condition, results of operations and prospects may be adversely affected.

We are dependent on the performance of our dealers in the Distribution Markets

We generated approximately 26.0%, 19.0%, 62.6% and 27.0% of our revenue in FY2011, FY2012, FY2013 and HY2014, respectively, through our network of dealers in the Distribution Markets. We are, hence, dependent on the performance of the dealers and these markets for our continued

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success. Accordingly, any significant slowdown or decline in the demand for our security products and integrated security solutions from the dealers and in these markets may adversely affect our business, operations, financial condition, results of operations and prospects.

We require adequate working capital to fund our operations

We require adequate funding either from internal resources, credit from our suppliers or borrowings to fund the working capital of our business. The availability of credit and the credit terms extended to us by our suppliers could depend on factors such as the length of our business relationship with them, their evaluation of our creditworthiness, the size of the orders placed with them and our promptness in making payment to them in the past. Our ability to obtain adequate financing on terms which are acceptable to us depends on a number of factors such as our financial strength, our creditworthiness and our prospects, and other factors that are beyond our control, including general economic, liquidity and political conditions, the terms on which financial institutions are willing to extend credit to us, and the availability of other sources of debt financing or equity financing. If we are unable to secure adequate financing, our business, operations, financial condition, results of operations and prospects may be adversely affected.

We may be adversely affected by infringement of our intellectual property rights or may face litigation suits for intellectual property infringement

Our Group has been granted a non-transferable and non-exclusive licence by IPSP on 14 October 2013 to use the “IPSP” trade mark under Singapore Trade Mark No. T0515863D in class 35 (the “**IPSP Trade Mark**”) in connection with our business as a provider of security products and integrated security solutions. The licence is granted free of charge and the trade mark licence agreement shall continue to be effective unless terminated by IPSP if our Group misuses the IPSP Trade Mark.

We have also acquired all rights, title, benefits and interests in Singapore and in all parts of the world from IPST on 24 October 2013 of the “IPS Securex” trade mark under Singapore Trade Mark No. T0814178C in classes 9, 37, 41, 42 and 45 in respect of the provision of goods and services relating to our business as a provider of security products and integrated security solutions. These two trade marks are registered in Singapore and not in any other jurisdictions. Please refer to the section entitled “**General Information on our Group – Intellectual Property**” of this Offer Document for further information on our intellectual property.

We are not aware of any violations or infringements of our intellectual property rights or of intellectual property rights that we have been granted the right of use during the Relevant Period and as at the date of this Offer Document. However, there is no assurance that third parties will not infringe these intellectual property rights, or that such infringements will not have negative repercussions on our reputation, business and results of operations, or that measures taken by us will be effective in protecting our intellectual property rights or in seeking redress under such circumstances.

In the event that third parties unlawfully infringe our intellectual property rights, we may face considerable difficulties and may incur substantial legal costs in defending our intellectual property rights. In relation to the IPSP Trade Mark, we may have to rely on IPSP to take legal actions against the infringers to the extent that we do not have sufficient legal standing to do so, and there can be no assurance that IPSP will do so in a manner that will protect our interests, or at all. In any of such event, our reputation, business, operations, financial condition, results of our operations and prospects may be adversely affected.

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Pursuant to our distribution agreements with certain of our major suppliers, we are allowed to use certain of their logos and trade marks in our advertising materials. However, we face the risk that our major suppliers may allege that we have infringed their intellectual property rights in the course of carrying out our business and operations. Any claim or litigation against us in respect of the infringement of intellectual property rights of third parties, whether with or without merit, could take up a significant amount of our management, financial and other resources and could also affect our reputation with our customers and suppliers, which may in turn have an adverse effect on our business, operations, financial condition, results of operations and prospects.

We may be affected by complaints, product liability claims from customers and/or negative publicity

We supply security products to, and we integrate different security and other related products purchased from our suppliers along with any proprietary software that we may develop to create customised integrated security solutions for, our customers. Therefore, our customer satisfaction levels are directly correlated with the quality and reliability of the security products that we purchase from our suppliers as well as the proprietary software that we develop.

To ensure that these security products that we supply and we use in our integrated security solutions meet quality control standards, we make purchases only from reputable and reliable overseas suppliers with established track records and conduct product acceptance testing on purchases made from them.

Any defect or quality issues, including issues with the functionality and reliability of our security products and integrated security solutions that cause a mismatch in performance expectations, system failure, security breach or service interruption for whatever reasons, would diminish our customers' satisfaction with us and could give rise to customer complaints, product recalls, product liability claims and/or negative publicity which could in turn harm our reputation and goodwill with our customers and suppliers, especially where our security products and integrated security solutions have been installed at critical infrastructure and security checkpoints. In such an event, our business, operations, financial condition, results of operations and prospects may be adversely affected.

We may be affected by any adverse impact on our reputation and goodwill

We have built our reputation as one of Singapore's leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies. Any negative publicity about us, our Directors, our Executive Officers or our Substantial Shareholders, whether founded or unfounded, may tarnish our reputation and goodwill with our customers and suppliers. Such negative publicity may include, *inter alia*, unsuccessful attempts in joint ventures, acquisitions or takeovers, or involvement in litigation, insolvency proceedings or investigations by government authorities.

Under these circumstances, our customers and suppliers may lose confidence in our business, our Directors, our Executive Officers or our Substantial Shareholders, and this could affect our business relationships with them and their referral of new business opportunities to us. This may have a material and adverse impact on our business, results of operations, prospects and the Share price performance of our Company. To the best of our knowledge and belief, as at the date of this Offer Document, none of our Directors, Executive Officers, Substantial Shareholders or our Group is presently involved in any litigation, insolvency proceedings, or investigations by government authorities.

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We may require additional funding in the form of equity or debt for our future growth

Although we have identified our future growth plans as set out in the section entitled “**Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans**” of this Offer Document, the net proceeds from this Placement may not be sufficient to fully cover the estimated costs of implementing all these plans. We may have other future growth plans such as expansion through organic growth or by way of acquisitions or otherwise which we have yet to identify at this juncture. Hence, we may need to obtain additional debt or equity financing to fund these plans.

Any new Shares which are issued to finance our expansion plans could result in dilution in the interests of our Shareholders. If such financing does not generate a commensurate increase in earnings, our EPS will be diluted, and this could also lead to a decline in our Share price.

Additional debt financing may, apart from increasing interest expenses and gearing, subject us to various restrictive covenants and result in all or any of the following:

- (i) limit our ability to pay dividends;
- (ii) increase our vulnerability to general adverse economic and industry conditions;
- (iii) require us to dedicate a substantial portion of our cash flows from operating activities to payments of our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital and other requirements; and/or
- (iv) limit our flexibility in planning for, or reacting to, changes in our business and our industry.

There is no assurance that we will be able to obtain additional equity and/or debt financing on terms that are acceptable to us or at all. Any inability to secure additional equity and/or debt financing may adversely affect our business, operations, financial condition, results of operations, prospects and implementation of our business strategies and future plans.

Our business is vulnerable to keen competition

We operate in a highly competitive environment. We compete with other providers of security products and integrated security solutions on the basis of design solutions, product range and quality, delivery timeliness, service quality and price. Some of our competitors in the security products and solutions industry have longer operating histories, broader geographical network with suppliers, wider range of or more superior security products, greater integrated security solutions capability, financial, engineering, sales and marketing resources, better name recognition, larger base of customers and/or longer customer relationships than we have. As such, they may be able to better manage large or complex contracts, maintain a broader geographical presence or gain greater market acceptance than us. Their greater scale of operations or capabilities may also allow them to respond better to customer requirements, provide a greater level of customer support, and compete more effectively on better contract and pricing terms than we can provide.

With the introduction of new and more advanced technologies, manufacturers of security products are continually developing and marketing improved versions or the next generation of security products that may be superior to the security products that we currently procure from our existing suppliers. As technology is always evolving, we and our competitors have to devote the resources to keep abreast, to cultivate market acceptance of new product developments and to upgrade our integrated security solutions capability that meet with the ever stringent requirements of our

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customers. Hence, there can be no assurance that the security products and integrated security solutions that we provide to our customers would not become obsolete or that we would have sufficient resources and be responsive enough to react to new technologies and product developments in securing the distribution rights to these new products and adding on to our product range over our competitors or that the market would be receptive to these new products that we are promoting or that we are able to continue to invest to upgrade our integrated security solutions capability over our competitors.

As a result of keen competition, we may have to expend more time and resources in adapting our business strategies to maintain our competitiveness in the industry. We may also have to be more competitive in our pricing and other terms in order to secure contracts in the face of such competition, with the result that our profit margins may be adversely affected. Should we be unable to compete effectively against our existing and future competitors, we may lose our market share and thus our business, operations, financial condition, results of operations and prospects may be adversely affected.

We cannot give assurance that our future plans will be successful

Our future plans include building up our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific, broadening our range of security products and integrated security solutions and expanding our business through acquisitions, joint ventures and/or strategic alliances. Please refer to the section entitled “**Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans**” of this Offer Document for further information. The execution of our future plans may require substantial capital expenditure, financial and management resources and/or may expose our business to unforeseen liabilities and risks associated with entering into new markets or new businesses which we have no experience in. There is no assurance that such future plans will be commercially successful and if we fail to manage our expansion efficiently or execute our plans or integrate them successfully with our business for any reason, our business, operations, financial condition, results of operations and prospects may be adversely affected.

Our operations are subject to the negative impact of government import policies and tariffs

We export and trans-ship a significant proportion of our security products and integrated security solutions which may be subject to import taxes or other import controls in certain countries. Although import taxes are generally paid by customers importing our security products and integrated security solutions, other import controls may also affect their overall cost and saleability relative to identical security products and integrated security solutions imported from other countries which may be subject to lower import taxes or less stringent import controls or none at all.

If our security products and integrated security solutions are subject to import taxes or other import controls in the countries that we export or trans-ship to and we are unable to take advantage of applicable tax treaties or free trade or similar agreements with these countries, or if such tax treaties or other tax concessions are abolished, we may not be able to compete effectively against our competitors whose security products and integrated security solutions may not be subject to similar import taxes or other import controls, or who enjoy more favourable treatment for their security products and integrated security solutions than us. In addition, any material changes in the import policies of our Distribution Markets, such as an import ban or an increase in import taxes or other similar or related actions by the various governments, may also

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adversely affect our sales in these Distribution Markets or the price competitiveness of our security products and integrated security solutions. In any of such event, our business, operations, financial condition, results of operations and prospects may be adversely affected.

Our historical, financial and operating results are not indicative of future performance

Our financial and operating results may not meet the expectations of public market analysts or investors. Our revenue, expenses and operating results may vary from period to period and from year to year in response to a variety of factors beyond our control, including:

- (i) our ability to identify and exploit new market developments and customer requirements in the security products and solutions industry;
- (ii) our ability to control the cost of sales and other expenses; and
- (iii) general economic and political conditions and regulations or actions pertaining to the provision of security products and integrated security solutions in Singapore or elsewhere.

Owing to such factors, we believe that even period-to-period comparisons of our historical operating results may not be indicative of our future performance and reliance should not be placed on these comparisons to predict the future performance of our Shares.

We may be affected by adverse changes in the political, economic, legal and regulatory, environmental and social conditions in the Distribution Markets or in countries in which we intend to expand into

We are directly subjected to and, through our network of dealers, indirectly subjected to the laws, regulations and government policies of the Distribution Markets. Our business, which includes the business generated by our network of dealers, and future growth are dependent on the political, economic, legal and regulatory, environmental and social conditions in the Distribution Markets, in particular, changes to their economic growth, government spending or budgetary priorities. In the event that we decide to expand our business outside the Distribution Markets and/or have a physical presence outside of Singapore and Brunei as is presently, we will be subject to the laws, regulations and government policies as well as the political, economic, environmental and social conditions of those markets. In respect of the Distribution Markets or the countries in which we may expand into or have a physical presence in, any economic downturn or changes in government policies, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in environmental protection laws and regulations and duties and taxation may have an adverse effect on our business, operations, financial condition, results of operations and prospects.

In addition, terrorist attacks, wars, other acts of violence, outbreaks of swine flu, avian influenza, hand, foot and mouth disease and/or other communicable diseases or acts of God which disrupt our distribution networks or our suppliers may cause us to not be able to fulfil our contractual obligations, which could in turn adversely affect our business, operations, financial condition, results of operations and prospects. The consequences of these events are unpredictable and unforeseeable which can have an adverse effect on our business, operations, financial condition, results of operations and prospects.

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We face the risk of operating primarily from a single location

Our operations are primarily housed in one location at 71 Tech Park Crescent, Singapore 638072 (the “**Premises**”). In the event we are unable to operate our business at the Premises or should our operations at the Premises be temporarily or permanently disrupted due to events or circumstances beyond our control such as fire, accidents, the spread of communicable disease, or any restrictions imposed by the government on the use of the Premises, our business, operations, financial condition, results of operations and prospects may be adversely affected.

Our insurance coverage may not be adequate

We have taken up insurance policies that cover various circumstances, including fire, public liability, work injury, personal accident, hospitalisation and surgery, and directors and officers liability. We have also taken up travel insurance for Employees travelling overseas and term life, accident and permanent disability insurances for our Executive Director and CEO, Kelvin Lim. Please refer to the section entitled “**General Information on our Group – Insurance**” of this Offer Document for further information on the various insurance policies that our Group has taken out.

However, no insurance can compensate for all potential losses and there can be no assurance that our insurance coverage will be adequate or that our insurers will pay a particular claim. There are also certain types of risks that are not covered by our insurance policies because they are either uninsurable or not economically insurable, including acts of war and acts of terrorism. In addition, we are not insured against business disruption. If such events were to occur, we may have to bear the costs of any uninsured risk or uninsured amount, which may have a material and adverse effect on our business, operations, financial condition, results of operations and prospects.

We rely on our ability to compete effectively at competitive closed tenders

Our public sector and commercial customers are increasingly relying on the competitive bidding process in closed tenders to award contracts. In general, we and other security solutions providers have to be pre-qualified by our customers before being invited to participate in the closed tenders and the pre-qualification criteria typically include industry reputation, track record, financial standing and products carried by the bidders. This competitive process allows our customers to shortlist only the eligible bidders and to review and compare tender submissions of various security solutions providers in determining those that best fulfill their requirements at the most competitive price and other terms. This competitive process may result in increased competition, especially from our competitors who have longer operating histories and greater resources. In spite of our best efforts, however, there can be no assurance that we would be successfully awarded a contract in a tender that would justify the amount of time, costs and other resources that we have to expend in preparing the proposal for submission. In addition, this increased competition may put pricing pressure on us and, accordingly, we may not be able to achieve our desired profitability or profit margins even if we were to be awarded the contract from the tender. Our failure to compete effectively in tenders may adversely affect our business, financial conditions, results of operations and prospects.

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We and our Employees may not be able to obtain or renew the licences and/or permits needed to undertake our business

We and the majority of our technical and engineering staff are required to obtain certain licences and/or permits to undertake our business. For example, we are required to obtain a licence from the Singapore Police Force to operate as a security solutions provider in Singapore, and our Employees are required to be licenced by the National Environment Agency to handle the various radioactive materials and equipment in Singapore required for the performance of our obligations under our contracts with customers in Singapore.

These licences and/or permits are subject to periodic review and renewal by the relevant government authorities. To renew these various licences and/or permits, we and our Employees must meet certain criteria and comply with the requisite laws, regulations and standards imposed by these government authorities. These criteria and laws, regulations and standards may be subject to changes from time to time. This may make it more difficult, time-consuming or costly for us to obtain or renew the required licences and/or permits.

Should we or a significant number of our technical and engineering staff be unable to obtain or renew the licences and/or permits necessary to operate our business or should these licences and/or permits be revoked, our operations may be disrupted and we may not be able to perform our contractual obligations to our customers. As a result, our contracts may be terminated by our customers, or we may be liable for damages arising from breach of contract or, in the worst case scenario, we may have to cease or suspend our operations indefinitely. These may adversely affect our business, operations, reputation, financial condition, results of operations, and prospects.

Misconduct by our Employees, third party service providers or dealers and our failure to comply with the laws or regulations applicable to our business may cause us to lose existing contracts or customers/suppliers or adversely affect our ability to obtain new contracts and customers

Misconduct by our Employees, third party service providers engaged by us for the installation, testing and commissioning of the integrated security solution or dealers, or our failure to comply with the laws or regulations applicable to our business, could have a significant negative impact on our business and reputation. Misconduct could include fraud or other improper activities such as falsifying records and violations of laws. Other examples could include security breaches regarding the communication, use, disclosure and/or dissemination of information that is classified, protected or deemed sensitive under the terms of our contracts with our customers.

There is no assurance that the precautions we take to prevent any misconduct and/or breach of laws or regulations or breach of contract by our Employees, third party service providers engaged by us or dealers will be effective. Our failure to comply with any applicable laws or regulations and contractual terms could result in public censure or revocation of our licences and permits by the relevant government authorities, expose us to legal claims, remediation costs, loss of current and future contracts or damage our reputation and relationships with our customers and suppliers, which may in turn adversely affect our business, operations, financial condition, results of operations and prospects.

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Our contracts with government bodies and agencies may be classified which may limit investor insight into a segment of our business

A significant portion of our revenues are derived from contracts with government bodies and agencies. For the Period Under Review, approximately 53.0%, 60.1%, 29.1% and 48.2% of our revenue in FY2011, FY2012, FY2013 and HY2014, respectively, was derived from our customers who are government bodies and agencies. These contracts are subject, whether on a statutory and/or contractual basis to certain security restrictions that preclude the communication, use, disclosure and/or dissemination of information that is classified, protected or deemed sensitive. We are therefore limited in our ability to provide information about these government bodies and agencies as well as any disclosure of or reference to these contracts including the terms and conditions thereof, and any risks associated therewith or any disputes, claims or other information arising therefrom. As a result, investors may have less insight into our business and may therefore be less able to fully evaluate the risks related to us.

Our Group is exposed to foreign exchange risk

During the Period Under Review, approximately 58.0% and 42.0% of our revenue was denominated in S\$ and US\$, respectively, while approximately 27.8% and 72.0% of our purchases, which constitutes a significant proportion of our total expenses, was denominated in S\$ and US\$, respectively.

To the extent that our revenue and costs are not perfectly matched in the same currency and that there are time gaps between invoicing and payment, we will be exposed to foreign exchange fluctuations against our functional and reporting currency in S\$. Accordingly, any significant foreign currency fluctuations against the S\$ may have an impact on the results of our operations. In FY2012, FY2013 and HY2014, we recorded a net foreign exchange loss of approximately S\$6,000, S\$12,000 and S\$1,000, respectively, as compared to a net foreign exchange gain of approximately S\$10,000 and S\$11,000 in FY2011 and HY2013, respectively.

We do not have a formal foreign currency hedging policy with respect to our foreign exchange exposure. During the Relevant Period, we have not used any financial hedging instruments to manage our foreign exchange risk. We will continue to monitor our foreign exchange exposure, if any, and may employ hedging instruments to manage our foreign exchange exposure should the need arise in the future. If necessary, we will formulate a set of policies and procedures relating to foreign exchange hedging transactions which will be reviewed by our Audit Committee and approved by our Board.

We face risks of payment delays and/or default by customers whom we have extended credit

While we are appointed by our customers for projects to design, supply, install, test and commission integrated security solutions for them, we will generally bill them on a monthly basis for a percentage of the contract value based on the certified contract work performed to date. Work on such projects had generally taken between two to 12 months to complete and we would typically provide credit terms of 30 days for our customers to make payment of each bill rendered. We also extend credit terms of between 30 days and 60 days to our local customers from the Security Solutions Business whereas our local customers from the Maintenance and Leasing Business are generally extended credit terms of 30 days.

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As at 31 December 2013, our trade receivables were approximately S\$1.6 million and accounted for approximately 37.5% of our current assets. For FY2011, FY2012, FY2013 and HY2014, our trade receivables' turnover days were approximately 56 days, 94 days, 36 days and 61 days, respectively. We have not written off or provided for any bad or doubtful debts during the Relevant Period. Please refer to the section entitled "**General Information on our Group – Credit Management**" of the Offer Document for further information.

Some of our customers may be unable to meet their contractual payment obligations to us, either in a timely manner or at all. The reasons for payment delays, and/or default may include, *inter alia*, our customers' insolvency or bankruptcy, or inability to raise sufficient financing. Further, we may not be able to successfully pursue our claims against our customers for non-payment through legal proceedings. A material increase in bad and doubtful debts may adversely affect our business, financial condition, results of operations and prospects.

Disputes and claims arising from our integrated security solutions can adversely affect our business, operations, financial condition, results of operations and prospects

Disputes and claims may arise due to any miscommunication or misunderstanding that we may have with our customers or their end-users regarding the contract requirements and specifications of the projects or due to technical or operational defects or other issues which may arise during or following the completion of the projects. We may also incur additional costs during the warranty period, which is typically 12 months after the date of completion for the relevant projects, to make good any defects or non-adherence to our customers' requirements, whether expressed or implied, arising from the implementation of the integrated security solutions. Certain of our customers withhold up to 10.0% of the total contract value of the project for the duration of the warranty period as retention monies or until such time we make good any defects or non-adherence to the customers' requirements. We may therefore encounter difficulties in collecting the full sum or any part of the retention monies due and may run the risk of incurring additional costs to address any technical or operational issues under dispute resulting in an erosion of our profit margins or incurring losses for the projects.

Moreover, where we are in breach of any terms of the contracts, our customers are entitled to seek legal redress. In particular, they are entitled to liquidated damages where there is a delay in completion of the projects on our part.

Disputes may also arise between us and third party service providers engaged by us for the installation, testing and commissioning of the integrated security solutions for various reasons, including defective works, delays in the completion of the projects and disputes over contract requirements and specifications and the final amount payable for work done on projects. These disputes may lead to legal and other proceedings.

Should any of the above situations occur, this may have an adverse impact on our business, operations, financial condition, results of operations and prospects.

We may be affected by disruptions in the global financial markets and the sovereign debt markets

During the global financial crisis between 2007 and 2009, disruptions in the global financial markets coupled with the repricing of credit risks, the deterioration of the housing markets in the western countries and a slowdown in the global economy had resulted in historic volatility, tightening liquidity, widening of credit spreads and a lack of price transparency in certain markets. These conditions had resulted in the failure of a number of financial institutions and

RISK FACTORS

unprecedented action by government authorities and central banks around the world. Rising sovereign debt levels coupled with the downgrading of sovereign debts in certain western countries had made it difficult or close to impossible for these countries to refinance their debts and resulted in the sovereign debt crisis in these economies. Due to the interconnectedness of the world's economy, the extended downturn in the western countries had reverberated across other economies elsewhere and this has caused increasingly difficult and volatile economic and financial conditions in the global markets. Even though government authorities and central banks have introduced stimulus measures to support the economies, it is difficult to predict how long these conditions will persist, whether these conditions will normalise without the stimulus measures, what structural and/or regulatory changes may result from these conditions or how frequently such crisis will recur in the future. Such conditions are outside of our control but they may have a material adverse effect on our ability and cost to access the financial markets, our business, operations, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BRUNEI SUBSIDIARY

We are subject to the political, economic, social, legal and regulatory conditions in Brunei

Our subsidiary, IPS Brunei, is subject to the political, economic, social, legal and regulatory conditions in Brunei. Generally, the laws and regulations of Brunei may be overridden by government policies. Therefore, in the event there are policy changes enacted which are detrimental to our business interests and/or if ambiguous policies relating to our business and/or foreign investment are enacted in Brunei, our business, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO OUR SHARES

Investments in securities quoted on Catalist involve a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

We have made an application for our Shares to be admitted to Catalist, a listing platform primarily designed for fast growing and emerging or smaller companies to which a higher investment risk tends to be associated with as compared to larger or more established companies listed on the Main Board of the SGX-ST. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST and the future success and liquidity in the market of our Shares cannot be guaranteed.

Pursuant to the Listing Manual, we are required to, *inter alia*, retain a sponsor at all times after the admission of our Company to Catalist. In particular, unless approved by the SGX-ST, the Sponsor must act as our continuing sponsor for at least three years from the date of admission of our Company to Catalist. In addition, we may be delisted in the event that we do not have a sponsor for more than three continuous months. There is no guarantee that following the expiration of the three-year period, the Sponsor will continue to act as our sponsor or that we are able to find a replacement sponsor within the three-month period. Should such risks materialise, we may be delisted.

There has been no prior market for our Shares

Prior to the Placement, there has been no public market for our Shares. There is no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for our Shares will not decline below the Placement Price. Therefore, we cannot predict the extent to which a trading market will develop or how liquid the market might become.

RISK FACTORS

The rules of the Listing Manual require that companies applying for listing of their equity securities on the Catalist meet certain minimum shareholding spread and distribution requirements. While we will need to meet these requirements in order to list our Shares on the Catalist, these requirements are only minimum requirements, and our shareholding distribution in the Placement and our post-Placement shareholding spread may not substantially exceed these limits or may even fall below these limits after the Placement. In the case where the percentage of our post-Placement share capital held by public shareholders is less than 10.0%, the SGX-ST may suspend trading of our Shares. As a result, liquidity of our Shares can be materially curtailed and there may be no or limited trading in our Shares, and you may not be able to acquire Shares or sell your Shares in our Company, either at a favourable price or at all. In addition, if shares, such as our Shares, have only limited liquidity, the price of such shares can fluctuate significantly as a result of only one or a small number of trades in these shares.

Accordingly, you may be unable to sell your Shares at or above the Placement Price. The Placement Price may not be indicative of the market price for our Shares after the completion of this Placement. The Placement Price should not be taken as an indication of the merits of the Placement, our Group and our Shares.

The prices of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in this Placement

The slowdown in the global economy due to the sovereign debt crisis and the extended downturn in the western economies have caused increasingly difficult conditions in the financial markets. These conditions may be exacerbated by persisting volatilities in the financial sector and the capital markets, or concerns about a default by one or more sovereign or financial institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other sovereign or financial institutions. Furthermore, we are unable to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to us and our prospects. Conditions in the capital markets may also adversely affect the Placement and limit or reduce the number of investors in our Shares, thereby adversely affecting the liquidity and potentially the price of our Shares.

In addition, the market price of our Shares may be highly volatile and can fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

- (i) variations in our results of operations;
- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry in which we operate, the general economic conditions or stock market sentiments or other events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore or elsewhere;
- (vi) material changes or uncertainty in the political, economic and regulatory environment in the markets that we operate or have business relationships with;

RISK FACTORS

- (vii) announcements by us of material contracts, significant acquisitions, strategic alliances or joint ventures;
- (viii) additions or departures of key personnel;
- (ix) fluctuations in stock market prices and volume; or
- (x) our involvement in material litigation.

There is also no assurance that the market price for our Shares will not decline below the Placement Price. The Placement Price may not be indicative of prices that may prevail in the trading market after the Placement. Investors may not be able to sell their Shares at or above the Placement Price. The market price of our Shares could be subject to significant fluctuations due to various external factors and events including the liquidity of our Shares in the market, differences between our actual financial or operating results and those expected by investors and securities analysts, the general market conditions and broad market fluctuations.

Investors in our Shares will face immediate and substantial dilution to the book value per Share and may experience future dilution

The Placement Price of our Shares is substantially higher than the unaudited NAV per Share as at 31 December 2013 of approximately 8.0 cents after adjusting for the estimated net proceeds from the issue of the Placement Shares and based on the post-Placement share capital. If we were liquidated for NAV immediately following the Placement, each Shareholder subscribing to the Placement will receive less than the price they paid for their Shares. Details of the immediate dilution of our Shares incurred by new investors are described under the section entitled “**Dilution**” of this Offer Document.

Further, if we were to raise funds in the future by way of a rights issue or other equity-linked securities for our future equity or equity-linked growth, investments, capital expenditure, and working capital, and if any Shareholder is not entitled, unable or unwilling to participate in such fund-raising, such Shareholder will suffer dilution in his shareholding in our Company. Further, an issue of our Shares below the then prevailing market price will also affect the value of our Shares then held by an investor. Dilution may occur in shareholding terms even if the issue of Shares is at a premium to the market price.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

Immediately following this Placement, our Controlling Shareholders, IPST and our Executive Director and CEO, Kelvin Lim, will beneficially own in aggregate of approximately 79.0% of our Company’s issued Shares.

By virtue of their controlling ownership of our share capital, our Controlling Shareholders will be able to exert significant influence over our business and otherwise on matters of significance to us and other Shareholders by voting at our Company’s general meetings of shareholders in respect of certain corporate matters, including:

- (i) election of directors;
- (ii) amount and timing of dividend payments and other distributions;

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- (iii) acquisition of or merger with another entity;
- (iv) issuance of securities and adjustment to our capital structure; and
- (v) amendments to our articles of association.

Our Controlling Shareholders will have veto power with respect to any Shareholders' action or approval requiring a majority vote except where they are required by the relevant laws, rules and regulations to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group even if such change may be beneficial to our minority public Shareholders.

Holders of our Shares may not be able to participate in future offerings of our Shares and may experience dilution of their shareholdings

In the event that we issue new Shares, we will be under no obligation to offer these additional Shares to our existing Shareholders at the time of issue, except where we elect to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, we may be subject to laws, rules and regulations as to the procedures to be followed in making such rights offering available to our existing Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them.

We may also choose not to offer these additional Shares or rights issue to our Shareholders or investors having an address outside Singapore and hence overseas Shareholders or investors may be unable to participate in such rights offerings and/or equity issues.

Accordingly, holders of our Shares may be unable to participate in future offerings of our Shares and may experience dilution of their shareholdings.

The prices of our Shares may be adversely affected by any future sale of our Shares by our Company or existing Shareholders

Any future sale or issuance or availability of a large number of our Shares in the public market after the Placement or perception thereof can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Placement, or the perception that such sales may occur, can adversely affect the market price of our Shares. These factors can also affect our ability to sell additional equity securities at a time and price we deem appropriate. In addition, our Share price may come under downward pressure if certain of our Shareholders sell their Shares upon the expiry of their moratorium periods. Except as otherwise described under the section entitled "**Share Capital – Moratorium**" of this Offer Document, there are no restrictions imposed on our Substantial Shareholders to dispose of their shareholdings.

PLACEMENT STATISTICS

Placement Price 35.0 cents

NAV

NAV per Share based on the unaudited interim combined balance sheet of our Group as at 31 December 2013:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| (i) before adjusting for the estimated net proceeds from the Placement and based on the pre-Placement share capital of 63,000,000 Shares | 5.2 cents |
| (ii) after adjusting for the estimated net proceeds from the Placement and based on the post-Placement share capital of 75,000,000 Shares | 8.0 cents |

Premium of the Placement Price over the NAV per Share as at 31 December 2013:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------|
| (i) before adjusting for the estimated net proceeds from the Placement and based on the pre-Placement share capital of 63,000,000 Shares | 573.1% |
| (ii) after adjusting for the estimated net proceeds from the Placement and based on the post-Placement share capital of 75,000,000 Shares | 337.5% |

EPS

Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares	2.7 cents
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Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2013	2.5 cents
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PER

Historical PER based on the Placement Price, the historical EPS of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares	13.0 times
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Historical PER based on the Placement Price, the historical EPS of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2013	14.0 times
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Net Operating Cash Flow per Share⁽¹⁾

Historical net operating cash flow per Share based on the audited combined statement of comprehensive income of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares	3.1 cents
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Historical net operating cash flow per Share based on the audited combined statement of comprehensive income of our Group for FY2013 and the pre-Placement share capital of 63,000,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2013	2.9 cents
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PLACEMENT STATISTICS

Ratio of Placement Price To Net Operating Cash Flow

Ratio of Placement Price to historical net operating cash flow per Share for FY2013 based on the pre-Placement share capital of 63,000,000 Shares 11.3 times

Ratio of Placement Price to historical net operating cash flow per Share for FY2013 based on the pre-Placement share capital of 63,000,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2013 12.1 times

Market Capitalisation

Market capitalisation based on the Placement Price and our post-Placement share capital of 75,000,000 Shares S\$26.3 million

Note:

(1) Net operating cash flow is defined as profit for the year with depreciation and amortisation charges added back.

DILUTION

Dilution is the amount by which the Placement Price to be paid by the subscribers of our Placement Shares (“**New Investors**”) exceeds our NAV per Share immediately after the Placement.

Our NAV per Share as at 31 December 2013 adjusted for the Share Split, before adjusting for the estimated net proceeds from the Placement and based on the pre-Placement share capital of 63,000,000 Shares, was 5.2 cents.

Based on the issue of 12,000,000 Placement Shares at the Placement Price pursuant to the Placement, our NAV per Share as at 31 December 2013 after adjusting for the estimated net proceeds from the Placement and based on the post-Placement share capital of 75,000,000 Shares, would be 8.0 cents. This represents an immediate increase in NAV per Share of 2.8 cents to our existing Shareholders and an immediate dilution in NAV per Share of 27.0 cents to our New Investors. The following table illustrates such dilution on a per Share basis:

	Cents
Placement Price per Share	35.0
NAV per Share as at 31 December 2013 based on the pre-Placement share capital of 63,000,000 Shares (adjusted for the Share Split)	5.2
Increase in NAV per Share attributable to existing Shareholders	2.8
NAV per Share after the Placement	8.0
Dilution in NAV per Share to New Investors	27.0
Dilution in NAV per Share to New Investors (%)	77.1

The following table summarises the total number of Shares issued by us to our Directors and Substantial Shareholders during the period of three years prior to the date of this Offer Document, the total consideration paid by them and the average effective cost per Share paid by them and paid by our New Investors pursuant to the Placement:

	Number of Shares acquired	Total consideration (S\$)	Average effective cost per Share (cents)
Directors			
Kelvin Lim ⁽¹⁾	12,600,000	–	–
Ong Chin Hin ⁽¹⁾	3,780,000	–	–
Substantial Shareholder			
IPST ⁽²⁾	46,620,000	2,999,999	6.4
New Investors	12,000,000	4,200,000	35.0

Notes:

- (1) Our Executive Director and CEO, Kelvin Lim, and our Non-Executive Director, Ong Chin Hin, were issued and allocated Shares in our Company, by way of renunciation free of consideration by IPST to Kelvin Lim and Ong Chin Hin, pursuant to the Restructuring Exercise. Please refer to the section entitled “**Restructuring Exercise**” of this Offer Document for further information.
- (2) Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, hold 65.0% and 35.0% of the shareholding in IPST, respectively.

DILUTION

Save as disclosed above, none of our Directors or the Substantial Shareholders of our Company or their respective Associates have acquired any Shares during the period of three years prior to the date of this Offer Document.

RESTRUCTURING EXERCISE

In connection with the Placement, we implemented the following reorganisation (the “**Restructuring Exercise**”) to streamline and rationalise our Group’s structure pursuant to which our Company became the investment holding company of our Group:

(i) Incorporation of our Company

Our Company was incorporated on 10 October 2013 in Singapore in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of S\$1.00 comprising one Share held by IPST.

(ii) Acquisition of IPS Securex

Pursuant to a share exchange agreement dated 5 March 2014 entered into between our Company and IPST, our Company acquired from IPST the entire issued and paid-up share capital of IPS Securex held by IPST, comprising an aggregate of 2,200,000 ordinary shares for a total consideration of S\$3,000,000 based on the audited NTA of IPS Securex 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 our Company (the “**Consideration Shares**”) to IPST and its nominees, Kelvin Lim and Ong Chin Hin, at an issue price of S\$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 and Ong Chin Hin, were as follows:

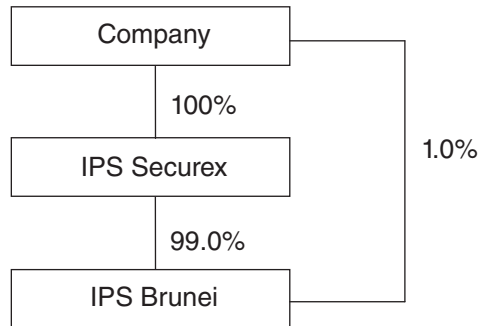
Number of Shares	Name of Shareholder
2,219,999	IPST, whose shareholders are Chan Tien Lok (65.0%) and Tan Suan Yap (35.0%)
600,000	Kelvin Lim
180,000	Ong Chin Hin

Kelvin Lim and Ong Chin Hin were issued and allocated the Consideration Shares by way of renunciation free of consideration by IPST to Kelvin Lim and Ong Chin Hin.

RESTRUCTURING EXERCISE

GROUP STRUCTURE

Our Group structure after the Restructuring Exercise and as at the date of this Offer Document is as follows:



The details of our subsidiaries after the Restructuring Exercise and as at the date of this Offer Document are as follows:

Company	Date and country of incorporation	Principal place of business	Principal business	Effective equity held by our Company	Issued capital
IPS Securex	26 October 1991 Singapore	71 Tech Park Crescent Singapore 638072	Distribution, installation and commissioning of security products and integrated security solutions and provision of maintenance support and leasing services	100%	S\$2.2 million
IPS Brunei	26 October 2013 Brunei	No. 12, Simpang 28 Jalan 17, Kg. Perpindahan Lambak Kanan BC2715 Brunei Darussalam	Distribution, installation and commissioning of security products and integrated security solutions and provision of maintenance support and leasing services	100%	BND20,000

None of our subsidiaries are listed on any stock exchange. Save as disclosed above, our Group does not have any other subsidiaries or associated companies.

None of our Independent Directors sits on the board of the Company's principal subsidiaries based in jurisdictions outside Singapore.

SHARE CAPITAL

Our Company was incorporated in the Republic of Singapore on 10 October 2013 under the Act as a private limited company, under the name, "IPS Securex Holdings Pte. Ltd." (Company Registration No: 201327639H). On 2 June 2014, our Company was converted into a public company limited by shares and the name of our Company was changed to "IPS Securex Holdings Limited".

As at the date of incorporation, our Company's issued and paid-up share capital was S\$1.00 comprising one Share. As at the date of this Offer Document, the issued and paid-up capital of our Company was S\$3,000,000 comprising 63,000,000 Shares.

At an extraordinary general meeting held on 29 May 2014, our Shareholders approved, *inter alia*, the following:

- (i) the Share Split;
- (ii) the conversion of our Company into a public company limited by shares and the consequential change of our name to "IPS Securex Holdings Limited";
- (iii) the adoption of the new Articles;
- (iv) the listing and quotation of all the issued Shares (including the Placement Shares to be allotted and issued as part of the Placement), the Performance Shares and the Option Shares to be issued (if any) on Catalist;
- (v) the allotment and issue of the Placement Shares which are the subject of the Placement, on the basis that the Placement Shares, when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (vi) the authorisation for our Directors, pursuant to Section 161 of the Companies Act, the Listing Manual and the Articles, to: (a) issue Shares whether by way of rights, bonus or otherwise; (b) 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) 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 our Directors shall in their absolute discretion deem fit; and (c) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by our Directors while the authority was in force, provided that:
 - (a) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this authority) does not exceed 100.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the then existing Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (b) below);

SHARE CAPITAL

- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of the issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) immediately after the Placement, after adjusting for:
 - (A) new Shares arising from the conversion or exercise of the Instruments;
 - (B) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and
 - (C) any subsequent consolidation or bonus or sub-division of Shares;
- (c) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles for the time being of our Company; and
- (d) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall take effect from the Listing Date and continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier; and 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;
- (vii) the adoption of the PSP, the rules of which are set out in Appendix F of this Offer Document and that our Directors be authorised to allot and issue Shares upon the release of Awards granted under the PSP;
- (viii) the participation in the PSP by Chan Tien Lok and Kelvin Lim, who are Controlling Shareholders of the Company;
- (ix) the adoption of the ESOS, the rules of which are set out in Appendix G of this Offer Document and that our Directors be authorised to allot and issue Option Shares upon the exercise of Options granted under the ESOS;
- (x) the grant of Options at a discount under the ESOS; and
- (xi) the participation in the ESOS by Chan Tien Lok and Kelvin Lim, who are Controlling Shareholders of the Company.

Upon allotment and issue of the Placement Shares, the resultant issued and paid-up capital of our Company will be increased to S\$6,880,032 comprising 75,000,000 Shares.

As at the date of this Offer Document, our Company has only one class of shares, being ordinary shares. The rights and privileges of our Shares are stated in the Articles of Association of our Company. Please refer to Appendix E – “**Summary of the Memorandum and Articles of Association of our Company**” for further information. There is no founder, management or deferred Shares.

SHARE CAPITAL

As at the date of the Offer Document, save for the ESOS, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or our subsidiaries. As at the date of the Offer Document, no participant has been identified and/or granted an Award for any Performance Shares by the Remuneration Committee pursuant to the IPS Securex Performance Share Plan. As at the date of the Offer Document, the Shares held by our Controlling Shareholders were not and the Placement Shares to be allotted and issued will not be subject to any pledge, mortgage or any other form of encumbrance.

Details of the changes in the issued and paid-up share capital of our Company since our incorporation and immediately after the Placement are as follows:

	Resultant number of Shares	Resultant issued and paid-up share capital (S\$)
Issued and paid-up Shares as at our Company's incorporation	1	1
After issuance of 2,219,999 Shares to IPST pursuant to the Restructuring Exercise ⁽¹⁾	2,220,000	2,220,000
After issuance of 600,000 Shares to Kelvin Lim pursuant to the Restructuring Exercise	2,820,000	2,820,000
After issuance of 180,000 Shares to Ong Chin Hin pursuant to the Restructuring Exercise	3,000,000	3,000,000
Resultant issued and fully paid Shares immediately after the Restructuring Exercise	3,000,000	3,000,000
After the Share Split	63,000,000	3,000,000
12,000,000 Placement Shares issued pursuant to the Placement ⁽²⁾	75,000,000	6,880,032

Notes:

- (1) Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, hold 65.0% and 35.0% of the shareholding in IPST, respectively.
- (2) This takes into account estimated Placement expenses of S\$1.1 million to be charged directly to our combined statement of comprehensive income.

SHARE CAPITAL

Save as disclosed above and in the section entitled “**Restructuring Exercise**” of this Offer Document, there were no changes in the issued and paid-up capital of our Group within the three years preceding the Latest Practicable Date:

Company	Date of issue	Purpose of issue	Number of shares issued	Issue price	Amount of capital contributed	Resultant issued share capital
IPS Securex	22 September 2011	Partial satisfaction of debt ⁽¹⁾	700,000	S\$1.00	S\$700,000	S\$2,200,000
IPS Brunei	26 October 2013	Subscription on incorporation	20,000	BND1.00	BND20,000	BND20,000

Note:

- (1) The issuance of 700,000 ordinary shares at S\$1.00 per ordinary share was in partial satisfaction of loans due from IPS Securex to IPST and the net advances due to IPST from IPS Securex. Please refer to the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Loans from IPST to IPS Securex**” and “**Interested Person Transactions – Past Interested Person Transactions – Advances between IPST and IPS Securex**” of this Offer Document for further information.

SHAREHOLDERS

Our Shareholders and their respective shareholdings immediately before and after the Placement are set out below:

	Before the Placement				After the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Chan Tien Lok ⁽¹⁾	–	–	46,620,000	74.0	–	–	46,620,000	62.2
Kelvin Lim	12,600,000	20.0	–	–	12,600,000	16.8	–	–
Ong Chin Hin	3,780,000	6.0	–	–	3,780,000	5.0	–	–
Ong Beng Chye ⁽²⁾	–	–	–	–	100,000	0.1	–	–
Peter Boo ⁽²⁾	–	–	–	–	100,000	0.1	–	–
Tan Peng Chin ⁽²⁾	–	–	–	–	100,000	0.1	–	–
Substantial Shareholders								
IPST ⁽³⁾	46,620,000	74.0	–	–	46,620,000	62.2	–	–
Public	–	–	–	–	11,700,000	15.7	–	–
Total	63,000,000	100.0			75,000,000	100.0		

Notes:

- (1) Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, is deemed to be interested in the Shares of the Company held by IPST by virtue of Section 4 of the SFA as he owns 65.0% of the shareholding in IPST.

SHARE CAPITAL

- (2) Each of our Independent Directors intends to subscribe for 100,000 Placement Shares pursuant to the Placement and will be allotted and issued such number of Placement Shares as may be subject to the terms and conditions of this Offer Document.
- (3) Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, hold 65.0% and 35.0% of the shareholding in IPST, respectively.

There are no familial relationships among our Directors and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Placement Shares which are the subject of the Placement.

Save as disclosed above, our Company is not, directly or indirectly, owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly. There is no known arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public takeover offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or the units of a business trust, which had occurred between 1 July 2012 and the Latest Practicable Date.

Significant Changes in the Percentage of Ownership

Save as disclosed under the sections entitled “**Restructuring Exercise**” and “**Share Capital**” of this Offer Document, there had been no significant changes in the percentage of ownership of the Shares in our Company in the Relevant Period.

MORATORIUM

To demonstrate their commitment to our Group, our Controlling Shareholder, IPST, our Executive Director and CEO, Kelvin Lim, and our Non-Executive Director, Ong Chin Hin, who hold an aggregate of 63,000,000 Shares representing approximately 84.0% of our Company’s post-Placement share capital, have each undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares) for a period of six months from the date of our Company’s admission to Catalist and for a period of six months thereafter, not to reduce their respective interests in our Company to below 50.0% of their original shareholdings in our Company.

In addition, our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, who hold 65.0% and 35.0% of the shareholding in IPST, respectively, have each undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in the share capital of IPST (adjusted for any bonus issue or sub-division of shares) for a period of 12 months from the date of our Company’s admission to Catalist.

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the full text of this Offer Document including the “*Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013*” and “*Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013*” as set out in Appendices A and B, respectively, and the section entitled “**Management’s Discussion and Analysis of the Results of Operations and Financial Condition**” of this Offer Document.

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 30 April 2014, being a date no earlier than 60 days before the date of lodgement of this Offer Document, based on:

- (i) our unaudited management accounts as at 30 April 2014; and
- (ii) as adjusted for the Share Split and the net proceeds from the Placement (“**As Adjusted**”).

S\$’000	← As at 30 April 2014 →	
	Actual	As Adjusted
Cash and cash equivalents	785	3,478
Indebtedness		
Current		
– secured and guaranteed	–	–
– secured and non-guaranteed	–	–
– unsecured and guaranteed	–	–
– unsecured and non-guaranteed	–	–
– finance leases	–	–
Non-current		
– secured and guaranteed	–	–
– secured and non-guaranteed	–	–
– unsecured and guaranteed	–	–
– unsecured and non-guaranteed	–	–
– finance leases	–	–
Total indebtedness	–	–
Capital and reserves		
Share capital	2,200	4,893
Accumulated profit	451	451
Total equity	2,651	5,344
Total capitalisation and indebtedness	2,651	5,344

Our banking facilities are secured by personal guarantees by our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok and our other Controlling Shareholder, Tan Suan Yap. For further information of the aforementioned guarantees, please refer to the section entitled “**Interested Person Transaction – Present and On-going Interested Person Transactions**” of this Offer Document. Following the admission of our Company to Catalist, we intend to procure a release and discharge of the aforementioned guarantees from the relevant financial institutions.

CAPITALISATION AND INDEBTEDNESS

If we are unable to procure the release and discharge of these guarantees, Chan Tien Lok and Tan Suan Yap will either continue to provide the guarantees required to secure these banking/credit facilities or seek and obtain alternative facilities from other financial institutions offering comparable terms without the need for such personal guarantees.

As at the Latest Practicable Date, we had secured two banking facilities (collectively the “**Facilities**”) from Oversea-Chinese Banking Corporation Limited (“**OCBC Bank**”) comprising trade financing facilities of S\$1.0 million and overdraft facilities of S\$0.3 million (“**Credit Facilities**”) and hire purchase facility of \$1.0 million (“**Hire Purchase Facility**”). None of the Facilities was utilised. Interest on the Facilities, when drawn down, will range from 0.0625% per annum to the prime lending rate.

Details of the Facilities as at the Latest Practicable Date are set out in the table below:

Facility	Date of facility	Lender	Amount of facility granted (S\$'000)	Amount of facility utilised (S\$'000)	Amount of facility unutilised (S\$'000)	Maturity profile
Credit Facilities	25 March 2014	OCBC Bank	1,300	–	1,300	Up to 90 days for trade financing and repayable on demand for overdraft
Hire Purchase Facility	26 March 2014	OCBC Bank	1,000	–	1,000	36 months expiry from 26 March 2014

Since 30 April 2014 up to the Latest Practicable Date, there were no material changes in our capitalisation and indebtedness as disclosed above, save for changes in the amounts of banking facilities utilised and changes in our retained earnings arising from our day-to-day operations in the ordinary course of business.

To the best of our Directors’ knowledge and belief, we are not in breach of any terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position or financial results or business operations, or the investments of our Shareholders, and none of our Substantial Shareholders’ Shares have been pledged, charged or mortgaged as collateral to secure any credit or banking facilities.

CAPITALISATION AND INDEBTEDNESS

Pursuant to Rule 728 of the Listing Manual, IPST and our Executive Director and CEO, Kelvin Lim, being the Controlling Shareholders of our Company, have provided an undertaking to our Company that they will notify our Company, as soon as they become aware of any share pledging arrangements relating to their respective Shares and of any event which may result in a breach of our Group's loan provisions. Upon notification by any of the Controlling Shareholders, our Company will make the necessary announcement(s) in compliance with the said rule.

In the event that any company within the Group enters into a loan agreement or issues debt securities that contain a condition making reference to shareholding interests of any Controlling Shareholder, or places restrictions on any change in control of our Group, and the breach of this condition or restriction will cause a default in respect of the loan agreement or debt securities, significantly affecting the operations of our Group, we will immediately announce the details of the condition(s) in accordance with Rule 704(33) of the Listing Manual, making reference to the shareholding interests of such Controlling Shareholder or restrictions placed on any change in control of our Company and the aggregate level of these facilities that may be affected by a breach of such condition or restriction.

Save as disclosed above, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading credits) or acceptance credits, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

DIVIDEND POLICY

Our Board of Directors may recommend annual dividends, subject to the approval of our Shareholders, in an annual general meeting. Our Directors may, without the approval of our Shareholders, also declare an interim dividend. Our Company currently does not have a fixed dividend policy.

The actual dividends that our Board of Directors may recommend or declare in respect of any particular financial year or period will be subject to restrictions under applicable laws and regulations. Under Section 403 of the Companies Act and our Articles, dividends are payable out of profits only. In considering the level of dividend payments, we will also take into account the factors outlined below as well as any other factors deemed relevant by our Board of Directors:

- (i) our Group's financial position, results of operations and cash flow;
- (ii) the ability of our subsidiaries to make dividend payments to our Company;
- (iii) our Group's expected working capital and capital expenditure requirements to support our Group's future growth;
- (iv) our actual and projected financial performance; and
- (v) general economic conditions and such other external factors that our Group believes to have an impact on the business operations of our Group.

Our Group had not declared or paid any other dividends during the Relevant Period.

You should note that the dividend policy stated above is merely a statement of our present intention and does not constitute a legally binding statement in respect of our Company's future dividends, which may be subject to modification (including reduction or non-declaration thereof) in the sole and absolute discretion of our Board of Directors.

Information relating to taxes payable on dividends is set out in Appendix C – **"Taxation"** of this Offer Document.

SELECTED COMBINED FINANCIAL INFORMATION

The following selected combined financial information of our Group should be read in conjunction with the full text of this Offer Document, including the “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” and “**Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013**” as set out in Appendices A and B of this Offer Document, respectively.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME⁽¹⁾

S\$’000	← Audited →			← Unaudited →	
	FY2011	FY2012	FY2013	HY2013	HY2014
Revenue	4,922	4,190	9,488	4,016	3,800
Cost of sales	(2,081)	(1,938)	(5,463)	(1,949)	(2,015)
Gross profit	2,841	2,252	4,025	2,067	1,785
Other operating income	98	17	14	20	218
Administrative expenses	(2,552)	(2,477)	(2,276)	(1,235)	(1,699)
Other operating expenses	(219)	(24)	(28)	(2)	(3)
Finance costs	(10)	(13)	(16)	(14)	–
Profit (Loss) before income tax	158	(245)	1,719	836	301
Income tax benefit (expense)	4	7	(1)	–	(66)
Profit (Loss) for the year/period	162	(238)	1,718	836	235
EPS (cents) ⁽²⁾	0.3	n.m.	2.7	1.3	0.4
EPS as adjusted for the Placement (cents) ⁽³⁾	0.2	n.m.	2.3	1.1	0.3

n.m. denotes not meaningful

Notes:

- (1) Please refer to the “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” and “**Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013**” as set out in Appendices A and B of this Offer Document, respectively, for the basis of preparation of the combined financial statements of our Group.
- (2) For comparative purposes, EPS is calculated based on profit for the year or period, as the case may be, and the pre-Placement share capital of the Company of 63,000,000 Shares.
- (3) For comparative purposes, EPS is calculated based on profit for the year or period, as the case may be, and the post-Placement share capital of the Company of 75,000,000 Shares.

SELECTED COMBINED FINANCIAL INFORMATION

COMBINED STATEMENTS OF FINANCIAL POSITION⁽¹⁾

S\$'000	Audited as at 30 June 2013	Unaudited as at 31 December 2013
ASSETS		
Current assets		
Cash and cash equivalents	1,465	1,801
Trade receivables	887	1,649
Other receivables	520	619
Inventories	430	326
Total current assets	3,302	4,395
Non-current assets		
Plant and equipment	1,200	1,195
Deferred tax asset	30	6
Total non-current assets	1,230	1,201
Total assets	4,532	5,596
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	276	670
Other payables	1,191	1,583
Income tax payable	31	73
Total current liabilities	1,498	2,326
Capital and reserves		
Share capital	2,200	2,200
Accumulated profit	834	1,070
Total equity	3,034	3,270
Total liabilities and equity	4,532	5,596
NAV per Share (cents) ⁽²⁾	4.8	5.2

Notes:

(1) Please refer to the “Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013” and “Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013” as set out in Appendices A and B of this Offer Document, respectively, for the basis of preparation of the combined financial statements of our Group.

(2) The NAV per Share is computed based on the net asset value of our Group and our pre-Placement share capital of 63,000,000 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion of our results of operations and financial condition for the Period Under Review should be read in conjunction with the “Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 And 2013” and the “Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013” as set out in Appendices A and B of this Offer Document, respectively.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled “Risk Factors” of this Offer Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Sponsor, Issue Manager and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” of this Offer Document.

OVERVIEW

We are one of Singapore’s leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies in Asia-Pacific. As a provider of security products and integrated security solutions, we design, supply, install, test, commission and maintain security products and solutions which are deployed to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure.

We have offices located in Singapore and Brunei, and reach out to our customers directly or to the end-users indirectly through our network of country specific dealers in Asia-Pacific. We have a diversified customer base, ranging from commercial entities and private consumers (such as property developers, owners and operators of hotels and commercial buildings, and owners of residential properties), government bodies and agencies to our network of country specific dealers who on sell our products to the end-users in their country. We source from suppliers who are well recognised for product quality and innovation and have strong credentials and established track records. With certain of our major suppliers, we have signed exclusive distribution agreements which grant us the exclusive rights to supply certain security products in the Distribution Markets for a period of one to five years. Please see the section entitled “General Overview of our Group – Distribution Agreements” for further information on our distribution agreements.

Since our decision in 2000 to focus our business on the security products and solutions business, we have grown to become a provider of security products and integrated security solutions with a stable of over 100 security products with distribution rights for certain of these products in 10 countries in Asia-Pacific as at the Latest Practicable Date. Please refer to the section entitled “General Information on our Group – Business Overview” of this Offer Document for further information on our business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Revenue

Our revenue is derived from two business segments, namely, Security Solutions Business and Maintenance and Leasing Business and most of our customers are located in Southeast Asia, in particular, Singapore, Vietnam, Indonesia, Malaysia and Brunei.

Revenue by business segments

Our revenue is derived from two business segments, namely (i) Security Solutions Business, and (ii) Maintenance and Leasing Business.

The breakdown of our revenue for each of these business segments is set out below:

	FY2011		FY2012		FY2013		HY2013		HY2014	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Security Solutions Business	2,228	45.3	2,141	51.1	6,712	70.7	2,472	61.6	2,109	55.5
Maintenance and Leasing Business	2,694	54.7	2,049	48.9	2,776	29.3	1,544	38.4	1,691	44.5
Total	4,922	100.0	4,190	100.0	9,488	100.0	4,016	100.0	3,800	100.0

(i) Security Solutions Business

Revenue from our Security Solutions Business is derived from (a) the distribution and sale of security products; and (b) the design, supply, installation, testing and commissioning of integrated security solutions.

We distribute and sell a wide range of security products. These products can be generally classified as Homeland Security Products and General Security Products. Our Homeland Security Products are supplied to government bodies and agencies such as 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. Our 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.

Revenue derived from the distribution and sale of security products is recognised when the following conditions, *inter alia*, are satisfied:

- (a) we have transferred to the buyer the significant risks and rewards of ownership of the products; and
- (b) the amount of revenue and costs incurred or to be incurred can be measured reliably.

We also offer our customers integrated security solutions that meet our customers' security system requirements. In designing such solutions, we would typically integrate various security products from our different suppliers to create customised security solutions that meet our customers' specific needs. For integrated security systems, we would normally design, supply and install the systems, including developing the proprietary software to

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

operate the systems if necessary. Alternatively, we are able to design and supply the integrated security systems while our customers would engage their appointed contractors to install the systems. Our customers who procure our integrated security solutions include commercial entities and government bodies and agencies.

Revenue derived from the provision of integrated security solutions is recognised using the percentage of completion method. The stage of completion is measured by the proportion of certified contract value of work performed to date relative to the estimated total contract value. Work on such projects had generally taken between two to 12 months to complete.

(ii) Maintenance and Leasing Business

Revenue from our Maintenance and Leasing Business is derived from the provision of (a) regular extended and/or ad-hoc maintenance support services; and (b) leasing services for the security products and integrated security solutions we provide to our customers.

We are able to provide extended technical and maintenance support services for the security products and solutions that we provide to our customers under a separate maintenance contract of between one and five years upon the expiry of the customary warranty period of 12 months. Payment under the maintenance support services contract is typically made by our customers to us on a monthly or quarterly basis. In addition, we provide ad-hoc maintenance support services at the request of our customers who do not have maintenance support services contracts with us.

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

Revenue derived from the Maintenance and Leasing Business is generally recognised on a straight line basis over the duration of the contract. For ad-hoc maintenance services provided, revenue is recognised upon the completion of the services rendered and acceptance by our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Revenue by geographical area

Our revenue by geographical breakdown is prepared based on the geographical location of our customers. The following table sets out a breakdown of our revenue recognised from each of our geographical area over the Period Under Review:

	FY2011		FY2012		FY2013		HY2013		HY2014	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Singapore	3,118	63.3	3,284	78.4	3,538	37.3	1,982	49.4	2,592	68.2
Vietnam	495	10.1	450	10.7	4,469	47.1	787	19.6	–	–
Indonesia	374	7.6	175	4.2	846	8.9	799	19.9	1,024	27.0
Malaysia	529	10.7	11	0.3	260	2.8	248	6.2	–	–
Brunei	254	5.2	111	2.6	373	3.9	198	4.9	184	4.8
Thailand	9	0.2	159	3.8	2	– ⁽¹⁾	2	– ⁽¹⁾	–	–
Hong Kong	143	2.9	–	–	–	–	–	–	–	–
Total	4,922	100.0	4,190	100.0	9,488	100.0	4,016	100.0	3,800	100.0

Note:

(1) Value is less than 0.1%.

Factors affecting our revenue

Our revenue may be affected by, *inter alia*, the following factors:

- (i) our ability to retain the continued services of our Executive Director and CEO, Kelvin Lim, and other key management and skilled personnel for our continued success and growth and our ability to recruit and retain skilled and qualified personnel;
- (ii) demand for our security products and integrated security solutions which is largely affected by government budgets for defence and security-related programmes, and the political, economic, legal and regulatory, environmental and social conditions in the Distribution Markets, in particular, Singapore, Vietnam, Indonesia, Malaysia and Brunei;
- (iii) our ability to continually source for, in a cost effective and timely manner, the security products that meet our customers' requirements and specifications;
- (iv) our ability to compete effectively in our industry against our competitors; and
- (v) our ability to ensure the continuity of the security products supplied to us and on terms which are acceptable to us, including our ability to maintain our distribution arrangements with several of our major suppliers.

Please refer to the section entitled "**Risk Factors**" of this Offer Document for other factors that may affect our business, results of operations and financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Cost of sales

Our cost of sales comprises mainly direct material costs, sub-contracting costs and other direct costs. The following table sets out a breakdown of our cost of sales incurred over the Period Under Review:

	FY2011		FY2012		FY2013		HY2013		HY2014	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Direct material costs	1,539	74.0	1,220	63.0	2,915	53.3	1,029	52.8	1,571	78.0
Sub-contracting costs	348	16.7	514	26.5	2,101	38.5	708	36.3	235	11.6
Other direct costs	194	9.3	204	10.5	447	8.2	212	10.9	209	10.4
Total	2,081	100.0	1,938	100.0	5,463	100.0	1,949	100.0	2,015	100.0

(i) Direct material costs

Our direct material costs comprise mainly purchases of security products from our suppliers.

For the Period Under Review, our direct material costs accounted for 74.0%, 63.0%, 53.3%, 52.8% and 78.0% of our cost of sales in FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

(ii) Sub-contracting costs

Our sub-contracting costs comprise the cost of engaging third party service providers for (a) the installation, testing and commissioning of certain of the integrated security systems that we provide to our customers; and (b) the provision of ad-hoc services such as the conduct of training to end-users, site surveys, on-site maintenance and translation services in certain of our Distribution Markets.

For the Period Under Review, our sub-contracting costs accounted for 16.7%, 26.5%, 38.5%, 36.3% and 11.6% of our cost of sales in FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

(iii) Other direct costs

Other direct costs comprise mainly depreciation charges of the Alert Alarm Systems that we own and lease to our customers under our Maintenance and Leasing Business, freight and courier charges, purchase of consumables such as batteries and electrical connectors, order-related overseas travelling and local transportation costs, insurance charges and miscellaneous expenses incurred for license applications and customs permits.

We commence depreciating the integrated security solutions that we own and lease to our customers when the testing and commissioning of the solutions have been completed and are handed over to our customers. Depreciation expenses are computed on a straight-line basis over the estimated useful lives of the solutions equivalent to the length of the lease-and-maintenance contracts signed with our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Period Under Review, our other direct costs accounted for 9.3%, 10.5%, 8.2%, 10.9% and 10.4% of our cost of sales in FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

Factors affecting our cost of sales

Our cost of sales may be affected by, *inter alia*, the following factors:

- (i) our ability to source for and purchase security products at competitive prices that meet our customers' requirements and specifications;
- (ii) our ability to maintain our existing relationships with our suppliers;
- (iii) the prices of the security products set by our suppliers;
- (iv) our ability to manage the sub-contracting costs of third party service providers and other direct costs; and
- (v) the exchange rate between US\$ and S\$.

As a substantial amount of our purchases are denominated in foreign currencies, particularly US\$, and since our functional currency is S\$, any fluctuation in the relevant exchange rates will have an impact on our purchases.

For the Period Under Review, our purchases denominated in US\$ accounted for approximately 62.8%, 49.1%, 83.0%, 85.8% and 70.0% of our total purchases in FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

Please refer to the section entitled "**Risk Factors**" of this Offer Document for other factors which may affect our business, results of operations and financial condition.

Gross profit and gross profit margin

Our gross profit and gross profit margin for each of FY2011, FY2012, FY2013, HY2013 and HY2014 are as set out below:

	FY2011	FY2012	FY2013	HY2013	HY2014
Gross profit (S\$'000)	2,841	2,252	4,025	2,067	1,785
Gross profit margin (%)	57.7	53.7	42.4	51.5	47.0

Gross profit margins for our Security Solutions Business are generally lower than those from our Maintenance and Leasing Business because the provision of maintenance support and leasing services under our Maintenance and Leasing Business requires a higher degree of customisation to cater to the customers' specifications which in turn yield higher gross profit margins.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Other operating income

Our other operating income comprises mainly government grants and reimbursements received under various government programmes such as the Small and Medium Enterprise (SME) Cash Grant, the Skills Development Fund (SDF) Cash Grant, the Special Employment Credit (SEC) Cash Grant and the Productivity and Innovation Credit (PIC) Cash Grant.

Other operating income also comprises mainly bad debts written back, forfeiture of a customer's sales deposit in HY2014 and an one-off time charge in FY2011 by IPS Securex to IPSPH for assistance rendered by its employee to secure and manage a security project in Thailand (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information).

For the Period Under Review, other operating income amounted to approximately S\$98,000, S\$17,000, S\$14,000, S\$20,000 and S\$218,000 in FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

Administrative expenses

Administrative expenses comprise mainly employees' remuneration and benefit expenses, distribution and marketing expenses in relation to sales and marketing activities, depreciation of plant and equipment, general office expenditure, Placement expenses, expenses incurred for our rental of office cum storage and warehouse space from IPST and IPSG (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information) and expenses incurred for the provision of various group services by IPST, IPSG and IPSL to IPS Securex (please refer to the sections entitled "**Interested Person Transactions – Past Interested Person Transactions**" and "**Interested Person Transactions – Present and On-going Interested Person Transactions**" of this Offer Document for further information).

For the Period Under Review, administrative expenses amounted to approximately S\$2.6 million, S\$2.5 million, S\$2.3 million, S\$1.2 million and S\$1.7 million, and accounted for approximately 51.8%, 59.1%, 24.0%, 30.8% and 44.7% of our revenue for FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

Other operating expenses

Other operating expenses comprise mainly allowance for doubtful debts and inventory obsolescence, write-off of inventories, net foreign exchange losses and sundry expenses such as bank charges and tender fees.

For the Period Under Review, other operating expenses amounted to approximately S\$219,000, S\$24,000, S\$28,000, S\$2,000 and S\$3,000, and accounted for approximately 4.4%, 0.6%, 0.3%, 0.0% and 0.1% of our revenue for FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Finance costs

Finance costs relate to interest expenses incurred on loans from IPST, IPST and IPST. The interest rates for these loans were 2.0% per annum for loans denominated in US\$ and 5.0% per annum for loans denominated in S\$. These loans had since been fully repaid as at 30 June 2013. Please refer to the section entitled “**Interested Person Transactions – Past Interested Person Transactions**” of this Offer Document for further information on these loans.

For the Period Under Review, finance costs amounted to approximately S\$10,000, S\$13,000, S\$16,000, S\$14,000 and nil, and accounted for approximately 0.2%, 0.3%, 0.2%, 0.3% and nil of our revenue for FY2011, FY2012, FY2013, HY2013 and HY2014, respectively.

Income tax expense (benefit)

Income tax expense (benefit) consists of the sum of current taxes and deferred tax benefits. We are subject to the prevailing tax regulations of the countries where we have operations in, namely Singapore and Brunei. The applicable statutory tax rate in Singapore was 17.0% during the Period Under Review. IPS Brunei was incorporated on 26 October 2013 but, as at the Latest Practicable Date, has not commenced operations.

For the Period Under Review, the breakdown of income tax expense (benefit) and the effective tax rates are as set out below:

S\$'000	FY2011	FY2012	FY2013	HY2013	HY2014
Current tax expense	–	–	31	–	42
Deferred tax (benefit) expense	(4)	(7)	(30)	–	24
Income tax (benefit) expense	(4)	(7)	1	–	66
Effective tax rate (%)	n.m.	n.m.	0.1	n.m.	21.9

n.m. denotes not meaningful

The income tax benefit in FY2011 and FY2012, the marginal income tax expense in FY2013 and nil income tax expense in HY2013 were mainly due to the utilisation of tax losses and capital allowances carried forward from previous years, the utilisation of tax concessions and partial tax exemption for chargeable income that was below S\$300,000 over these years/periods.

The income tax expense incurred in HY2014 was mainly due to the non-deductible expenses partially offset by the utilisation of tax concessions and partial tax exemption for chargeable income that was below S\$300,000. In HY2014, our effective tax rate of 21.9% was higher than the statutory tax rate mainly due to the non-deductible expenses arising from the Placement and the depreciation of the Alert Alarm Systems that we own and lease to our customers under our Maintenance and Leasing Business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

REVIEW OF RESULTS OF OPERATIONS

FY2012 compared to FY2011

Revenue

Revenue decreased by approximately S\$732,000 or 14.9%, from S\$4.9 million in FY2011 to S\$4.2 million in FY2012.

Our revenue from our Security Solutions Business decreased by approximately S\$87,000 or 3.9% from S\$2.2 million in FY2011 to S\$2.1 million in FY2012. This was mainly attributable to the decrease in the sale of security products to our customers in Malaysia and Indonesia of approximately S\$608,000 which was partially offset by the increase in revenue of approximately S\$521,000 as a result of the completion of a public sector integrated security system project in Singapore and the incremental revenue recognised from certified work performed for the OUB Project.

Our revenue from our Maintenance and Leasing Business decreased by approximately S\$645,000 or 23.9% from S\$2.7 million in FY2011 to S\$2.0 million in FY2012. Of the S\$645,000, approximately S\$242,000 was mainly attributable to the expiry of a maintenance support services contract from a public sector customer in Brunei and the decrease in ad-hoc maintenance support services from our customers in Brunei and Indonesia, and another S\$454,000 was mainly attributable to the absence in FY2012 of the provision of ad-hoc maintenance support services to a public sector customer in Singapore which was recognised in FY2011. This was partially offset by the fees earned of approximately S\$51,000 due to the lease-and-maintenance contract entered into with HDB in FY2012 pursuant to the HDB Project.

Cost of sales

Cost of sales decreased by approximately S\$143,000 or 6.9% from S\$2.1 million in FY2011 to S\$1.9 million in FY2012. This was mainly attributable to the decrease in direct material costs of approximately S\$319,000 which was partially offset by the increase in sub-contracting costs of approximately S\$166,000.

The decrease in direct material costs was mainly attributable to the absence in FY2012 of the purchase of parts and components used for the provision of ad-hoc maintenance support services to a public sector customer in Singapore incurred in FY2011. The increase in sub-contracting costs was mainly attributable to the engagement of third party service providers for a public sector integrated security system project in Singapore and for the OUB Project.

Gross profit and gross profit margin

Gross profit decreased by approximately S\$589,000 or 20.7% from S\$2.8 million in FY2011 to S\$2.3 million in FY2012. The corresponding gross profit margin decreased from approximately 57.7% in FY2011 to approximately 53.7% in FY2012.

The decrease in gross profit margin in FY2012 was mainly attributable to the aggregate impact of an increase in revenue contribution from and the decrease in gross profit margin of our Security Solutions Business. Revenue contribution from our Security Solutions Business was 45.3% and 51.1% of our revenue in FY2011 and FY2012, respectively. Generally, gross profit margins for our Security Solutions Business are lower than those from our Maintenance and Leasing Business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Other operating income

Other operating income decreased by approximately S\$81,000 or 82.7% from S\$98,000 in FY2011 to S\$17,000 in FY2012. This was mainly attributable to the net decrease in government grants and reimbursements received of approximately S\$33,000 in FY2012 and the absence of an one-off time charge in FY2011 of S\$40,000 by IPS Securex to IPSPH for assistance rendered by its employee to secure and manage a security project in Thailand (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information).

Administrative expenses

Administrative expenses decreased by approximately S\$75,000 or 2.9% from S\$2.6 million in FY2011 to S\$2.5 million in FY2012. This was mainly attributable to the decrease in distribution and marketing expenses of approximately S\$187,000, in general office expenditure of approximately S\$64,000 and in rental expenses of approximately S\$33,000, due to cost control measures on overseas trips and office overheads as well as reduction in office cum warehouse space rented by IPS Securex from IPST, respectively (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information). This was partially offset by an increase of approximately S\$216,000 pursuant to the renegotiation of fees during the year for group services provided to us by IPST (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information).

Other operating expenses

Other operating expenses decreased by approximately S\$195,000 or 89.0% from S\$219,000 in FY2011 to S\$24,000 in FY2012 mainly due to the decrease in allowance for doubtful debts of approximately S\$100,000 and allowance for inventory obsolescence of approximately S\$100,000. The decrease in allowance for doubtful debts in FY2012 was due to a specific provision made in FY2011 for advances extended to SDC (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information). The decrease in allowance for inventory obsolescence in FY2012 was due to a specific provision in FY2011 for certain slow moving inventory which we had assessed to be obsolete following our annual stocktake.

Finance costs

Finance costs increased by approximately S\$3,000 or 30.0% from S\$10,000 in FY2011 to S\$13,000 in FY2012 due to the increase in loans from IPST and IPSPH for general working capital purposes. Please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information.

Loss before income tax

As a result of the foregoing, profit before income tax decreased by approximately S\$403,000 or 255.1% from S\$158,000 in FY2011 to a loss before income tax of S\$245,000 in FY2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FY2013 compared to FY2012

Revenue

Revenue increased by approximately S\$5.3 million or 126.4%, from S\$4.2 million in FY2012 to S\$9.5 million in FY2013.

Our revenue from our Security Solutions Business increased by approximately S\$4.6 million or 213.5% from S\$2.1 million in FY2012 to S\$6.7 million in FY2013. This was mainly attributable to an increase in the sale of security products and integrated security solutions to our customers in Vietnam, Indonesia, Malaysia and Thailand of approximately S\$5.1 million due to an increase in our customer and end-user base, as well as the expansion of the range of security products and integrated security solutions supplied to them. This was partially offset by the absence of the public sector integrated security system project in Singapore of approximately S\$404,000 which was completed in FY2012 and a decrease in the supply of integrated security solutions to our customers in Singapore of approximately S\$147,000.

Our revenue from our Maintenance and Leasing Business increased by approximately S\$727,000 or 35.5% from S\$2.0 million in FY2012 to S\$2.8 million in FY2013. This was mainly attributable to the increase of approximately S\$430,000 in fees earned for the provision of maintenance support services due to new contracts signed with public sector customers in Singapore and Brunei and the increase of approximately S\$297,000 in fees earned during the year from the lease-and-maintenance contract entered into with HDB.

Cost of sales

Cost of sales increased by approximately S\$3.5 million or 181.9% from S\$1.9 million in FY2012 to S\$5.5 million in FY2013. This was mainly attributable to the increase in direct material costs and sub-contracting costs of approximately S\$1.7 million and S\$1.6 million, respectively.

During the year, the aggregate increase in direct material costs and sub-contracting costs was in line with the increase in our revenue from our Security Solutions Business which grew by 213.5% to S\$6.7 million.

Gross profit and gross profit margin

Gross profit increased by approximately S\$1.8 million or 78.7%, from S\$2.3 million in FY2012 to S\$4.0 million in FY2013. The corresponding gross profit margin decreased from approximately 53.7% in FY2012 to approximately 42.4% in FY2013.

The decrease in gross profit margin in FY2013 was mainly attributable to the net impact of an increase in revenue contribution from our Security Solutions Business which was mitigated by the increase in gross profit margin of our Security Solutions Business. Revenue contribution from our Security Solutions Business was 51.1% and 70.7% of our revenue in FY2012 and FY2013, respectively. Generally, gross profit margins for our Security Solutions Business are lower than those from our Maintenance and Leasing Business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Other operating income

Other operating income decreased by approximately S\$3,000 or 17.6%, from S\$17,000 in FY2012 to S\$14,000 in FY2013. This was mainly due to an absence in FY2013 of an one-off write-off of amounts owed by IPS Securex to IPSSAS and IPSTHK of approximately S\$5,000 which was recognised in FY2012 arising from the completion of the audit of accounts of IPSSAS and IPSTHK prior to the filing of their de-registration applications. This was partially offset by the net increase in government grants and reimbursements received of approximately S\$1,000.

Administrative expenses

Administrative expenses decreased by approximately S\$201,000 or 8.1% from S\$2.5 million in FY2012 to S\$2.3 million in FY2013. This was mainly attributable to the decrease in employees' remuneration and benefit expenses of approximately S\$230,000 and in office and storage rental expenses of approximately S\$33,000 due to a continuation of cost control measures on staff salaries and office cum warehouse space rented by IPS Securex from IPST, respectively (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information). This was partially offset by the increase in professional fees of approximately S\$51,000 mainly for audit services, in fees of approximately S\$36,000 due to the renegotiation of fees pursuant to a new group services agreement entered into during the year for group services provided to us by IPST. In addition, there was a charge incurred by IPS Securex and payable to IPST in FY2013 of approximately S\$22,000 pursuant to the provision of inventory storage management and handling services by IPST to IPS Securex (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information).

Other operating expenses

Other operating expenses increased by approximately S\$4,000 or 16.7% from S\$24,000 in FY2012 to S\$28,000 in FY2013. This was mainly due to the increase in sundry expenses of approximately S\$7,000 and a net foreign exchange loss of approximately S\$6,000. This was partially offset by the decrease in the write-off of inventories of approximately S\$9,000.

Finance costs

Finance costs increased by approximately S\$3,000 or 23.1% from S\$13,000 in FY2012 to S\$16,000 in FY2013 due to an increase in loans from IPST and IPSPH for general working capital purposes. Please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information.

Profit before income tax

As a result of the foregoing, a profit before income tax of approximately S\$1.7 million was achieved in FY2013 as compared to a loss before income tax of approximately S\$245,000 in FY2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

HY2014 compared to HY2013

Revenue

Revenue decreased by approximately S\$216,000 or 5.4% from S\$4.0 million in HY2013 to S\$3.8 million in HY2014.

Our revenue from our Security Solutions Business decreased by approximately S\$363,000 or 14.7% from S\$2.5 million in HY2013 to S\$2.1 million in HY2014. This was mainly attributable to the decrease in the sale of security products to our customers in Vietnam and Malaysia of approximately S\$1.0 million which was partially offset by the increase in revenue of approximately S\$673,000 from the sale of security products to our customers in Indonesia and Singapore, in particular, in relation to the SIT Project.

Our revenue from our Maintenance and Leasing Business increased by approximately S\$147,000 or 9.5% from S\$1.5 million in HY2013 to S\$1.7 million in HY2014. Of the S\$147,000, approximately S\$345,000 was mainly attributable to the ad-hoc replacement of a component in a security system for a public sector customer in Singapore in HY2014. This was partially offset by the decrease in the maintenance and support services fees earned of approximately S\$214,000 mainly attributable to the renewal of a maintenance support services contract with a public sector customer in Singapore and the decommissioning of one of the security systems prior to the renewal of the maintenance support services contract.

Cost of sales

Cost of sales increased by approximately S\$66,000 or 3.4% from S\$1.9 million in HY2013 to S\$2.0 million in HY2014. This was mainly attributable to the increase in direct material costs of approximately S\$542,000 which was partially offset by the decrease in sub-contracting costs of approximately S\$473,000.

The increase in direct material costs was mainly attributable to the sale of security products to our customers in Indonesia and Singapore, in particular, in relation to the SIT Project and the amortisation of the cost of a new extended supply contract that we had entered into over the duration of a maintenance support services contract which was renewed with a public sector customer of ours in Singapore in HY2014. This arrangement with our supplier ensures our customer of the availability of maintenance support from our supplier over the duration of the maintenance support services contract and ensures us that this support would be rendered at a fixed cost to us.

The decrease in sub-contracting costs was in line with the decrease in revenue from our Security Solutions Business and, in particular, it was mainly because we had not engaged any third party service providers to provide any service in HY2014.

Gross profit and gross profit margin

Gross profit decreased by approximately S\$282,000 or 13.6% from S\$2.1 million in HY2013 to S\$1.8 million in HY2014. The corresponding gross profit margin decreased from approximately 51.5% in HY2013 to approximately 47.0% in HY2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The decrease in gross profit margin in HY2014 was mainly attributable to the net impact of a decrease in gross profit margin of our Maintenance and Leasing Business which was mitigated by an increase in revenue contribution from our Maintenance and Leasing Business. Revenue contribution from our Maintenance and Leasing Business was 38.4% and 44.5% of our revenue in HY2013 and HY2014, respectively.

The amortisation charge in connection with the higher cost of the new extended supply contract that we had entered into over the duration of our maintenance support services contract renewed with a public sector customer of ours in Singapore in HY2014 resulted in the decrease in gross profit margin of our Maintenance and Leasing Business.

Other operating income

Other operating income increased by approximately S\$198,000 or 990.0% from S\$20,000 in HY2013 to S\$218,000 in HY2014. This was mainly due to the forfeiture of a customer's sales deposit of approximately S\$185,000 in HY2014 because of the cancellation of the order.

Administrative expenses

Administrative expenses increased by approximately S\$464,000 or 37.6% from S\$1.2 million in HY2013 to S\$1.7 million in HY2014. This was mainly attributable to the Placement expenses incurred of approximately S\$401,000 in HY2014, the increase in distribution and marketing expenses of approximately S\$72,000, in employees' remuneration and benefit expenses of approximately S\$20,000 and in professional fees mainly for secretarial and tax agent services of approximately S\$50,000. This was partially offset by a decrease of approximately S\$108,000 pursuant to the lower fees incurred for group services provided to us by IPSPG in HY2014 in comparison with the fees incurred for group services provided to us by IPST in HY2013 (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information).

Other operating expenses

Other operating expenses increased by approximately S\$1,000 or 50.0% from S\$2,000 in HY2013 to S\$3,000 in HY2014. This was mainly due to the loss on disposal of plant and equipment of approximately S\$1,000.

Finance costs

Finance costs incurred in HY2013 was approximately S\$14,000. There was no finance costs incurred in HY2014 due to the full repayment of loans from IPST and IPSPH in FY2013. Please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information.

Profit before income tax

As a result of the foregoing, profit before income tax decreased by approximately S\$535,000 or 64.0% from S\$836,000 in HY2013 to S\$301,000 in HY2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

REVIEW OF FINANCIAL POSITION

Current assets

Our current assets comprise cash and cash equivalents, trade receivables, other receivables and inventories. Current assets amounted to approximately S\$3.3 million or 72.9% of total assets and approximately S\$4.4 million or 78.5% of total assets as at 30 June 2013 and 31 December 2013, respectively.

Cash and cash equivalents

Cash and cash equivalents amounted to approximately S\$1.5 million or 32.3% of total assets and approximately S\$1.8 million or 32.2% of total assets as at 30 June 2013 and 31 December 2013, respectively.

Trade receivables

Trade receivables amounted to approximately S\$887,000 or 19.6% of total assets and approximately S\$1.6 million or 29.5% of total assets as at 30 June 2013 and 31 December 2013, respectively. Trade receivables consist of amounts receivable from our customers derived from our sales, accrued revenue in relation to maintenance support services performed which were unbilled and amounts due from contract customers (comprising the cumulative contract costs incurred and cumulative attributable profit recognised net of cumulative progress billings), net of any allowance for doubtful debts.

Other receivables

Other receivables amounted to approximately S\$520,000 or 11.5% of total assets and approximately S\$619,000 or 11.1% of total assets as at 30 June 2013 and 31 December 2013, respectively. Other receivables consist mainly of deposits placed with our suppliers for purchases of security products, refundable security deposit placed with HDB during the installation of the Alert Alarm Systems pursuant to the HDB Project, deferred expenditure which pertains to sub-contracting costs prepaid for the maintenance support services and prepayments for tender deposits, insurance premiums and other miscellaneous expenses.

Inventories

Inventories amounted to approximately S\$430,000 or 9.5% of total assets and approximately S\$326,000 or 5.8% of total assets as at 30 June 2013 and 31 December 2013, respectively. Inventories consist mainly of parts and components kept for the provision of integrated security solutions and maintenance support services to our customers and costs incurred in connection with work-in-progress.

Non-current assets

Our non-current assets comprise plant and equipment and deferred tax asset. Non-current assets amounted to approximately S\$1.2 million or 27.1% of total assets and approximately S\$1.2 million or 21.5% of total assets as at 30 June 2013 and 31 December 2013, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Plant and equipment

Plant and equipment amounted to approximately S\$1.2 million or 26.5% of total assets and approximately S\$1.2 million or 21.4% of total assets as at 30 June 2013 and 31 December 2013, respectively. Plant and equipment consists mainly of the Alert Alarm Systems that we own pursuant to the HDB Project, computers and office equipment, furniture, fixtures and office renovation, tools and equipment and motor vehicles.

Deferred tax asset

Deferred tax asset amounted to approximately S\$30,000 or 0.7% of total assets and approximately S\$6,000 or 0.1% of total assets as at 30 June 2013 and 31 December 2013, respectively.

Current liabilities

Our current liabilities comprise trade payables, other payables and income tax payable. Current liabilities amounted to approximately S\$1.5 million or 100.0% of total liabilities and approximately S\$2.3 million or 100.0% of total liabilities as at 30 June 2013 and 31 December 2013, respectively.

Trade payables

Trade payables amounted to approximately S\$276,000 or 18.4% of total liabilities and approximately S\$670,000 or 28.8% of total liabilities as at 30 June 2013 and 31 December 2013, respectively. Trade payables consist of amounts payable to our suppliers of security products and third party service providers.

Other payables

Other payables amounted to approximately S\$1.2 million or 79.5% of total liabilities and approximately S\$1.6 million or 68.1% of total liabilities as at 30 June 2013 and 31 December 2013, respectively. Other payables comprise mainly GST payable, payables for staff reimbursements, advances from customers, accruals which relate to retention monies held by us and payable to our sub-contractors, and other accrued expenses including Placement expenses, employees' remuneration and benefit expenses, professional fees for audit, tax and secretarial services, and payables to IPST, IPST and IPST pursuant to rental of office cum storage and warehouse space, and group services and inventory storage management and handling services provided by them.

Income tax payable

Income tax payable amounted to approximately S\$31,000 or 2.1% of total liabilities and approximately S\$73,000 or 3.1% of total liabilities as at 30 June 2013 and 31 December 2013, respectively.

Capital and reserves

Capital and reserves comprise share capital and accumulated profit which, in aggregate, amounted to S\$3.0 million and S\$3.3 million as at 30 June 2013 and 31 December 2013, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

During the Relevant Period, we financed our working capital, capital expenditure and other capital requirements through a combination of cash generated from our operating activities, shareholders' equity, loans and advances from IPSP and its subsidiaries, and bank borrowings. Please refer to the section entitled "**Capitalisation and Indebtedness**" of this Offer Document for further details of our bank borrowings as at the Latest Practicable Date as well as the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" and "**Independent Auditors' Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**" as set out in Appendix A of this Offer Document for further information on the loans and advances from IPSP and its subsidiaries.

As at the Latest Practicable Date, we have cash and cash equivalents of approximately S\$1.2 million, net current assets of S\$1.6 million and credit facilities of S\$2.3 million which have not been utilised.

Our Directors are of the opinion that, after taking into account the cash flows generated from our operations, our available credit facilities, and our existing cash and cash equivalents, the working capital available to our Group, as at the date of lodgement of this Offer Document, is sufficient for our present requirements and for at least 12 months after the listing of our Company on the Catalist.

The Sponsor and Issue Manager are of the reasonable opinion that, having regard to the above, after having made due and careful enquiry and after taking into account the cash flows generated from our operations, our available credit facilities, and our existing cash and cash equivalents, the working capital available to our Group, as at the date of lodgement of this Offer Document, is sufficient for our present requirements and for at least 12 months after the listing of our Company on the Catalist.

A summary of our cash flows for FY2011, FY2012, FY2013 and HY2014 is set out as follows:

S\$'000	← Audited →		Unaudited	
	FY2011	FY2012	FY2013	HY2014
Net cash from (used in) operating activities	(110)	469	2,059	445
Net cash from (used in) investing activities	(41)	(1,173)	(259)	(108)
Net cash from (used in) financing activities	274	630	(725)	10
Net increase (decrease) in cash and cash equivalents	123	(74)	1,075	347
Cash and cash equivalents at beginning of year	342	442	381	1,455
Effect of exchange rates changes on the balance of cash held in foreign currencies	(23)	13	(1)	(1)
Cash and cash equivalents at end of year	442	381	1,455	1,801

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

An analysis of our cashflows for each of FY2011, FY2012, FY2013 and HY2014 is set out below:

Net cash flows from (used in) operating activities

FY2011

In FY2011, net cash flow used in operating activities was approximately S\$110,000, which consisted mainly of operating cash flow before working capital changes of S\$451,000, net of working capital outflow of S\$582,000 and income tax refund of S\$21,000.

The net working capital outflow arose mainly from the following:

- (i) an increase in trade receivables of approximately S\$857,000 mainly in relation to the higher sales made on credit terms in relation to the provision of maintenance support services to a public sector customer in Singapore and an increase in progress billings pursuant to the OUB Project towards the end of FY2011;
- (ii) an increase in other receivables of approximately S\$392,000 due mainly to advances provided to IPSPH and SDC for general working capital purposes which amounted to S\$265,000 and S\$120,000, respectively (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information);
- (iii) an increase in inventories of approximately S\$127,000 as we purchased parts and components for our Maintenance and Leasing Business; and
- (iv) partially offset by an increase in other payables of approximately S\$785,000 mainly due to an increase in advances from IPST, IPSTHK and IPSPH in aggregate of S\$510,000 for general working capital purposes (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information), an increase in advances from customers in aggregate of S\$188,000 in relation to the sale of security products in Vietnam, an integrated security project for a commercial customer in Singapore and the provision of maintenance support services to a public sector customer in Brunei and an increase in GST payable of S\$51,000.

FY2012

In FY2012, we generated net cash flow from operating activities of approximately S\$469,000, which consisted mainly of operating cash outflow before working capital changes of S\$154,000 and net working capital inflow of S\$623,000.

The net working capital inflow arose mainly from the following:

- (i) a decrease in trade receivables of approximately S\$199,000 mainly due to the decrease in trade receivables net of allowance for doubtful debts from our customers of S\$274,000 as a result of increased efforts in collections and in trade receivables from IPSTHK of S\$143,000 for the purchase of Acoustic Hailing Systems from us which was fully paid. These were partially offset by an increase in accrued revenue of S\$139,000 mainly in respect of a

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

maintenance support services contract for a public sector customer in Singapore and the retention monies for the OUB Project. In addition, there was an increase in amount due from contract customers of S\$79,000 for the OUB Project;

- (ii) a decrease in other receivables of approximately S\$219,000 mainly due to the repayment by IPST, SDC and IPSPH of net advances provided to them of approximately S\$466,000 (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information). This was partially offset by an increase in deposits of S\$244,000 due to deposits placed with our suppliers for purchases of security products and a security deposit placed with HDB pursuant to the HDB Project;
- (iii) a decrease in inventories of approximately S\$182,000 mainly due to the decrease in purchases of parts and components of S\$111,000 and in work-in-progress of S\$85,000 for work that was completed;
- (iv) an increase in trade payables of approximately S\$292,000 mainly due to purchases made in relation to the Alert Alarm Systems and the appointment of third party service providers for the HDB Project that had remained outstanding as at year-end, within the credit terms that were extended to us; and
- (v) partially offset by a decrease in other payables of approximately S\$268,000 mainly due to the repayment of advances and the payment of rental and group services fees to IPST, IPSPH and IPSTHK in aggregate of S\$221,000 (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information) and a decrease in GST payable of S\$64,000.

FY2013

In FY2013, we generated net cash flow from operating activities of approximately S\$2.1 million which consisted mainly of operating cash flows before working capital changes of S\$2.0 million and net working capital inflow of S\$95,000.

The net working capital inflow arose mainly from the following:

- (i) a decrease in trade receivables of approximately S\$96,000 mainly due to the decrease in amount due from our contract customers of S\$173,000 as a result of the receipt of payment following the completion of the OUB Project which was partially offset by a net increase in trade receivables from third parties of S\$115,000 mainly due to credit extended to a public sector customer in Singapore in relation to a new contract signed for the provision of maintenance support services;
- (ii) an increase in other payables of approximately S\$373,000 mainly due to the increase in advances from customers in aggregate of S\$248,000 in relation to the provision of maintenance support services to a public sector customer in Brunei and the sale of security products in relation to the SIT Project, an increase in accruals in aggregate of S\$250,000 in relation to employees' remuneration and benefit expenses and professional fees for audit. This was partially offset by the repayment of advances and the payment of rental and group services fees to IPST, IPSPH and IPSTHK in aggregate of S\$168,000 (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information); and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

- (iii) partially offset by an increase in other receivables of approximately S\$223,000 mainly due to an increase in deposits placed with our suppliers for purchases of security products as well as a decrease in trade payables of S\$100,000 due to the payment for purchases made in relation to the Alert Alarm Systems for the HDB Project.

HY2014

In HY2014, we generated net cash flow from operating activities of approximately S\$445,000 which consisted mainly of operating cash flows before working capital changes of S\$415,000 and net working capital inflow of S\$30,000.

The net working capital inflow arose mainly from the following:

- (i) an increase in trade payables of approximately S\$394,000 mainly due to purchases made in relation to the Acoustic Hailing Systems and purchases made for the SIT Project that had remained outstanding as at period-end, within the credit terms that were extended to us;
- (ii) an increase in other payables of approximately S\$392,000 due to the increase in payables of S\$149,000 in relation to rental for office cum storage and warehouse space and fees for group services and inventory storage management and handling services provided by IPSG, IPST and IPSL which remained unpaid as at period-end (please refer to the section entitled "**Interested Person Transactions – Past Interested Person Transactions**" of this Offer Document for further information), the increase in payables of S\$161,000 mainly in relation to professional fees incurred for the Placement that had remained outstanding as at period-end, the increase in accruals of S\$154,000 mainly in relation to professional fees for audit, tax and secretarial services and Placement expenses. This was partially offset by a decrease in advances from customers of S\$135,000 in relation to the provision of maintenance support services to public sector customers in Brunei and Indonesia and the sale of security products in Singapore;
- (iii) a decrease in inventories of approximately S\$104,000 mainly due to the decrease in work-in-progress for work that was completed; and
- (iv) partially offset by an increase in trade receivables and other receivables of approximately S\$761,000 and S\$100,000, respectively. The increase in trade receivables was mainly due to higher sales made on credit terms for both our Security Solutions Business and Maintenance and Leasing Business and the increase in other receivables was mainly due to the prepayment of sub-contracting costs for our maintenance support services.

Net cash flows from (used in) investing activities

FY2011

Net cash flow used in investing activities amounted to approximately S\$41,000 in FY2011 due to payment for the purchase of a company van, tools and equipment, computers and office equipment in aggregate of approximately S\$45,000, partially offset by proceeds of approximately S\$3,000 from the disposal of a company van.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FY2012

Net cash flow used in investing activities amounted to approximately S\$1.2 million in FY2012 due to payment for purchases made in relation to the Alert Alarm Systems in respect of the HDB Project, and the purchase of computers and office equipment, furniture and fixtures and tools and equipment.

FY2013

Net cash flow used in investing activities amounted to approximately S\$259,000 in FY2013 due to payment for purchases made in relation to the Alert Alarm Systems in respect of the HDB Project, and purchase of computers and office equipment and tools and equipment.

HY2014

Net cash flow used in investing activities amounted to approximately S\$108,000 in HY2014 due to payment for purchases made for the upgrading of our Microsoft Dynamics – Navision, for the purchase of computers and office equipment and for our office renovation.

Net cash flows from (used in) financing activities

FY2011

Net cash flows from financing activities amounted to approximately S\$274,000 in FY2011 and was mainly due to a loan from IPST of approximately S\$267,000 used for general working capital purposes. Please refer to the section entitled “**Interested Person Transactions – Past Interested Person Transactions**” of this Offer Document for further information.

FY2012

Net cash flows from financing activities amounted to approximately S\$630,000 in FY2012. This was mainly due to loans from IPST and IPSPH of approximately S\$464,000 and S\$175,000, respectively, for general working capital purposes. Please refer to the section entitled “**Interested Person Transactions – Past Interested Person Transactions**” of this Offer Document for further information.

FY2013

Net cash flows used in financing activities amounted to approximately S\$725,000 in FY2013. This was mainly due to the repayment of loans to IPST and IPSPH of approximately S\$524,000 and S\$175,000, respectively. Please refer to the section entitled “**Interested Person Transactions – Past Interested Person Transactions**” of this Offer Document for further information.

HY2014

Net cash flows from financing activities amounted to approximately S\$10,000 in HY2014. This was due to the closure of a project bank account in December 2013 which resulted in the release of the monies in the account previously restricted to the use for a specific project only.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure and divestments

Our major capital expenditure and divestments in each of FY2011, FY2012, FY2013, HY2014 and for the period from 1 January 2014 to the Latest Practicable Date are set out below:

Expenditures (S\$'000)	FY2011	FY2012	FY2013	HY2014	From 1 January 2014 to the Latest Practicable Date
Computers and office equipment	12	12	21	39	29
Furniture, fixtures and office renovation	2	1	–	11	3
Tools and equipment	2	26	4	–	–
Motor vehicles	29	–	–	–	–
Alert Alarm Systems	–	1,128	234	–	–
Construction-in-progress	–	6	–	58	–
Total	45	1,173	259	108	32

Divestments (S\$'000)	FY2011	FY2012	FY2013	HY2014	From 1 January 2014 to the Latest Practicable Date
Computers and office equipment	3	–	4	252	–
Furniture, fixtures and office renovation	–	–	6	25	–
Tools and equipment	–	–	–	76	–
Motor vehicles	28	–	–	–	–
Alert Alarm Systems	–	–	–	–	–
Total	31	–	10	353	–

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FY2011

In FY2011, our Group incurred a total of approximately S\$45,000 in capital expenditure. Of the S\$45,000, approximately S\$29,000 was spent to purchase a company van. Our Group also purchased computers and office equipment such as telephones and printers, tools and equipment such as ladders, and furniture and fixtures such as storage racks, which amounted to approximately S\$12,000, S\$2,000 and S\$2,000, respectively.

In FY2011, our divestments mainly comprise the disposal of a company van and write-off of obsolete computers and office equipment, which amounted to approximately S\$28,000 and S\$3,000, respectively.

FY2012

In FY2012, our Group incurred a total of approximately S\$1.2 million in capital expenditure. Of the S\$1.2 million, approximately S\$1.1 million was due to purchases made in relation to the Alert Alarm Systems in respect of the HDB Project. Our Group also purchased tools and equipment such as the scissor lift to access high areas for the conduct of maintenance support services, and computers and office equipment such as laptops, which amounted to S\$26,000 and S\$12,000, respectively.

FY2013

In FY2013, our Group incurred a total of S\$259,000 in capital expenditure. Of the S\$259,000, approximately S\$234,000 was due to purchases made in relation to the Alert Alarm Systems in respect of the HDB Project. Our Group also purchased computers and office equipment such as computer software, and tools and equipment such as the sound measuring instrument used for the testing of the Acoustic Hailing Systems, which amounted to S\$21,000 and S\$4,000, respectively.

In FY2013, our divestments mainly comprise the write-offs of furniture and fixtures such as office partitions, work desks and chairs, and obsolete computers and office equipment, which amounted to S\$6,000 and S\$4,000, respectively.

HY2014

In HY2014, our Group incurred a total of S\$108,000 in capital expenditure. Of the S\$108,000, approximately S\$58,000 was due to the purchase and implementation costs incurred for the upgrading of Microsoft Dynamics – Navision. Our Group also purchased computers and office equipment such as computer software and incurred office renovation costs, which amounted to S\$39,000 and S\$11,000, respectively.

In HY2014, our divestments mainly comprise the write-offs of obsolete computers and office equipment, damaged tools and equipment, and furniture, fixtures and office renovation such as office partitions, work desks and chairs and renovation works, which amounted to S\$252,000, S\$76,000 and S\$25,000, respectively.

From 1 January 2014 to the Latest Practicable Date

From 1 January 2014 to the Latest Practicable Date, our Group incurred a total of S\$32,000 in capital expenditure due to the purchase of computers and office equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Capital commitments

Save as disclosed below, as at the Latest Practicable Date, we do not have any material capital commitments:

Operating lease commitments

As at the Latest Practicable Date, our Group had the following lease commitment for future minimum lease payments under an operating lease in respect of the rental of the office cum storage space at 71 Tech Park Crescent, Singapore 638072 from IPSPG:

	As at the Latest Practicable Date (S\$'000)
Not later than one year	107
Later than one year but not later than five years	11
Later than five years	–
Total	118

We leased the office cum storage space from IPSPG for a period of 18 months from 1 January 2014 to 30 June 2015. We will fund this commitment using cash generated from operations.

As at the Latest Practicable Date, our Group had the following lease commitment for future minimum lease income receivables under an operating lease in respect of the HDB Project:

	As at the Latest Practicable Date (S\$'000)
Not later than one year	354
Later than one year but not later than five years	1,416
Later than five years	90
Total	1,860

In 2014, we were awarded a lease-and-maintenance contract valued at approximately S\$3.7 million by HDB for four phases of between seven years and 93.5 months each, for the installation, leasing and maintenance of the Alert Alarm Systems for several blocks of residential housing across Singapore for senior citizens.

Save as disclosed above, we do not have any other material operating lease commitments as at the Latest Practicable Date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOREIGN EXCHANGE MANAGEMENT

Our functional and reporting currency is in S\$. While our operations are primarily based in Singapore, we also supply our security products and integrated security solutions to other Distribution Markets through our network of dealers and make purchases from overseas suppliers. Hence, our revenue and purchases are largely denominated and transacted in S\$ and US\$. For FY2011, FY2012, FY2013, HY2013 and HY2014, the percentage of revenue and purchases denominated in the various currencies, are as set out below:

	FY2011	FY2012	FY2013	HY2013	HY2014
% of revenue denominated in					
S\$	66.5	81.0	37.5	72.6	73.1
US\$	33.5	19.0	62.5	27.4	26.9
	100.0	100.0	100.0	100.0	100.0
% of purchases denominated in					
S\$	36.9	50.9	16.9	14.1	29.4
US\$	62.8	49.1	83.0	85.8	70.0
Others ⁽¹⁾	0.3	–	0.1	0.1	0.6
	100.0	100.0	100.0	100.0	100.0

Note:

(1) Comprises Euro, Canadian Dollar, Brunei Dollar and Malaysian Ringgit.

To the extent that our revenue and purchases are not perfectly matched in the same currency and there are timing differences between the invoicing of our customers and the payment to our suppliers, we will be exposed to foreign exchange fluctuations against our functional and reporting currency in S\$ which may adversely affect our results of operations.

Our net foreign exchange gains (losses) for FY2011, FY2012, FY2013, HY2013 and HY2014 are as follows:

S\$'000	FY2011	FY2012	FY2013	HY2013	HY2014
Net foreign exchange gains (losses)	10	(6)	(12)	11	(1)

Currently, we do not have a formal foreign currency hedging policy with respect to our foreign exchange exposure. As at the date of this Offer Document, we have not used any financial hedging instruments to manage our foreign exchange risk. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise in the future. If necessary, we will seek the approval of our Board on the policy for entering into any foreign exchange hedging transactions and will put in place adequate procedures which will be reviewed by our Audit Committee.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SEASONALITY

Most of our customers who are government bodies and agencies would finalise their defence and security budgets in or around the beginning of their fiscal years which typically fall within the first half of each calendar year. As our financial year commences on 1 July, it follows, hence, that our revenue from our Security Solutions Business is generally stronger in the second half of each of our financial years, while there is generally no seasonality for our other customers who are commercial entities.

Please also refer to the section entitled “**Prospects, Business Strategies and Future Plans**” of this Offer Document for more information.

INFLATION

During the Period Under Review, inflation did not have a material impact on our financial performance.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we are not aware of any material contingent liabilities which may have a material effect on the financial position and profitability of our Group.

CHANGES IN ACCOUNTING POLICIES

There has been no significant change in the accounting policies of our Group from FY2011 to FY2013. Please refer to the section entitled “**Summary of Significant Accounting Policies**” in the “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” as set out in Appendix A of this Offer Document, for details on our Group’s accounting policies.

GENERAL INFORMATION ON OUR GROUP

OUR HISTORY AND DEVELOPMENT

Our Company was incorporated on 10 October 2013 in Singapore under the Companies Act as a private company limited by shares under the name of “IPS Securex Holdings Pte. Ltd.”. We undertook the Restructuring Exercise as part of the rationalisation of our corporate and shareholding structure for the purposes of the Placement. Please refer to the section entitled “**Restructuring Exercise**” of this Offer Document for further information on the Restructuring Exercise. Our Company was converted into a public company and renamed as “IPS Securex Holdings Limited” on 2 June 2014.

Our history can be traced back to 1986 when IPSPG was founded by our Controlling Shareholder and Non-Executive Chairman, Chan Tien Lok. IPSPG was then incorporated as a trading company engaged in the import and export of general merchandise which included new and re-conditioned construction equipment, industrial machinery and their accessories and parts for its customers in ASEAN.

In 1991, our Controlling Shareholder, Tan Suan Yap, joined IPSPG to expand IPSPG’s export business into East Asia, Middle East, the Indian subcontinent and parts of the African markets. In 2004, IPSPG changed its name to “IPS Group Pte. Ltd.” to better reflect its role as an investment holding company with diverse operations and business interests presently ranging from the manufacturing of industrial radiators, heat exchangers, asphalt and concrete plants to the distribution of engines and industrial generators, and the supply of general merchandise such as sanitary ware and building materials.

Our subsidiary, IPS Securex, was incorporated in Singapore on 26 October 1991 under the Companies Act as a private company limited by shares under the name of “IPS Marketing Resources (Singapore) Pte Ltd”. IPS Securex (which was an indirect wholly-owned subsidiary of IPSPG prior to the Restructuring Exercise) was incorporated to engage in the import and export of general merchandise, in particular, building materials such as bitumen, cement, plywood and sawn timber within ASEAN.

In and around the late 1990’s, our Controlling Shareholders noted a sharp rise in security concerns in ASEAN brought about by the then unstable political climate in and between several countries as well as reports of terrorist attacks in others. Amidst the heightened security alerts and the observation that there was a lack of a strong presence of suppliers of security products in this region, our Controlling Shareholders believed that there was a business opportunity in the security products and solutions industry that they could capitalise on. In 2000, IPS Securex secured its first distribution rights awarded by Leidos to distribute VACIS exclusively in Malaysia. Leidos is a US Fortune 500 company engaged in the manufacture of VACIS globally. The year 2000 proved to be a significant milestone in IPS Securex’s history and by end 2000, it was principally engaged as a provider of security products and integrated security solutions.

In 2001, IPS Securex secured its first major Security Solution Business contract when its Malaysian dealer was awarded a contract for the supply and installation of VACIS in Malaysia.

In 2002, IPS Securex’s exclusive distribution rights from Leidos for the distribution of VACIS in Malaysia was extended to 10 other countries including Brunei, Indonesia, Singapore, Thailand and Vietnam. In the same year, IPS Securex secured its first Security Solutions Business contract with a public sector customer in Singapore.

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In 2003, IPS Securex secured further rights from Leidos to distribute certain Portable Non-Intrusive Inspection Systems and Radiation Detection and Identification Systems in 12 countries including Brunei, Indonesia, Singapore, Thailand, Malaysia and Vietnam.

In an effort to improve and automate its core business processes, in 2004, IPS Securex invested in an enterprise resource planning software, Microsoft Dynamics – Navision, to better manage its operations and to automate its back office functions such as project management and inventory management, so as to achieve a faster turnaround time in processing, tracking and following up on customers' orders. Further, as evidence of our commitment to quality, IPS Securex was certified ISO 9001:2000 compliant in the areas of design, supply, installation and maintenance of security products and integrated security solutions, and the provision of training for such products and integrated security solutions. In the same year, our business expanded into Brunei when IPS Securex secured its first Brunei contract for the supply of Portable Non-Intrusive Inspection Systems. In 2005, IPS Securex secured its first contract for the supply and installation of Radiation Detection and Identification Systems in Singapore.

In 2007 and 2008, inroads were made into the Indonesia and China markets when IPS Securex secured the contract through its Indonesian dealer for the supply and installation of VACIS in Indonesia and with our Chinese dealer, as a sole supplier for the Portable Non-Intrusive Inspection Systems, for an international sports event. The contract with the Indonesian dealer had a contract value of approximately US\$12.0 million and represented the single largest contract for Security Solutions Business in our history to date.

In 2008, to better reflect its new business focus as a provider of security products and integrated security solutions, IPS Securex changed its name from "IPS Marketing Resources (Singapore) Pte Ltd" to "IPS Securex Pte. Ltd."

To increase its presence in the security products and solutions industry and to broaden its range of security products, IPS Securex began actively sourcing for security products from other reputable suppliers. Through these efforts, IPS Securex secured its first distribution agreement with Ultra Electronics – USSI in 2009 for the distribution of the Hyperspike range of Acoustic Hailing Systems in nine countries, including Singapore, Indonesia, Malaysia, Vietnam and Thailand. In the same year, in recognition of its achievements, IPS Securex was awarded the "Enterprise 50 Award" by The Business Times and KPMG.

In 2010, IPS Securex was awarded two contracts for the design, supply, installation, testing and commissioning of the Surveillance and Monitoring Systems and Access Control Systems for the OUB Project. In the same year, IPS Securex's ISO certification was upgraded to ISO 9001:2008. It was also presented with the "Singapore SME 500 Company" award by DP Information Group and was awarded globally the "Hyperspike Excellence in Sales Award" for the years 2010 and 2011 by Ultra Electronics – USSI.

In 2011, we were awarded a lease-and-maintenance contract valued at approximately S\$2.6 million by HDB for five phases of between seven years and 91 months each, for the installation, leasing and maintenance of the Alert Alarm Systems that we own for several blocks of residential housing across Singapore for senior citizens. These systems enable the senior citizens living in these residential housing to alert the relevant volunteer organisation for assistance in the event of emergencies. These Alert Alarm Systems were successfully implemented in 2012 and IPS Securex is currently providing maintenance support services to ensure their proper functioning.

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In 2012, IPS Securex entered into an agreement with Spiraltech to jointly supply the Mobotix Surveillance and Monitoring Systems for the SIT Project. This project was subsequently awarded the “Project of the Year 2012” by Mobotix for our outstanding contribution and results in Singapore. IPS Securex was also awarded the “Hyperspike Reseller of the Year 2012” by Ultra Electronics – USSI in 2012 for our strong sales performance during the year.

In 2013, IPS Securex ventured into the Vietnam market and secured a contract from its Vietnamese dealer for the supply of Hyperspike Acoustic Hailing Systems. In the same year, IPS Securex was awarded the “Reseller of the Year 2013” by Ultra Electronics – USSI again, and was also presented with the “Platinum category of Top 100 Singapore Excellence Award 2013/2014” by Singapore Enrich Group Pte. Ltd.

To increase our presence in the Brunei market, IPS Brunei was incorporated as a private company limited by shares in 2013. IPS Brunei was set up for the purpose of engaging in the distribution, installation and commissioning of security products and integrated security solutions and provision of maintenance support and leasing services.

Following the successful implementation of our first lease-and-maintenance contract with HDB, in 2014, we were further awarded a subsequent lease-and-maintenance contract valued at approximately S\$3.7 million by HDB for four phases of between seven years and 93.5 months each, for the installation, leasing and maintenance of the Alert Alarm Systems for additional blocks of residential housing across Singapore for senior citizens. This latest contract with HDB represents the single largest contract for Maintenance and Leasing Business in our history to date.

Over the years, we have built an accomplished and thriving reputation in the security products and solutions industry, and in 2014, this was acknowledged through our award from Asia Media Group Pte Ltd of the “Asia Pacific Brands Award 2014”.

To date, we are the exclusive distributors of security products from Ultra Electronics – USSI and primion Technology and the non-exclusive distributors of security products from Leidos, Mobotix and Iscon Imaging. Since our decision in 2000 to focus our business on the security products and integrated security solutions business, we have grown to become a provider of security products and integrated security solutions with a stable of over 100 security products with distribution rights for certain of these products in 10 countries in Asia-Pacific as at the Latest Practicable Date.

BUSINESS OVERVIEW

We are one of Singapore’s leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies in Asia-Pacific. As a provider of security products and integrated security solutions, we design, supply, install, test, commission and maintain security products and solutions which are deployed to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure.

We have close business relationships with our suppliers including our major suppliers such as Leidos, Ultra Electronics – USSI, Spiraltech, and primion Technology who supply us with products that integrate and provide security solutions that meet our customers’ security system requirements. The security products that we provide from our major suppliers include the Acoustic Hailing System, Baggage Scanning System, Narcotics and Drugs Detection System, Personnel Scanning System, VACIS, and Portable Non-Intrusive Inspection System.

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We believe it is important that we remain readily accessible and are prompt in providing quality technical and maintenance support to all our customers even after the sale of our security products and integrated security solutions has been completed. Hence, besides the customary warranty period of 12 months that we provide to all our customers for all the security products and integrated security solutions that we supply, we are also able to render our customers with maintenance support services for the security products and integrated security solutions that we provide on an extended basis at their request typically of between one and five years. To ensure that we maintain the high standard of service we provide to our customers, our sales staff and engineers undergo regular training on key product knowledge and on how to operate, maintain and troubleshoot the security products from our suppliers as well as from staff training conducted in-house.

We have offices located in Singapore and Brunei, and reach out to our customers directly or to the end-users indirectly through our network of country specific dealers in Asia-Pacific. These dealers are appointed only after stringent internal assessment by us to ensure that they will be good ambassadors of our security products in their respective countries. We customarily provide our country specific dealers with our pre-determined price lists for the security products we would sell to them. These dealers would then on sell our security products to the end-users in their country. Our dealer network enables us to broaden our geographical coverage and penetrate effectively and efficiently into as many as 10 countries in Asia-Pacific for certain of our security products as at the Latest Practicable Date.

Besides commercial entities, government bodies and agencies, and our dealers, our other customers also comprise private consumers who may be owners of landed and non-landed residential properties who would engage us to design, supply, install, test and commission our integrated security solutions in their homes.

Our Business Segments

We have two major business segments, namely (i) Security Solutions Business, and (ii) Maintenance and Leasing Business. By being able to offer our customers a wide range of high quality security products and solutions, whether as stand-alone security products or as integrated security solutions, along with our ability to offer extended long-term maintenance support and leasing services, we are able to provide a one-stop centre for the security system requirements of our customers.

Security Solutions Business

We distribute and sell a wide range of security products from suppliers who are well-recognised for product quality and innovation. These products can be generally classified as Homeland Security Products and General Security Products. Our Homeland Security Products are supplied to government bodies and agencies such as 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. Our 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, and at critical infrastructure facilities in townships such as train stations and roads, and in vehicles.

We also offer our customers integrated security solutions that meet our customers' security system requirements. In designing such solutions, we would typically integrate various security products from our different suppliers to create customised integrated security solutions that meet our customers' specific needs. For integrated security systems, we would normally design, supply

GENERAL INFORMATION ON OUR GROUP

and install the systems, including developing the proprietary software to operate the systems if necessary. Alternatively, we are able to design and supply the integrated security systems while our customers would 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 our customers. Our customers who procure our integrated security solutions include commercial entities and 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 our customer to fulfil the order.

We have distribution agreements and close business relationships with reputable and reliable suppliers for the distribution of a carefully selected range of their security products in Asia-Pacific. Please refer to the section entitled “**General Information on our Group – Distribution Agreements**” of this Offer Document for further information.

We provide a warranty typically for a period of 12 months to our customers in the Security Solutions Business. The following are some of the Homeland Security Products and General Security Products that we provide to our customers:

Homeland Security Products

Scanning Systems

- Personnel Scanning System
- VACIS
- Baggage Scanning System
- Portable Non-Intrusive Inspection System
- OCR Solution

Hailing Systems

- Acoustic Hailing System

Surveillance and Monitoring Systems

- Video Surveillance System
- Video Torchlight Equipment
- Lightning Warning System
- Audio Video Intercom System

System Integration

- Data Migration
- Software Development
- Border Security Equipment
- Port Security Equipment

Detection Systems

- Radiation Detection and/or Identification System
- Narcotics and Drugs Detection System
- Explosive Detection System

General Security Products

Hailing Systems

- Acoustic Hailing System
- Mass Notification System
- PA System

Surveillance and Monitoring Systems

- Video Surveillance System
- Video Torchlight Equipment
- Lightning Warning System
- Audio Video Intercom System

Control Systems

- Access Control System
- Biometric Identification System
- Car Park System
- Alert Alarm System

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Maintenance and Leasing Business

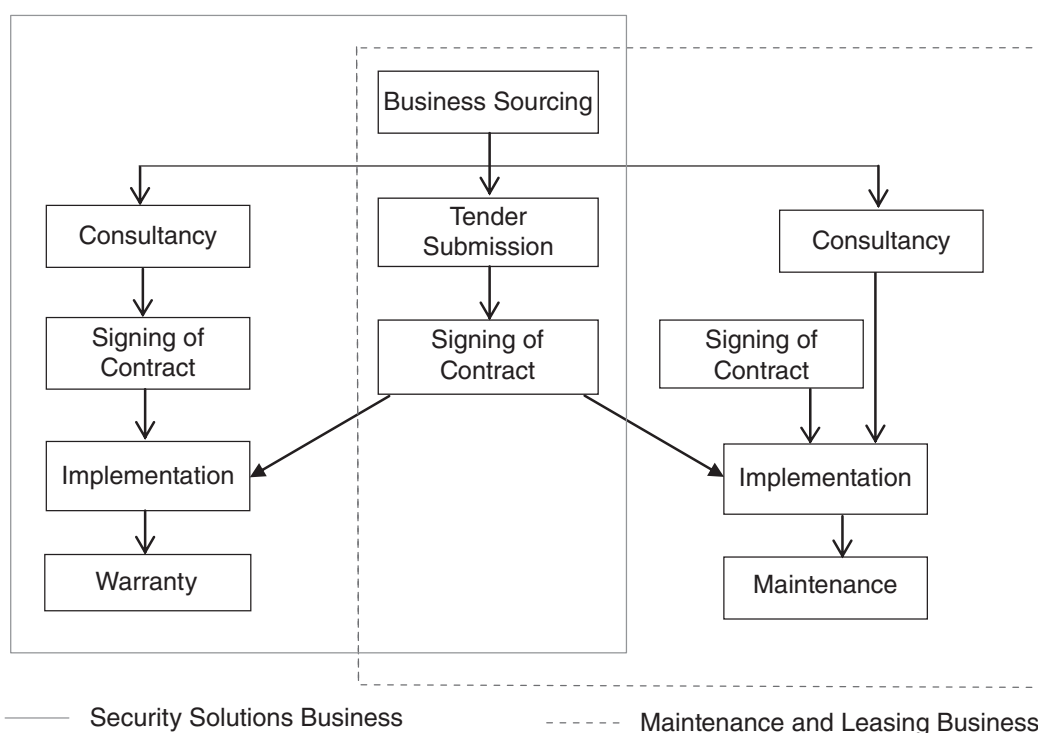
Our Maintenance and Leasing Business focuses on providing regular extended and/or ad-hoc maintenance support services and leasing services for the security products and integrated security solutions we provide to our customers.

We are able to provide extended maintenance support services for the security products and integrated security solutions that we provide to our customers under a separate maintenance contract of between one and five years upon the expiry of the warranty period. Payment under the maintenance support services contract is typically made by our customers to us on a monthly or quarterly basis. In addition, we provide ad-hoc maintenance support services at the request of our customers whom we do not have maintenance support services contracts with.

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

Our Business Process

The business process for both our Security Solutions Business and our Maintenance and Leasing Business is illustrated in the flow chart and described in greater detail below. As highlighted in the chart, the initial business process for both our Security Solutions Business and our Maintenance and Leasing Business is largely similar in relation to (i) business sourcing; (ii) tender submission/consultancy; (iii) signing of contract; and (iv) implementation. Our Maintenance and Leasing Business will normally commence upon the expiry of the warranty period of our security products and integrated security solutions supplied or from the onset of our integrated security systems that we lease.



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Business Sourcing

For both our Security Solutions Business and Maintenance and Leasing Business, we source for business through attendance at meetings, exhibitions, trade fairs and conferences. As our industry is a very niche industry, we have participated in some of these events to network with existing and potential customers, end-users and suppliers and showcase our latest security products and our track record of integrated security solutions projects that we have undertaken for our customers. Often, as a result of our attendance at such events, we have received enquiries from both industry players who are keen to collaborate with us as well as customers and end-users who may be interested in our security products and integrated security solutions. In addition, we make use of marketing channels such as our internet website, online business-to-business platforms and advertisements in business directories and industry magazines to create awareness of our presence in the security products and solutions industry.

From time to time, we would also receive enquiries from potential customers who come to know of us through word-of-mouth in the security products and solutions industry, or who have been referred to us by our previous or existing customers, our dealers or other business contacts.

Tender Submission/Consultancy

Certain of our projects are awarded to us pursuant to a tender process. Such tenders are either open or closed tenders. Open tenders will normally be publicly announced or advertised, seeking interested parties to tender for the said projects. For closed tenders, the tenders will not be publicly announced and after a pre-qualification and/or consultation process, only shortlisted bidders will be invited to tender for the said projects.

Once we have an understanding of the specifications required in the tender, we will prepare our tender proposal for submission. After the submission of our tender proposal, our customers may respond to our submission by requesting for clarifications, product demonstrations and/or interviews. Thereafter, our customers will conduct their own internal evaluation of our tender proposal.

For projects not involving tenders, our customers may engage us in a consultation process. During the consultation process, we will seek to gain a more in-depth understanding of our customers' and/or end-users' requirements and provide them with our proposal on the most appropriate security products and integrated security solutions that satisfy their requirements. Once our customers have accepted our proposal, we will conduct project planning and scheduling and finalise all project details with our customers prior to the signing of the contract.

Signing of Contract

Upon evaluation of our tender submission, if our customers are satisfied with our responses to their requests for clarifications, product demonstrations and/or the interviews, we will be notified that the tender has been awarded to us. Subsequent to the notification, we will enter into a contract with our customers.

For projects not involving tenders, we will finalise all project details with our customers before entering into a contract with them.

We customarily provide our dealers with our pre-determined price lists for the security products we would sell to them. In the case where there are expressions of interests from our dealers, we will request for the identity of the end-user to be disclosed to us as certain of the security products and integrated security solutions that we provide are controlled items governed by the relevant export regulations of the country of origin. It is only after we are satisfied that the relevant export

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regulations are complied with that we would enter into a contract for the supply of our security products and integrated security solutions to our dealers. These dealers would then on sell our security products and integrated security solutions to the end-users in their country.

Implementation

Upon our customers' and/or their end-users' acceptance of our recommendation of the security products and integrated security solutions, our engineers will proceed with the implementation of the project schedule to ensure that the project will be completed on time and within budgeted costs. To ensure that the security products and integrated security solutions we supply to our customers are of a high quality, we will conduct product acceptance testing before the security products and integrated security solutions are finally delivered to them.

In the case of integrated security systems that we provide to our customers, we would normally design, supply and install the systems, including developing the proprietary software to operate the systems if necessary. Alternatively, we would design and supply the integrated security systems while our customers would engage their appointed contractors to install the systems. In the case of lease-and-maintenance projects, where we retain ownership of the security products and integrated security systems and any proprietary software which we have developed, we would purchase such products from our suppliers and develop the software if necessary, which are then installed by our team of engineers and/or third party service providers appointed by us. In all cases, upon completion of the installation, we will conduct a comprehensive testing and commissioning of the security system to ensure that it operates as it is intended.

As part of our service to our customers and dealers, and to familiarise them with the proper use of the security products and integrated security solutions that we provide, we would conduct formal training for their staff. In the case where our security products and integrated security solutions were supplied to the end-users through our dealers, our dealers would normally train their end-users. For our dealers that do not have the manpower or facilities to conduct training, we will engage a third party service provider to train their end-users instead.

Warranty

We provide a warranty typically for a period of 12 months to all our customers in the Security Solutions Business. During this warranty period, we will provide our customers with after sales maintenance support and as a demonstration of our commitment to our customers, we have a 24-hour hotline service that is manned by our engineers. If an on-site response is necessary, we will despatch our service engineers to our customer's premises to render the necessary assistance. In the case where our security products and integrated security solutions are supplied to the end-users through our dealers, we could upon the request of our dealers, despatch our service engineers to the end-users' premises to render the necessary service, both in Singapore and overseas.

Upon expiry of the warranty period, our customers may choose to enter into a maintenance support services contract under our Maintenance and Leasing Business to provide them with extended maintenance support.

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Maintenance

Our Maintenance and Leasing Business focuses on providing regular extended maintenance support and long-term leasing services for the security products and integrated security solutions we provide to our customers. These customers consist of those who have engaged us to continue to provide such services for their existing security systems upon expiry of the warranty period, as well as those who lease the security systems from us and to whom we will provide technical and maintenance services. We are also able to provide ad-hoc maintenance support services to those customers who do not have a maintenance contract with us.





For our technical and maintenance support services, our engineers are available to provide assistance to our customers on both technical and/or operational issues 24 hours a day, seven days a week at our 24-hour hotline, which may be followed by an on-site visit, if required.

In addition to the above hotline support, we make scheduled visits at our customers' premises to conduct routine and periodic checks on the security systems under both the maintenance contracts as well as the lease-and-maintenance contracts. Our engineers will conduct preventive maintenance to ensure optimal performance of our security systems. Where corrective maintenance is required, our engineers will generally be able to provide the necessary rectification works on-site.






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Our Products







The following is a summary of the features and capabilities of some of the security products that we carry:

	Product name	Supplier	Capability
	Hyperspike- HS-Micro	Ultra Electronics – USSI	A portable Acoustic Hailing System that penetrates high background noise environment to deliver commands and messages
	Hyperspike- HS-24	Ultra Electronics – USSI	An Acoustic Hailing System designed to deliver commands and messages over long distances of over one kilometre and is capable of penetrating high background noise environments
	Hyperspike- HyperShield	Ultra Electronics – USSI	An Acoustic Hailing System integrated into a riot shield for crowd control purposes
	Mobile VACIS	Leidos	A mobile VACIS that allows trained operators to view the contents of closed vehicles and containers






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	Product name	Supplier	Capability
	Relocatable VACIS	Leidos	A relocatable VACIS that allows trained operators to view the contents of closed vehicles and containers
	VACIS IP6500 FullScan	Leidos	A VACIS that allows scanning of cargo containers, trucks and other vehicles for high-volume operations
	Reveal CT-80DR	Leidos	A Baggage Scanning System for the scanning of baggage
	GR-135 Plus	Leidos	A handheld Radiation Detection and Identification System for radiation detection and nuclide identification
	DualDome D15	Mobotix	A Surveillance and Monitoring System with dual lenses to provide dual images on one camera

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	Product name	Supplier	Capability
	Hemispheric Q24	Mobotix	A Surveillance and Monitoring System which provides complete panorama view
	Access Control System	primion Technology	An Access Control System that functions as a central tool for controlling authorisations
	Time & Attendance System	primion Technology	An Access Control System which functions as a web-based application for recording time and attendance
	Security Command Centre solution, psm 2200	primion Technology	An Access Control System that allows for the automated control and monitoring of security systems
	RFID technology	primion Technology	<ul style="list-style-type: none"> • An Access Control System • A contactless read technology used for entering and exiting controlled areas
	Iscon 1000D	Iscon Imaging	A Personnel Scanning System that conducts full body scanning

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	Product name	Supplier	Capability
	GameChangeIR	Iscon Imaging	<ul style="list-style-type: none"> • A Personnel Scanning System that conducts full body scanning • Portable and folds into its own compact suitcase for re-deployment
	Mini Portal	Iscon Imaging	<ul style="list-style-type: none"> • A Personnel Scanning System that conducts full body scanning • Capable of being integrated with various identification and biometric technologies
	Biosens 600	Biosensor Applications	<ul style="list-style-type: none"> • A Narcotics and Drugs Detection and Explosive Detection System • Easily deployed for mobile operations
	DEREO Portable X-ray DR system	X-Ray Imaging Solutions (XRIS)	<p>A Portable Non-Intrusive Inspection System for the scanning of parcels, baggage, boxes, crates and many other objects</p>
	Xpose Handheld Contraband Detector	SAS R&D Services Inc.	<p>A Detection System designed to aid with the detection of hidden objects</p>

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Our Projects

The following are some of the major projects that we have undertaken since the commencement of our business as a provider of security products and integrated security solutions:

Year	Customer	Projects and collaborations
2001	NM Resources Sdn Bhd	Supply, installation, testing and commissioning of VACIS
2002	NM Resources Sdn Bhd	Supply of Portable Non-Intrusive Inspection Systems
2003	NM Resources Sdn Bhd	Supply, installation, testing and commissioning of VACIS
2004	Leidos	Provision of maintenance services for Port Security Equipment installed in Hong Kong
2005	NM Resources Sdn Bhd	Supply, installation, testing and commissioning of VACIS
2005	PT. Mitrabuana Widyasakti	Supply, installation, testing and commissioning of VACIS and Radiation Detection and/or Identification Systems
2007	PT. Putrindo Adiyasa Perkasa	Supply, installation, testing and commissioning of VACIS
2008	Copia Holdings Co., Ltd.	Supply of Portable Non-Intrusive Inspection System
2009	Hotel Grand Chancellor Pte Ltd	Design, supply, installation, commissioning and maintenance of Access Control, Video Surveillance and Car Park Systems for Hotel Grand Chancellor, Singapore
2010	OUB Centre Limited	Design, supply, installation, testing and commissioning of the Surveillance and Monitoring Systems and Access Control Systems for OUB Centre Tower 1 at One Raffles Place
2010	Sato Kogyo (S) Pte Ltd and Hitachi Plant Technologies, Ltd. JV	Design, supply, installation, testing and commissioning of the Surveillance and Monitoring Systems and Access Control Systems for OUB Centre Tower 2 at One Raffles Place
2010	Vietnam-Japan Technology and Science Equipment Co., Ltd	Supply of Acoustic Hailing Systems
2011	HDB	Installation, leasing and maintenance of the Alert Alarm Systems for several blocks of residential housing across Singapore
2012	Invest and Technique Development Group Joint Stock Co.	Supply of Acoustic Hailing Systems

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Year	Customer	Projects and collaborations
2012	Honeywell Pte Ltd	Supply of the Surveillance and Monitoring Systems for the SIT Project
2013	Vietnam-Japan Technology and Science Equipment Co., Ltd	Supply of Acoustic Hailing Systems
2014	HDB	Installation, leasing and maintenance of the Alert Alarm Systems for several blocks of residential housing across Singapore

STAFF TRAINING

We recognise that our Employees are invaluable to the success of our Group. As such, staff training is a critical part of our quality assurance commitment to our customers. We inculcate a learning culture within our Group through external training and development programmes for our Employees in areas such as professional management, international trade, accounting and finance and IT.

To ensure familiarity with the security products and integrated security solutions we distribute, our sales staff and engineers also undergo regular training on key product knowledge and how to operate, maintain and troubleshoot the security products from our suppliers as well as from staff training conducted in-house. This ensures that our sales staff and engineers continue to maintain a high level of service and maintenance support for our customers. Our sales staff is also trained by our major suppliers on business development, and sales and marketing of the security products.

Where required, we send our staff for certain safety courses or training organised by institutions such as government bodies or professional bodies to handle any specialised equipment that may be relevant to the projects that we undertake.

SALES AND MARKETING

Our sales and marketing function is spearheaded by our Executive Director and CEO, Kelvin Lim, who is supported by a team comprising sales managers and executives. Kelvin Lim travels extensively on business development trips and has been successful in leading the market growth of our stable of security products and integrated security solutions, in particular, the Hyperspike range of Acoustic Hailing Systems. To keep abreast of new technologies, product developments, market trends and customer requirements and preferences, he maintains close business relationships with our local and overseas customers and suppliers through frequent visits and regular follow-ups.

We believe that an effective marketing strategy is a key component of our success. Our sales and marketing efforts are focused mainly on promoting awareness of our stable of security products and our integrated security solutions capability, to our network of dealers, commercial entities and various government bodies and agencies. We reach out to these existing and potential customers by utilising marketing channels such as our internet website, online business-to-business platforms, industry magazines and business directories. We also undertake sales promotion, advertising, on-site product demonstrations and attend meetings, exhibitions and trade fairs to promote our security products and integrated security solutions.

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QUALITY ASSURANCE

We are aware that the ability to consistently deliver high quality service and solutions is vital to our success. We source for all our security products from suppliers who are well recognised for product quality and innovation and who have strong credentials and established track records. We are certified ISO 9001:2008 compliant in the areas of design, supply, installation and maintenance of security products and integrated security solutions, and in the provision of training for such products and solutions.

To ensure that the security products and integrated security solutions we supply to our customers are of a high quality, we will conduct product acceptance testing before they are finally delivered to them. For the integrated security solutions that we provide to our customers which are installed by their appointed contractors, we would perform a comprehensive testing and commissioning of the security system after it has been installed to ensure that it operates as it is intended before the system is handed over to our customer.

We provide a warranty typically for a period of 12 months to our customers in the Security Solutions Business.

AWARDS AND CERTIFICATIONS

In recognition of our achievements, our Group has received several awards and certifications over the years, some of which are set out below:

Year	Awarding Organisation	Award/Certification
2004	Quality Certification Limited	ISO 9001:2000
2009	The Business Times and KPMG	Enterprise 50 Award (Awarded 29 th Position)
2010	Guardian Independent Certification Ltd	ISO 9001:2008 (Initial certification: 19 April 2004)
2010	DP Information Group	Singapore SME 500 Company
2010	Ultra Electronics – USSI	Hyperspike Excellence in Sales Award
2011	Ultra Electronics – USSI	Hyperspike Excellence in Sales Award
2012	Mobotix	Project of the Year 2012 in Singapore
2012	Ultra Electronics – USSI	Hyperspike Reseller of the Year 2012
2013	Singapore Enrich Group Pte. Ltd.	Platinum category of Top 100 Singapore Excellence Award 2013/2014
2013	Ultra Electronics – USSI	Reseller of the Year 2013
2014	Asia Media Group Pte Ltd	Asia Pacific Brands Award 2014

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MAJOR CUSTOMERS

We are a provider of security products and integrated security solutions with a stable of over 100 security products with distribution rights for certain of these products in 10 countries in Asia-Pacific as at the Latest Practicable Date. In FY2011, FY2012, FY2013 and HY2014, 96.9%, 96.2%, 100.0% and 100.0% of our revenue, respectively, was derived, collectively, from Singapore, Vietnam, Indonesia, Malaysia and Brunei.

We have a diversified customer base, ranging from commercial entities and private consumers (such as property developers, owners and operators of hotels and commercial buildings, and owners of residential properties), government bodies and agencies to our network of country specific dealers who on sell our products to the end-users in their country.

Over the Period Under Review, the breakdown in revenue contribution from our customers who are commercial entities and private consumers, government bodies and agencies and dealers is as follows:

Customers	Percentage of revenue (%)			
	FY2011	FY2012	FY2013	HY2014
Commercial entities and private consumers ⁽¹⁾	21.0	20.9	8.3	24.8
Government bodies and agencies ⁽²⁾	53.0	60.1	29.1	48.2
Dealers ⁽³⁾	26.0	19.0	62.6	27.0
	100.0	100.0	100.0	100.0

Notes:

- (1) The number of commercial entities and private consumers which contributed to our revenue in FY2011, FY2012, FY2013 and HY2014 was 38, 34, 34 and 14, respectively.
- (2) The number of government bodies and agencies which contributed to our revenue in FY2011, FY2012, FY2013 and HY2014 was 7, 10, 6 and 6, respectively.
- (3) The number of dealers which contributed to our revenue in FY2011, FY2012, FY2013 and HY2014 was 5, 7, 7 and 2, respectively.

Save as disclosed below, over the Period Under Review, there are no customers who are commercial entities, private consumers or dealers and who accounted for 5.0% or more of our revenue:

Customers	Percentage of revenue (%)			
	FY2011	FY2012	FY2013	HY2014
Budi Axis Sdn Bhd	10.5	–	2.6	–
Honeywell Pte Ltd	–	–	–	20.0
Invest & Technique Development Group Joint Stock Co.	–	–	27.4	–
OUB Centre Limited	7.4	2.6	1.7	0.6
PT. Karangmas Parinatama	–	1.4	8.4	25.9
PT. Mitrabuana Widyasakti	5.0	2.8	0.6	1.0
Sato Kogyo (S) Pte Ltd and Hitachi Plant Technologies, Ltd. JV	0.7	11.5	3.4	–
Vietnam-Japan Technology & Science Equipment Co., Ltd	10.1	10.7	23.5	–

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Over the Period Under Review, revenue from our Malaysian dealer, Budi Axis Sdn Bhd, our Indonesian dealer, PT. Karangmas Parinatama, and our two Vietnamese dealers, namely, Vietnam-Japan Technology & Science Equipment Co., Ltd and Invest & Technique Development Group Joint Stock Co., as a percentage of our total revenue, varied due to changes in demand for Acoustic Hailing Systems in the respective Distribution Markets.

Over the Period Under Review, revenue from our customers which are commercial entities, namely, Sato Kogyo (S) Pte Ltd and Hitachi Plant Technologies, Ltd. JV and OUB Centre Limited, as a percentage of our total revenue, varied as a result of the incremental revenue recognised from certified work performed for the OUB Project.

In HY2014, revenue from our commercial entity customer, Honeywell Pte Ltd, as a percentage of our total revenue, was 20.0% and this was due to the SIT Project.

For the Period Under Review, approximately 62.6% of our total revenue was derived from two of our major customers who are government bodies and agencies and from our two Vietnamese dealers, namely, Vietnam-Japan Technology & Science Equipment Co., Ltd and Invest & Technique Development Group Joint Stock Co. Please refer to the section entitled “**Risk Factors – Risks relating to our Business and Industry – We may not be able to retain our existing customers**” of this Offer Document for more information.

As at the date of this Offer Document, to the best of our knowledge, we are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major customers over the Period Under Review.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or the Associates of our Directors and Substantial Shareholders has any interest, direct or indirect, in any of our major customers over the Period Under Review.

MAJOR SUPPLIERS

We have close working relationships with suppliers that are well recognised for product quality and innovation and have strong credentials and established track records.

In relation to these suppliers, we have distribution rights with them for certain of the security products that we carry across a wide geographical coverage of 10 countries in Asia-Pacific. Please refer to the section entitled “**General Information on our Group – Distribution Agreements**” of this Offer Document for further information.

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Save as disclosed below, over the Period Under Review, there are no suppliers who accounted for 5.0% or more of our purchases:

Suppliers	Percentage of purchases (%)			
	FY2011	FY2012	FY2013	HY2014
Chemco Private Limited	10.9	9.6	0.1	–
Cmolo International Co. Ltd	0.6	9.3	– ⁽¹⁾	0.4
Etech Services	0.2	6.6	–	–
Hoang Phat Informatics – Electronics Company Limited	–	–	33.8	–
Infigro Pte Ltd	11.7	10.1	1.2	–
Leidos	25.0	12.1	2.6	35.6
PT. Semestra Sistem Integrasi	–	–	–	6.8
Spiraltech	–	0.8	7.6	17.0
Ultra Electronics – USSI	25.0	14.2	44.6	25.7

Note:

(1) Value is less than 0.1%.

In FY2011 and FY2012, purchases from Leidos constituted 25.0% and 12.1% of our total purchases, respectively, and represented mainly purchases for the parts and components of the VACIS. In HY2014, purchases from Leidos was 35.6% of our total purchases and this was mainly attributable to the amortisation of the cost of a new extended supply contract that we had entered into over the duration of a maintenance support services contract which was renewed with a public sector customer of ours in Singapore during that period.

In FY2013, purchases from Spiraltech constituted 7.6% of our total purchases following a decision to fulfill the majority of our orders for Surveillance and Monitoring Systems through them. In HY2014, purchases from Spiraltech constituted 17.0% of our total purchases mainly attributable to the SIT Project.

Over the Period Under Review, purchases from Ultra Electronics – USSI, as a percentage of our total purchases, varied due mainly to changes in the demand for Acoustic Hailing Devices from our dealers in Vietnam, Malaysia and Indonesia.

Purchases from Hoang Phat Informatics – Electronics Company Limited and PT. Semestra Sistem Integrasi constituted 33.8% and 6.8% of our total purchases in FY2013 and HY2014, respectively, and were due to the ad-hoc engagement of third party service providers for various services.

As at the date of this Offer Document, to the best of our knowledge, we are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major suppliers over the Period Under Review.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or the Associates of our Directors and Substantial Shareholders has any interest, direct or indirect, in any of our major suppliers over the Period Under Review.

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DISTRIBUTION AGREEMENTS

The following table summarises the terms of the distribution agreements entered into by our Group with our major suppliers:

Name of supplier	Products supplied	Nature of distribution rights	Territory of distribution	Expiry date of agreement
Spiraltech	All Mobotix products	To promote the sales of the products in the territory during the term	Singapore	Termination by mutual agreement of the parties
Ultra Electronics – USSI	Acoustic Hailing Systems	Reseller of the products in the defined exclusive and non-exclusive geographic regions	Singapore, Sri Lanka, Brunei, Indonesia, Malaysia, Vietnam, Thailand, Australia ⁽¹⁾ , Macau, Hong Kong and India ⁽¹⁾	Effective from 3 October 2013 for the term of five years

Note:

- (1) Under our distribution agreement with Ultra Electronics – USSI, our 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.

Save as disclosed above, we do not have any other long-term arrangements with our major suppliers.

CREDIT MANAGEMENT

Credit terms offered to our customers

We generally bill our customers who engage us to design, supply, install, test and commission integrated security solutions on a monthly basis for a percentage of the contract value based on the certified contract work performed. Work on such projects generally takes between two to 12 months to complete and we would typically provide credit terms of 30 days for our customers to make payment of each bill rendered. We also extend credit terms of between 30 days and 60 days to our local customers from the Security Solutions Business for the supply of security products whereas our local customers from the Maintenance and Leasing Business are generally extended credit terms of 30 days. Payments from our customers in the Maintenance and Leasing Business are generally made on a monthly or quarterly basis. For our overseas customers, we would collect the payment upfront prior to the delivery of the security products and/or the provision of maintenance support services to them.

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Prior to the extension of credit terms to our new local customers, we will assess their creditworthiness by reviewing their financial standings through publicly available records. Based on this assessment and after our internal credit review, credit terms will be extended to our new local customers accordingly. We also conduct credit assessment on our existing local customers every year by using the same criteria.

We monitor the collection of payments for our Group as well as trade receivables past due on a regular basis. Specific provision or write-off will be made when we are of the view that the collectibility of an outstanding debt is doubtful or the debt is uncollectible. We have not written off or provided for any bad or doubtful debts during the Relevant Period.

Our trade receivables' turnover days for the Period under Review were as follows:

	FY2011 ⁽¹⁾	FY2012 ⁽¹⁾	FY2013 ⁽¹⁾	HY2014 ⁽²⁾
Trade receivables' turnover days	56	94	36	61

Notes:

(1) Trade receivables' turnover days = (Average trade receivables balances divided by revenue) x 365 days.

(2) Trade receivables' turnover days = (Average trade receivables balances divided by revenue) x 182 days.

Our trade receivables' turnover days increased from 56 days in FY2011 to 94 days in FY2012 due to an increase in average trade receivables balances in FY2012 mainly attributable to an increase in the amount due from contract customers for the OUB Project and services performed under a maintenance support service contract for a public sector customer in Brunei, as well as revenue accrued but unbilled in respect of a maintenance support services contract for a public sector customer in Singapore.

Our trade receivables' turnover days decreased from 94 days in FY2012 to 36 days in FY2013 mainly due to a higher proportion of sales transacted where we had collected the payments upfront from our customers in Vietnam, Indonesia and Malaysia prior to the delivery of the security products and integrated security solutions to them.

Our trade receivables' turnover days increased from 36 days in FY2013 to 61 days in HY2014 mainly due to a higher proportion of sales made on credit terms for both our Security Solutions Business and Maintenance and Leasing Business.

Credit terms offered by our suppliers

The payment terms granted by our suppliers are generally between 30 days and 60 days. The availability of credit and the credit terms extended to us by our suppliers depend on factors such as the length of our business relationship with them, their evaluation of our creditworthiness, the size of the orders placed with them and our promptness in making payment to them in the past.

Our trade payables' turnover days for the Period Under Review were as follows:

	FY2011 ⁽¹⁾	FY2012 ⁽¹⁾	FY2013 ⁽¹⁾	HY2014 ⁽²⁾
Trade payables' turnover days	14	43	22	43

Notes:

(1) Trade payables' turnover days = (Average trade payables balances divided by total cost of sales) x 365 days.

(2) Trade payables' turnover days = (Average trade payables balances divided by total cost of sales) x 182 days.

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Our trade payables' turnover days increased from 14 days in FY2011 to 43 days in FY2012 as a result of slower payments to our third party service provider engaged for the installation of the Alert Alarm Systems that we own pursuant to the HDB Project.

Our trade payables' turnover days decreased from 43 days in FY2012 to 22 days in FY2013 as a result of more timely payments to our suppliers as a higher proportion of our purchases were made to satisfy orders from our customers in Vietnam, Indonesia and Malaysia of which we had collected the payments upfront.

Our trade payables' turnover days increased from 22 days in FY2013 to 43 days in HY2014 as a result of slower payments to our suppliers in relation to the SIT Project as well as an increase in trade payables outstanding as at the end of HY2014 mainly attributable to purchases made to satisfy orders for the Acoustic Hailing Systems which had remained outstanding within the credit term provided.

INSURANCE

We have taken up insurance policies that cover various circumstances, including fire, public liability, work injury, personal accident, hospitalisation and surgery, and directors and officers liability. We have also taken up travel insurance for Employees travelling overseas and term life, accident and permanent disability insurances for our Executive Director and CEO, Kelvin Lim.

Our insurance policies are reviewed from time to time to ensure that they adequately satisfy both regulatory and business requirements. We may increase the coverage if we deem it necessary and appropriate.

We have not experienced any difficulties obtaining or renewing our insurance policies, or on getting paid for our claims under any of our insurance policies. Our Directors believe that the policy specifications and sum assured of these insurance policies are in line with normal commercial practice. Save as disclosed in the section entitled "**Risk Factors**" of this Offer Document, our Directors believe that the coverage from these insurance policies is adequate and sufficient for our present operations. However, there are certain types of risks that are not covered by our insurance policies because they are either uninsurable or not economically insurable, including acts of war and acts of terrorism. In addition, we are not insured against business disruption. If such events were to occur, we may have to bear the costs of any uninsured risk or uninsured amount, which may have a material and adverse effect on our business, operations, financial condition, results of operations and prospects.



There were no significant insurance claims for the Period Under Review.

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INTELLECTUAL PROPERTY


On 24 October 2013, IPST and our Company entered into a deed of assignment wherein IPST assigned and transferred to our Company all rights, title, benefits and interests in Singapore and in all parts of the world the following trade mark in respect of the provision of goods and services relating to our business as a provider of security products and integrated security solutions for a nominal consideration of S\$1.00.

As at the Latest Practicable Date, our Company has been assigned the following trade mark:

Trade mark	Registered owner	Trade mark number	Country of application	Class	Registration date	Expiry date
	IPS	T0814178C	Singapore	9 ⁽¹⁾ , 37 ⁽²⁾ , 41 ⁽³⁾ , 42 ⁽⁴⁾ and 45 ⁽⁵⁾	14 October 2008	14 October 2018
	Securex Holdings Limited					

On 14 October 2013, IPSPG and our Company entered into a trade mark licence agreement for the grant by IPSPG to our Group of a non-transferable and non-exclusive licence to use the following trade mark in connection with our business as a provider of security products and integrated security solutions. The trade mark licence agreement authorises our Group to reproduce and use the following trade mark for the distribution, sale and rental of security equipment and systems and provision of service maintenance of security equipment and systems in Singapore. The licence is granted free of charge and the trade mark licence agreement shall continue to be effective unless terminated by IPSPG if our Group misuses the following trade mark.

As at the Latest Practicable Date, our Group has been granted a licence to use the following trade mark:

Trade mark	Registered owner	Trade mark number	Country of application	Class	Registration date	Expiry date
	IPSPG	T0515863D	Singapore	35 ⁽⁶⁾	31 August 2005	31 August 2015

The above two trade marks are registered in Singapore and not in any other jurisdictions.

Notes:

- (1) Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; lightning protection installations; apparatus for recording, transmission or reproduction of sound or images; closed circuit television (CCTV); magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus; inspection devices (other than for medical or dental use); detection apparatus (other than for medical use); character recognition apparatus and instruments; electronic scanning apparatus; radiation detection and warning apparatus and systems; imaging apparatus; computer security apparatus and instruments; communication security apparatus and instruments; telecommunication equipment and apparatus; intercommunication apparatus; video surveillance systems; artificial intelligence apparatus; emission security systems and equipment; electronic

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monitoring apparatus; cameras; remote controlled cameras; video cameras; video, digital and electronic surveillance apparatus; closed circuit television monitoring apparatus and instruments; computer network apparatus; parts and fittings for all the aforesaid goods; all included in Class 09, all excluding scanning electron microscopes (SEM), electric and electronic apparatus and instruments for nano imprint lithography (NIL) and electron beam recorder (EBR) based lithography.

- (2) Class 37: Building construction; building project management; installation and maintenance of closed circuit television systems; installation and maintenance of computer hardware and peripherals; installation and maintenance of security equipment and systems; maintenance and repair of computer security equipment and systems, and communication security equipment and systems; maintenance and repair of security equipment and systems; installation and maintenance of access control systems; installation and maintenance of radiation and lightning detection systems; provision of information, advisory and consultancy services for the aforesaid services; all included in Class 37.
- (3) Class 41: Organising, arranging and conducting of training programmes, workshops, seminars and conferences; practical training [demonstration]; teaching and instruction services; writing and publication of texts, other than publicity texts; provision of information, advisory and consultancy services in relation to the aforesaid services; all included in Class 41.
- (4) Class 42: Scientific and technological services; calibration services; industrial and technical research; industrial analysis; industrial design; project management (design); engineering project management services; design and development of computer hardware and software; installation and maintenance of computer software; computerised communication network security; consultancy in the field of computer security; provision of information, advisory and consultancy services for the aforesaid services; all included in Class 42.
- (5) Class 45: Legal services; security services for the protection of property and individuals; security services for buildings; security consultancy; security services and security surveillance; provision of information, advisory and consultancy services for the aforesaid services; all included in Class 45.
- (6) Class 35: The bringing together, for the benefit of others, of a variety of goods, namely, concrete mixing machines (concrete batching plants), concrete mixers, concrete pumps, spare parts and accessories for concrete mixers and pumps, security devices, structures, equipment and systems, inspection devices, apparatus and systems, vehicles for use in airports, aircraft refuelling equipment, airport equipment, ground support equipment for aviation, asphalt plants, mixers, drums, control systems, burners and blowers, hot storage silos, cold feeder (hoppers), collecting belts, throw belts, hot mineral bins and weighers, pollution control equipment, bitumen, engines, generators, radiators, alternators, impellers (fans), enabling customers to conveniently view and purchase those goods from a retail outlet, wholesale outlet, distributor outlet, or from a catalogue by mail order, telecommunications or the internet.

Please refer to the section entitled “**Interested Person Transactions – Present and On-going Interested Person Transactions**” for further information on the abovementioned deed of assignment and trade mark licence agreement. Save as disclosed above, we do not own nor are we dependent on any registered trade mark, patent or other intellectual property rights. As at the Latest Practicable Date, our business or profitability is not materially dependent on any patents, trade marks or other intellectual property.

PROPERTIES AND FIXED ASSETS

As at the Latest Practicable Date, our Group does not own any properties.

As at the Latest Practicable Date, our Group leased the following properties:

Location	Gross area (sq ft)	Tenure	Monthly rental (S\$)	Encumbrances	Lessor	Usage
71 Tech Park Crescent, Singapore 638072	4,045	1 January 2014 to 30 June 2015	6,241	Nil	IPSG	Office cum storage space

Please refer to the section entitled “**Interested Person Transactions – Present and On-going Interested Person Transactions**” of this Offer Document for further information on the office and storage tenancy agreement entered into between IPSG and IPS Securex.

GENERAL INFORMATION ON OUR GROUP

None of our fixed assets is subject to any mortgage, pledge or any other encumbrances or otherwise used as security for any bank borrowings. Save as disclosed in the section entitled “**General Information on our Group – Government Regulations**” of this Offer Document, there are no regulatory requirements or environmental issues that may materially affect our utilisation of our properties and fixed assets.

RESEARCH AND DEVELOPMENT

We do not conduct any research and development activities, as it is not in the nature of our business to do so.

CORPORATE SOCIAL RESPONSIBILITY

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 strive to enhance our corporate social responsibility in the community through charitable contributions.

In addition, we shall be required to disclose our corporate social responsibility policies with reference to the SGX-ST’s Guide to Sustainability Reporting for Listed Companies published on 27 June 2011.

Our Board will establish a corporate social responsibility policy which will include the review of the following areas of our Group’s activities:

- (i) to review and recommend our Group’s policy in respect of corporate social responsibility issues;
- (ii) to review our Group’s health, safety and environmental policies and standards;
- (iii) to review the social impact of our Group’s business practices in the communities that we operate in;
- (iv) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
- (v) to review and recommend policies and practices with regard to regulators.

GOVERNMENT REGULATIONS

Save as disclosed below, as at the Latest Practicable Date, our business operations in Singapore and Brunei are not subject to any laws or regulations other than those generally applicable to companies and businesses incorporated and/or operating in Singapore and Brunei. We have thus far not experienced any adverse effect on our business in complying with these laws and regulations. Our Directors confirm that, as at the Latest Practicable Date, our businesses and operations in Singapore and Brunei have complied with all applicable laws and regulations generally applicable to companies and businesses as well as all relevant laws and regulations that would materially affect our business operations.

GENERAL INFORMATION ON OUR GROUP

The following is a summary of the relevant laws and regulations of Singapore and Brunei that our businesses are subject to:

Singapore

1. Radiation Protection Act (Chapter 262) (“RPA”)

The RPA and the regulations thereunder control and regulate the import, export, manufacture, sale, disposal, transport, storage, possession and use of radioactive materials and irradiating apparatus including the control of non-ionising radiation apparatus.

Under the RPA, licences are required for the aforementioned activities in relation to radioactive materials and irradiating apparatus. The Director-General of Environmental Protection (referred to as the Director-General) may grant or renew a licence subject to such conditions, limitations and exceptions as may be specified by him. During the currency of the licence, he may revoke, vary or add any conditions, limitations or exceptions attached to the licence. He may also refuse any application for the grant or renewal of a licence, suspend a licence for such period as may be determined by him or cancel a licence.

The licence shall be subject to suspension or cancellation at any time without compensation and without notice by the Director-General in the event of but not limited to the following events:

- (i) breach of any restrictions or conditions subject to which it was issued; or
- (ii) contravention of any of the provisions of the RPA or the regulations thereunder.

Every licensee and every person who has been granted any approval by the Director-General under the RPA shall keep and maintain records, and prepare and give reports to the Director-General. A licensee who at any time changes the address of the authorised premises as appearing in the licence should inform the Centre for Radiation Protection and Nuclear Science of the new address within two weeks of the change of address. An application for the renewal of a licence shall be made not later than one month before the expiry date as appearing in the licence.

In relation to occupational health and safety, the RPA provides that every licensee shall provide and maintain a safe working environment for his employees in order to protect them from exposure to radiation, provide information, instruction, training and supervision to such employees as are necessary to enable the employees to perform their work safely, submit such particulars as the Director-General may require regarding each of his employees who is likely to be exposed to any radiation, provide his employees with monitoring equipment or devices as may be prescribed and provide all employees with prescribed medical examinations.

The licensee shall also ensure that members of the public are not exposed to risks to their health due to his undertaking or activities. The RPA does not allow radioactive waste to be disposed or accumulated without the prior approval of the Director-General.

As at the date of this Offer Document, our Employees who may use radioactive materials or use, possess for sale or deal in ionising irradiating apparatus in the course of their employment have obtained the relevant licences issued by the Director-General under the RPA.

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2. Strategic Goods (Control) Act (Chapter 300) (“SGCA”)

The SGCA controls the transfer and brokering of strategic goods, strategic goods technology, goods and technology capable of being used to develop, produce, operate, stockpile or acquire weapons capable of causing mass destruction, and missiles capable of delivering such weapons. Under the SGCA, a strategic goods permit is required to be obtained prior to export, transshipment or bringing in transit of any strategic goods, any document in which any strategic goods technology is recorded, stored or embodied, or any strategic goods technology. Such permit is also required for arrangement, negotiation or doing any act to facilitate the arrangement or negotiation of a contract for the acquisition, disposal or transmission (“**brokering**”) of strategic goods, strategic goods technology, or any document in which such technology is recorded, stored or embodied.

Such permit may be granted by the Director-General of Customs (referred to as the Director-General) and conditions may be imposed as he thinks fit. The Director-General may renew a permit with or without conditions, or cancel a permit subject to the regulations that the Minister may make to prescribe the class or classes of permits, the time, form and manner of application for a permit, the conditions of a permit, the circumstances under which an application may be granted or refused, or a permit may be cancelled, renewed or replaced, and the fees payable in respect thereof.

Under Section 8 of the SGCA, brokering of strategic goods may be registered by the Director-General and conditions be imposed as he thinks fit. The Director-General may renew any registration with or without conditions, or cancel or suspend any registration subject to the regulations that the Minister may make for the aforementioned prescription purposes.

A person who carries out any act under the authority of a permit, or in respect of which he is registered under the SGCA, shall give to a senior authorised officer the prescribed particulars in respect of that act, keep such records in relation to that act as are required by regulations under the SGCA and, prepare and give such records as are required by regulations made under the SGCA to a senior authorised officer.

As at the date of this Offer Document, seven types of strategic goods that we have dealt with for our business are controlled under the SGCA.

3. Private Security Industry Act (Chapter 250A) (“PSIA”)

The PSIA provides for the regulation of private investigators, private investigation agencies, security officers, security agencies and security service providers, and for matters connected therewith. A person shall not carry out for reward any function of a private investigator or a security officer, advertise, or in any way hold out, that the person carries out or is willing to carry out for reward any function of a private investigator or a security officer without a private investigator or security officer’s license granted under the PSIA.

Under the PSIA, no person shall engage in the business of supplying for reward the services of private investigators or security officers to other persons, advertise, or in any way hold out, that the person supplies for reward, or is willing to supply for reward, the services of private investigators or security officers without a private investigation agency or security agency’s licence granted under the PSIA.

GENERAL INFORMATION ON OUR GROUP

Under the PSIA, no person shall engage in the business of providing for reward any security service to other persons, advertising, or in any way holding out that the person provides for reward, or is willing to provide for reward the security service without a security service provider's licence granted under the PSIA.

A licence under the PSIA may be granted by the licensing officer subject to such conditions as he thinks fit to impose. The licensing officer may add to, vary or revoke any imposed condition of a licence by giving notice to the licensee concerned. A licensee who fails to comply with any licence condition shall be guilty of an offence.

We have obtained the relevant licence to operate as a security service provider in relation to the dealing of security equipment and providing security advice, training or instruction relating to security activity.

4. Workplace Safety and Health Act (Chapter 354A) ("WSHA")

The WSHA provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for those persons a work environment which is safe, without risk to health, and adequate as regards to facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons, ensuring that those persons are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

Specific duties imposed on employers are further set out in the Workplace Safety and Health (General Provisions) Regulations ("WSHR"). Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

Pursuant to the WSHR, the following equipment, among others, are required to be tested and examined by an examiner ("**Authorised Examiner**"), who is authorised by the Commissioner for Workplace Safety and Health ("**Commissioner**"), before they can be used in a workplace and, at specified intervals:

- (i) hoist or lift;
- (ii) lifting gears; and
- (iii) lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the occupier to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

GENERAL INFORMATION ON OUR GROUP

In addition, under the WSHA, inspectors appointed by the Commissioner may, *inter alia*, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is relevant to an investigation or inquiry under the WSHA.

Under the WSHA, the Commissioner may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the Commissioner, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the Commissioner, to, among others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the Commissioner have been taken to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

We have obtained the relevant certificates of test and examination for our lifting equipment and we have not been served with a remedial order or stop-work order for our workplace at 71 Tech Park Crescent, Singapore 638072.

5. Work Injury Compensation Act (Chapter 354) (“WICA”)

The WICA is regulated by the MOM and applies to all employees in respect of injury suffered by them in the course of their employment and sets out, among others, the amount of compensation they are entitled to and the methods of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

The WICA also provides that where any person (referred to as the Principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the Employer) for the execution by the Employer of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the Principal, the Principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the Principal.

We have taken up workmen compensation insurance policy to cover our statutory obligations and liabilities under the WICA.

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6. Employment of Foreign Manpower Act (Chapter 91A) (“EFMA”)

The employment of foreign workers in Singapore is governed by the EFMA and regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has a valid work pass. Any person who contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- (i) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (ii) on a second or subsequent conviction:
 - (a) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - (b) in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

An employer of foreign workers is also subject to, among others, the provisions set out in the Employment Act (Chapter 91) of Singapore, the EFMA, the Immigration Act (Chapter 133) of Singapore and the regulations issued pursuant to the Immigration Act.

As at the date of this Offer Document, we have obtained work passes for all our foreign workers.

Brunei

1. Immunity from Legal Proceedings

Article 84B of the Constitution of Brunei (“**Constitution**”) accords the Sultan of Brunei immunity from legal proceedings. Article 84B(1) of the Constitution specifically provides that “His Majesty the Sultan and Yang Di-Pertuan can do no wrong in either his personal or any official capacity”. His Majesty the Sultan and Yang Di-Pertuan shall not be liable to any proceedings whatsoever in any court in respect of anything done or omitted to have been done by him during or after his reign in either his personal or any official capacity.

Furthermore, Article 84(2) of the Constitution states that any person acting on behalf or under the authority of His Majesty the Sultan and Yang Di-Pertuan shall not be liable to any proceedings whatsoever in any court in respect of anything done or omitted to have been done by him in his official capacity.

Therefore the said immunity from legal proceedings is extended to officers, servants or agents who act in their official capacity on behalf of the Brunei Government.

Further, in accordance with Article 84C of the Brunei Constitution, the remedy of judicial review is not available to an aggrieved party in Brunei.

GENERAL INFORMATION ON OUR GROUP

2. Workmen's Compensation Act (Chapter 74 of the Laws of Brunei) ("WCA")

The WCA covers a workman's compensation for injury suffered in the course of employment wherein his employer shall be liable to pay compensation in accordance with the provisions of the WCA. A "workman" under the WCA refers to "any person who entered into or works under a contract of employment whether by way of manual labour or otherwise, whether the contract is expressed or implied, oral or in writing, whether the remuneration is calculated by time, or work done, or by day, month or longer period".

The amount of compensation payable in accordance of the WCA shall be:

- (i) Where death results from injury and where the workman leaves dependents wholly dependent on his earnings the amount of compensation shall be a lump sum equal to 48 months' earnings or BND28,800 whichever is the less and provided that such compensation shall not be less than BND9,600.
- (ii) In respect of the same accident, any sum paid as compensation shall be deducted from the sum payable above.
- (iii) Where permanent incapacity results from injury and if such incapacity is total, the amount of compensation shall be a lump sum equal to 60 months' earnings or BND36,000, whichever is less and provided that such compensation shall not be less than BND12,000.

The WCA further provides for powers to the Commissioner of Labour to hold an enquiry so as to settle any issues or questions made by or on behalf of the workman or the employer.

3. Employment Order, 2009

The Employment Order governs issues of employment and other matters in connection with employment.

Contracts of service

Every contract of service shall clearly define the rights and obligations of the parties. The contract of service shall include particulars such as the name and particulars of the employer, the nature of the employment, duration, salary and other special conditions of the service. An employer shall be deemed to be in breach of the contract if he or she fails to pay the salary of the employee.

Termination of contracts of employment

Either party to the contract may give the other notice of his intention to terminate the contract. The length of such notice shall be determined by the contract of service. In the absence of any provision, the notice to terminate shall range from one day's notice to four weeks' notice depending on the duration of service. The Employment Order also provides for procedures to deal with the misconduct of employees.

Apprenticeship

A parent or guardian of a person who has not attained the age of 16 ("Minor") may, with the consent of the Minor, enter into a contract of apprenticeship on behalf of the Minor provided that the apprenticeship shall not exceed a period of five years.

GENERAL INFORMATION ON OUR GROUP

Employment of women – Maternity leave

Every female employee shall be entitled to absent herself from work, i.e. maternity leave, for a period of 15 weeks or 105 days of leave which must be taken two weeks before the expected delivery date. The persons entitled to apply for maternity leave are civil servants and private sector employees who are Brunei citizens and permanent residents of Brunei. Employers will continue to pay the salary of employees who have gone on maternity leave for the first eight weeks and the following five weeks. Or, employers can claim the costs of the salary in those five weeks from the Brunei Government.

For female employees not covered by the aforementioned regulations, i.e. foreign female workers, their right to maternity leave remains as stipulated in the Employment Order, which entitles foreign female workers to maternity leave amounting to the period of four weeks immediately before confinement and the period of five weeks immediately after confinement. With regard to payment of salary, foreign female workers shall be entitled to receive their gross salary for the period of four weeks before confinement and also for the following four weeks after confinement.

Employment of children and young persons

A person who has not attained the age of 16 shall not be capable of entering into a contract of service. No person shall employ a child in an industrial undertaking. However, a child may be employed in an industrial undertaking in which only members of the same family are employed. A child who has attained the age of 14 may be employed in light work suited to his capacity in an undertaking which is not in industrial undertaking.

Employment of foreign labour

Due to the constraints of a small labour force in Brunei, the Brunei Government allows for foreign workers to be employed, especially where a local is not available to fill the position. Any person or company who intends to employ foreign workers must obtain a labour quota from the Department of Labour and Immigration.

4. Workplace Safety and Health Order, 2009 (“WSHO”)

The WSHO is applicable to and imposes duties and liabilities on all persons classified under the WSHO. The classification of persons to which the WSHO applies are employers, contractors, sub-contractors, principals, self-employed persons, occupiers of workplaces, designers, manufacturers or suppliers of any machinery, equipment or hazardous substance for use at work, erectors, installers or modifiers of machinery or equipment, owners, hirers or lessees of machinery moved by mechanical power or persons who maintain such machinery for use at work. The WSHO imposes duties on the aforementioned persons to take the necessary safety measures and precautions so far as is reasonably practicable to ensure the health and safety of persons who may be affected by any undertaking carried on by him or her at the workplace.

The WSHO further prescribes for powers to be exercised by the Commissioner of Labour (referred to as the Commissioner) to commence an investigation or inquiry into the circumstances of an accident, dangerous occurrence or occupational disease. The Commissioner may if he thinks fit suspend any certificate issued by him in respect of any work or workplace. Any persons affected shall immediately cease to do any work at any workplace upon issuance of the certificate.

GENERAL INFORMATION ON OUR GROUP

LICENCES AND PERMITS

Our Directors have confirmed that, to the best of their knowledge and belief, after having made all reasonable enquiries, as at the Latest Practicable Date, our Group has obtained all relevant business licences, permits, certifications and approvals necessary for our current operations.

The following is a description of the material licences and permits required for the operations of our Group, which have been issued to IPS Securex:

Licence, permit, approval or certification	Licence/Permit number	Issuing entity/ Administrative body	Description	Validity period
Licence to operate as a security service provider	L/PS/001902/2013P	Singapore Police Force	To operate as a security service provider subject to the provisions of the Private Security Industry Act and the Private Security Industry (Security Service Providers) Regulations	28 July 2013 to 27 July 2014
Licence/Certificate issued under the Radiation Protection Act 2007	L4/02682/0068	National Environment Agency	To have in possession radioactive materials	10 March 2014 to 28 February 2015
Licence/Certificate issued under the Radiation Protection Act 2007	L2/02682/0001	National Environment Agency	To manufacture, possess for sale or deal in radioactive materials	1 November 2013 to 31 October 2014
Licence/Certificate issued under the Radiation Protection Act 2007	L1/02682/0010	National Environment Agency	To possess for sale or deal in ionising irradiating apparatus	1 August 2013 to 31 July 2014
Registered contractor with Building and Construction Authority	–	Building and Construction Authority	ME04 (Communication & Security Systems), Grade L5	Expiry date: 1 November 2014
bizSAFE certificate	–	Workplace Safety and Health Council	Fulfilment of the requirements to attain bizSAFE Level 3	Expiry date: 19 July 2015
Certificate of test/thorough visual examination of lifting equipment (“LE”)	LE Registration Number: LP280666N	MOM, Singapore Workplace Safety and Health Act 2006	Type and description of lifting equipment: 803 LP – Hydraulic Working Platforms Owner’s reference/ Vehicle no.: 8591184J Brand name: JLG 1930ES	5 April 2014 to 3 October 2014

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Licence, permit, approval or certification	Licence/Permit number	Issuing entity/ Administrative body	Description	Validity period
Certificate of test/thorough visual examination of LE	LE Registration Number: LP022744N	MOM, Singapore Workplace Safety and Health Act 2006	Type and description of lifting equipment: 803 LP – Hydraulic Working Platforms Owner's reference/ Vehicle no.: 8590605F Brand name: JLG 1930ES	15 April 2014 to 13 October 2014

INVENTORY MANAGEMENT

Our inventories consist mainly of parts and components kept for the provision of integrated security solutions and maintenance support services to our customers and costs incurred in connection with work-in-progress. We generally do not maintain a huge quantity of security products as inventories so as to minimise our carrying cost. Instead, we typically purchase security products from our suppliers as and when required based on our customer orders or project requirements especially in the case of sales to our customers from our Security Solutions Business.

In accordance with our Group's accounting policies, based on the first-in first-out method, our inventory of parts and components are stated at the lower of cost and net realisable value. Costs comprise the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in completing the sale.

Costs incurred in connection with work-in-progress relate to the cost of the security products that we procure for the integrated security solution projects that we undertake and other related costs. These costs are then recognised in our statement of comprehensive income based on the percentage of completion of the various projects.

We review our inventory levels annually in order to identify slow-moving and obsolete items which have a market price that is lower than its carrying cost. We would then estimate the allowance for inventory obsolescence. We conduct stock takes on all our inventories twice a year. The amount of inventories written off and the allowance for inventory obsolescence during the Period Under Review were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014
Inventories written off	9	14	5	– ⁽¹⁾
Allowance for inventory obsolescence	100	–	–	–

Note:

(1) Value is less than S\$1,000.

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Our inventory turnover days for the Period Under Review were as follows:

	FY2011 ⁽¹⁾	FY2012 ⁽¹⁾	FY2013 ⁽¹⁾	HY2014 ⁽²⁾
Inventory turnover days	100	91	27	34

Notes:

(1) Inventory turnover (days) = (Average inventory divided by total cost of sales) x 365 days.

(2) Inventory turnover (days) = (Average inventory divided by total cost of sales) x 182 days.

Our inventory turnover days decreased from 91 days in FY2012 to 27 days in FY2013. This was in line with the increase in revenue contribution from our Security Solutions Business, which we generally do not keep a huge quantity of inventory but instead would only purchase them as and when required.

COMPETITION

We operate in a highly competitive environment. We compete with other providers of security products and integrated security solutions on the basis of design solutions, product range and quality, delivery timeliness, service quality and price. Some of our competitors in the security products and solutions industry have longer operating histories, broader geographical network with suppliers, wider range of or more superior security products, greater security solutions capability, financial, engineering, sales and marketing resources, better name recognition, larger base of customers and/or longer standing customer relationships than we have. As such, they may be able to better manage large or complex contracts, maintain a broader geographical presence or gain greater market acceptance than us. Their greater scale of operations or capabilities may also allow them to respond better to customer requirements, provide a greater level of customer support, and compete more effectively on better contract and pricing terms than we can provide.

Some of our competitors in the security products and solutions industry which are based in Singapore include Smiths Detection (Asia Pacific) Pte. Ltd., TJ Systems (S) Pte Ltd, Rapiscan Systems, Inc., Nimrod Engineering Pte. Ltd., L-3 Communications Security & Detection Systems, Inc. and Singapore Technologies Electronics Limited.

To the best of our Directors' knowledge, none of our Directors or Substantial Shareholders or their respective Associates has any interest, direct or indirect, in any of our competitors listed above.

Our Directors believe that new entrants to the industry will require adequate working capital and funding, and significant resources to establish close relationships with suppliers and customers, broaden their range of products and capabilities, grow their distribution network, build up a track record and employ a pool of experienced and trained sales personnel and engineers in order to compete effectively against existing and new players in the security products and solutions industry.

To the best of our Directors' knowledge, there are no known published statistics or official sources of information to establish our market share.

GENERAL INFORMATION ON OUR GROUP

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We have a committed and experienced management team

Our success is attributable to our experienced and committed management team, spearheaded by our Executive Director and CEO, Kelvin Lim, and supported by our team of Executive Officers, including Lee Yeow Koon and Lee Chea Siang, who have collectively over 30 years of experience in the security products and solutions industry. Kelvin Lim has been instrumental in formulating our business strategies and spearheading the growth of our business, and has established good relationships with both our existing and new customers and suppliers. Our Executive Officers, on the other hand, play an important role in implementing the overall business strategy of our Group and executing our corporate development activities. Their extensive experience in the security products and solutions industry, their industry connections cultivated over the years and in-depth technical knowledge of the security products and integrated security solutions that we provide have enabled our Group to identify new opportunities to expand our business, grow our reputation in the industry and retain our high standards of maintenance expertise. Please refer to the section entitled “**Directors, Management and Staff**” of this Offer Document for further information on their experience.

We have close relationships with our suppliers and dealers

We value the relationships we have with our suppliers as our success and reputation are dependent on the quality and reliability of the security products that they supply to us. We have close working relationships with suppliers that are well recognised for their product quality and innovation, strong credentials and established track records. This is evident from the long working relationships we have with our major suppliers such as Ultra Electronics – USSI and Leidos, some of whom we have distributorship agreements with since the initial years when we commenced our business as a provider of security products and integrated security solutions in 2000. These distributorship agreements were subsequently renewed and their scope in terms of the product range and the geographical coverage was expanded. Please refer to the section entitled “**General Information on our Group – Our History and Development**” for further information. We have also through the years built up close working relationships with our network of dealers and, hence, for the Period Under Review, a significant 40.3% of our revenue was derived from our Distribution Markets outside of Singapore, including Vietnam, Indonesia, Thailand and Malaysia.

Our close relationship with our suppliers and dealers has not only enabled us to acquire the product knowledge from our suppliers and effect the knowledge transfer to our dealers to drive our sales, it has also enabled us to keep abreast of new technologies, product developments, market trends and customer requirements and preferences which we believe are important in giving us a competitive edge and a first-mover advantage over our competitors.

We have an established track record in the provision and maintenance of security products and solutions

We have more than 13 years of track record in the security products and solutions industry and we believe we are one of Singapore’s leading providers of security products and integrated security solutions to both commercial entities and government bodies and agencies in Asia-Pacific. As a testament of our track record, we have provided both directly and through our network of dealers, security products, integrated security solutions and maintenance support services to various government bodies and agencies to prominent landmarks such as One Raffles

GENERAL INFORMATION ON OUR GROUP

Place and Hotel Grand Chancellor, Singapore. These various projects contributed to our established track record, with our single largest contract value being approximately US\$12.0 million in our history to date. Please refer to the sections entitled “**General Information on our Group – Our History and Development**” and “**General Information on our Group – Business Overview – Our Projects**” of this Offer Document for further information on some of the major projects that we have undertaken since the commencement of our business as a provider of security products and integrated security solutions in 2000.

We are able to serve as a one-stop service provider for the security system requirements of our customers across Asia-Pacific

We provide a broad range of Homeland Security Products and General Security Products which are deployed to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure. Our 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. Our General Security Products are supplied to and 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. As at the Latest Practicable Date, we carry over 100 types of security products including the VACIS, Personnel Scanning System, Acoustic Hailing System, Video Surveillance System and Access Control System, with distribution rights for certain of these security products spanning a wide geographical coverage of 10 countries in Asia-Pacific, including countries within Southeast Asia such as Singapore, Brunei, Indonesia, Thailand, Malaysia and Vietnam, as well as other countries including Australia, India and Sri Lanka. Please refer to the section entitled “**General Information on our Group – Distribution Agreements**” of this Offer Document for further information on the distribution agreements entered into with our major suppliers.

Besides supplying security products, we have also developed the capabilities to design and develop integrated security systems, including the development of proprietary software, if necessary, and provide maintenance support services in varying degrees of scale and complexity to fulfil the different requirements and specifications of our customers. Depending on our customers’ requirements, we have in the past provided integrated security solutions to them for purchase (as in the case for the OUB Project) or for lease (as in the case for the HDB Project) from us.

Further, we are able to provide extended maintenance support services for all the security products and integrated security solutions that we supply after their warranty period has expired and in respect of all the integrated security solutions that we lease to our customers, we will provide such services to them over the duration of the lease.

By being able to offer our customers a broad range of quality security products in the Distribution Markets along with the capability to design, supply, install, test and commission integrated security solutions as well as the provision of maintenance support and leasing services for these security products and integrated security solutions, we believe we are a one-stop service provider for all the security system requirements of our customers across Asia-Pacific.

GENERAL INFORMATION ON OUR GROUP

We are known for our service commitment

We are committed to providing a high level of service and maintenance support to our customers which is vital to our success. To demonstrate our commitment, we have a 24-hour hotline service which operates seven days a week that provides assistance to our customers on both technical and/or operational issues which may be followed by an on-site visit, if required. We also provide our Employees with regular training on key product knowledge and on how to operate, maintain and troubleshoot the security products which may be conducted in-house or by our suppliers. In addition, as part of our service commitment to our customers and dealers, we would conduct formal training for their staff to familiarise them with the proper use of the security products and integrated security solutions that we have provided. As a testament to the quality service that we provide to our customers, we are certified ISO 9001:2008 compliant in the areas of design, supply, installation and maintenance of security products and integrated security solutions, and in the provision of training for such products and solutions. This is reinforced by the various awards and certifications that we have received over the years, most recently, the Platinum category of the Top 100 Singapore Excellence Award 2013/2014 and the Asia Pacific Brands Award 2014. Please refer to the section entitled "**General Information on our Group – Awards and Certifications**" for further information.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS AND TRENDS

The security products and solutions industry and the demand for security products and solutions are generally driven by a confluence of political, social and economic factors that shape the political climate of countries. Significant events that drive the demand for security products and solutions include acts of terrorism, political unrests and riots in countries, such as the 11 September 2001 attacks in the United States of America, terrorist bombings in Bali, Indonesia in 2002 and 2005, the Mumbai attacks in 2008 and more recently in 2013, the Boston Marathon bombings in the United States of America, the terrorist suicide attack in Tiananmen Square in the People's Republic of China, the anti-government demonstrations in Thailand and the riots in Little India, Singapore. These terrorist attacks, political unrests and riots have heightened the border and security concerns of countries around the world, as evidenced by the increased investment by both government bodies and agencies and commercial entities for the latest security products and solutions.

Within Asia-Pacific, our region of focus to date, as a result of national security concerns and spurred on by the robust economic growth in recent years, government bodies and agencies in Singapore, Vietnam, Indonesia, Malaysia and Brunei have increased their spending authorisations for defence and security-related expenditure.

The government of Singapore has traditionally been one of ASEAN's biggest defence spenders and is expected to continue increasing its annual defence spending through to 2015, reflecting the government's commitment to maintain and develop its military capability¹. Besides Singapore, Vietnam is one of the world's fastest growing defence markets, driven in part by rapid economic growth, modernisation plans, territorial disputes and threats and hence, Vietnam's defence expenditure is expected to increase at a CAGR of 14.3% between 2011 and 2015². Further, there have been efforts by the Vietnamese government to open up Vietnam's defence market and to set up agreements with a broader range of international suppliers³. An increase in defence budget has also been proposed in Malaysia, where a 27.0% increase in procurement spending between 2012 and 2015 has been forecasted to accommodate Malaysia's extensive modernisation and recapitalisation requirements⁴, with MYR8.8 billion proposed for allocation to the Royal Malaysia Police for the procurement of the latest security equipment to reduce crime rates and enhance its military preparedness⁵. Similarly in Brunei, military spending is forecasted to increase at a CAGR of 6.7% from 2013 to 2016⁶.

¹ Information obtained from a report issued on 12 June 2012 entitled "Major Defence Markets – Asia Pacific by the International Home Security" on the website of Information Handling Services (<http://www.ihs.com/events/exhibitions/eurosatory-2012/news/jun-12/english/Major-defence-markets.aspx>).

² Statistics obtained from a report issued on 1 October 2011 entitled "Opportunities & Entry Strategies 2011-2016 from the Vietnam Defense Market Report 2011" on the website of Defense Update (http://defense-update.com/20111001_vietnam-defense-market-opportunities-and-entry-strategies-2011-2016.html).

³ Information obtained from a report issued on 12 June 2012 entitled "Major Defence Markets – Asia Pacific by the International Home Security" on the website of Information Handling Services (<http://www.ihs.com/events/exhibitions/eurosatory-2012/news/jun-12/english/Major-defence-markets.aspx>).

⁴ Statistics obtained from a report issued on 12 June 2012 entitled "Major Defence Markets – Asia Pacific by the International Home Security" on the website of the Information Handling Services (<http://www.ihs.com/events/exhibitions/eurosatory-2012/news/jun-12/english/Major-defence-markets.aspx>).

⁵ Statistics obtained from the 2014 Budget Speech made on 25 October 2013 by Yab Dato' Sri Mohd Najib Tun Haji Abdul Razak, Prime Minister and Minister of Finance, Malaysia entitled "Strengthening Economic Resilience, Accelerating Transformation and Fulfilling Promises" published on the website of The Prime Minister's Office of Malaysia (<http://www.pmo.gov.my/bajet2014/Bajet2014E.pdf>).

⁶ Statistics obtained from a report issued on 7 June 2012 entitled "Brunei's defense expenditure is expected to increase at a CAGR of 6.7% during the forecast period by the Aerospace and Defence News" on the website of the Aerospace & Defense News (http://www.asdnews.com/news-43161/Brunei_s_defense_expenditure_is_expected_to_increase_at_a_CAGR_of_67_during_the_forecast_period.htm).

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Strong economic growth, rapid urbanisation and population growth in Asia-Pacific have encouraged investments in public infrastructure, creating a demand for the latest security products and solutions to complement the newly built up infrastructure or the infrastructure to be built⁷. An example is the airport construction which is underway in ASEAN countries including Vietnam⁸ as well as Singapore, with the construction of the Changi Airport Terminal 4 planned for completion in 2017⁹. Just in Indonesia alone, the government estimates that the country requires US\$240 billion in infrastructure spending, highlighting the massive demand of the ASEAN countries¹⁰. Organisations such as the World Bank have also engaged in various infrastructure projects in Asia-Pacific, such as the development and expansion of public transportation systems¹¹.

Our Directors believe that the security products and solutions industry is generally dependent on factors such as perceived threats or otherwise from terrorist activities and political unrests, government budgets and general economic conditions. With the resilient economic outlook and expected increase in government budget allocations for security and defence spending in ASEAN, the demand for the latest security products and solutions is expected to rise in tandem. Our Directors believe that as one of the leading providers of security products and integrated security solutions to both commercial and government entities in the region, our Group is well-positioned to benefit from this expected increase in demand.

As such, we have focused our sales and marketing efforts on promoting awareness of our stable of security products and our integrated security solutions to our network of country specific dealers in Asia-Pacific, as well as to the commercial entities and various government bodies and agencies in the markets that we are authorised to distribute our suppliers' security products to. Over the Period Under Review, approximately 99.4% of our revenue on average was derived from our customers in Singapore, Vietnam, Indonesia, Thailand, Malaysia and Brunei.

Our Directors have made the following observations for FY2014 and FY2015 based on current trends to date:

- (i) We expect our profitability to be affected by any change in the proportion of revenue contribution and in the profit margin from each of our business segments. Gross profit margins for our Security Solutions Business are generally lower than those from our Maintenance and Leasing Business. Within our Maintenance and Leasing Business, gross profit margins from the provision of long-term maintenance support services are generally lower than those from the provision of ad-hoc maintenance support services.

⁷ Statistics obtained from a publication issued on 30 May 2013 entitled "Goldman Sachs Asia Economics Analyst Issue No: 13/18, May 20, 2013" on the website (<http://www.btinvest.com.sg/system/assets/14801/ASEAN%20infrast%20opportunity.pdf>).

⁸ Information obtained from a publication issued on 15 January 2014 entitled "PM affirms necessity for Long Thanh International Airport construction" on the website of the Vietnam Investment Review (<http://www.vir.com.vn/news/en/highlight/pm-affirms-necessity-for-long-thanh-international-airport-construction.html>).

⁹ Information obtained from a publication issued on 26 December 2013 entitled "Takenaka Corporation wins S\$985m contract to build Changi Airport T4" on the website of the Channel NewsAsia (<http://www.channelnewsasia.com/news/business/takenaka-corporation-wins/934372.html#>).

¹⁰ Statistics obtained from a publication issued on 30 May 2013 entitled "Goldman Sachs Asia Economics Analyst Issue No: 13/18, May 20, 2013" on the website (<http://www.btinvest.com.sg/system/assets/14801/ASEAN%20infrast%20opportunity.pdf>).

¹¹ Information obtained from a publication entitled "World Bank Group Infrastructure Action Plan, East Asia Region" published on the website of the World Bank Group (http://siteresources.worldbank.org/EXTINFRA/Resources/WB_InfraStrat_Brochure_EastAsiaPacific_2-16.pdf).

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

- (ii) We expect our cost of sales to increase due to the depreciation of the Alert Alarm Systems that we own pursuant to the HDB Project secured in FY2014 and which the depreciation will commence mainly from FY2015.
- (iii) We expect our administrative expenses to increase due to the following factors:
 - (a) an increase in staff headcount in line with the growth and expansion of our Group;
 - (b) Director's fees payable to the Non-Executive Directors and Independent Directors; and
 - (c) a charge based on the fair value of the Shares in FY2014 that were allotted and issued as part of the Restructuring Exercise to our Executive Director and CEO, Kelvin Lim, determined in accordance with the Singapore Financial Reporting Standard 102 "Share-Based Payment".
- (iv) A portion of our listing expenses incurred in connection with the Placement that will be treated as a charge in our financial statements as well as ongoing compliance costs as a listed company will affect our financial results in FY2014. Please refer to the section entitled "**Use of Proceeds and Listing Expenses**" of this Offer Document for more details on our listing expenses.

Arising from the above factors, we believe that our results of operations for FY2014 and FY2015 would be affected and, hence, investors ought to be aware that our past results of operations are not necessarily indicative of our current and future results of operations.

Save as disclosed above, and in the sections entitled "**Risk Factors**" and "**Management's Discussion and Analysis of the Results of Operations and Financial Condition**" of this Offer Document, and barring any unforeseen circumstances, our Directors are not aware of any significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services or any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "**Cautionary Note Regarding Forward-Looking Statements**" of this Offer Document.

ORDER BOOK

Our order book for our Security Solutions Business and our Maintenance and Leasing Business as at any date represents the respective total stated contract value of orders not yet completed less the portion of revenue in respect of these orders that we have recognised in accordance with our revenue recognition policies.

Depending on whether an order for our Security Solutions Business involves the supply of security products and solutions 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 our customer to fulfil the order. As at 31 December 2013, we had an order for our Security Solutions Business of approximately S\$7.2 million, out of which approximately S\$685,000 has been recognised as revenue as at the Latest Practicable Date. As at the Latest Practicable Date, our order books for our Security Solutions Business was approximately S\$6.7 million.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Under our Maintenance and Leasing Business, our maintenance contracts are typically for a period of between one and five years upon the expiry of the customary warranty period of 12 months for the security products and solutions we provide to our customers while our lease-and-maintenance contracts are typically for a period of at least seven years. As at 31 December 2013, we had an order for our Maintenance and Leasing Business of approximately S\$17.8 million, out of which approximately S\$1.5 million has been recognised as revenue as at the Latest Practicable Date. As at the Latest Practicable Date, our order books for our Maintenance and Leasing Business was approximately S\$17.8 million.

BUSINESS STRATEGIES AND FUTURE PLANS

We intend to focus on the following business strategies for the future growth and expansion of our business:

To build up our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific

With the successful implementation of our lease-and-maintenance projects with HDB, each typically for a period of at least seven years, starting from 2011 and 2014, we intend to build up our portfolio of lease-and-maintenance projects in Singapore and Asia-Pacific. Under a lease-and-maintenance arrangement, we would design, supply, install, test, commission and maintain the security systems for our customers but would retain ownership of the systems and any proprietary software that may be developed. Our customers would typically pay an agreed monthly fee for the lease and maintenance of the systems. Such contracts enable us to establish a long-term business relationship with our customers and also provide us with a source of recurring income.

As the lease-and-maintenance projects are capital intensive in nature, we intend to use approximately S\$2.0 million of the net proceeds from the Placement for this purpose.

To broaden our range of security products and integrated security solutions

We have close relationships with our customers and dealers and maintain regular contact with them to better understand the requirements and specifications of the security products and integrated security solutions that they and the end-users require. With this insight and our knowledge of the latest available security products and integrated security solutions, technologies and industry trends, we believe that we are in a good position to formulate appropriate strategies to broaden our range of security products and integrated security solutions which closely meet the requirements and specifications of our customers and the end-users.

With the introduction of new and more advanced technologies, manufacturers of security products are continually developing and marketing improved versions or the next generation of security products that may be superior to the security products that we currently procure from our existing suppliers. Hence, we will need to continue to build upon the relationships with our existing suppliers and actively source for new suppliers of the next generation of security products so that we are able to offer the most relevant security products and integrated security solutions to our customers.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We intend to allocate S\$0.7 million of the net proceeds from the Placement for working capital, part of which will be used to broaden our range of security products and integrated security solutions.

To take on more and larger projects and to increase our customer base

Over the years we have built up a diverse portfolio of customers ranging from various entities, such as owners of residential property, industrial and commercial buildings, schools and hotels, to government bodies and agencies such as the police and other law enforcement agencies. Going forward, we intend to take on more and larger projects as well as increase our customer base by expanding our network of dealers within our Distribution Markets and by establishing relationships with new dealers outside of our present Distribution Markets.

To enable us to take on more and larger projects, we have to ensure that there is adequate working capital and funding. We also intend to increase our sales and marketing activities such as sales promotion, advertising, on-site product demonstrations and attending more meetings, exhibitions, trade fairs and conferences to promote our security products and integrated security solutions.

We intend to allocate S\$0.7 million of the net proceeds from the Placement for working capital, part of which will be used to take on more and larger projects and to increase our customer base.

To expand our business through acquisitions, joint ventures and/or strategic alliances

We may expand our business, whether in Singapore or overseas, through acquisitions, joint ventures and/or strategic alliances that we believe will complement our current and future businesses and be aligned with our longer-term interests. We believe that suitable acquisitions, joint ventures and/or strategic alliances will strengthen our competitive advantage by giving us access to new technologies, new markets, customers and businesses. From time to time, we may be engaged in exploratory discussions with various parties on various business opportunities. However, as at the date of the Offer Document, we are not in the process of finalising any agreement with any party for any material contracts, acquisitions, joint ventures and/or strategic alliances. Should such opportunities result in a formal agreement, we will make the necessary announcements and will seek the requisite approval, if applicable, from our Shareholders and the relevant authorities in accordance with relevant laws, rules and regulations including the provisions in the Listing Manual.

To develop our business by entering into co-manufacturing agreements with our major suppliers

We have, on 13 June 2013, entered into a co-manufacturing agreement (the “**Agreement**”) with one of our major suppliers, namely, Ultra Electronics – USSI, for the co-manufacturing of the HyperShield and HS-Micro security products (the “**Products**”) in Singapore, Malaysia, Indonesia and Thailand. Under this Agreement, Ultra Electronics – USSI would supply the audio components of the Products while IPS Securex would source for locally-produced encasing and/or shields and assemble the Products. If either party materially breaches the Agreement, the other party may terminate by giving at least 60 days’ advance written notice to the other party.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We do not have any present intention to engage in any co-manufacturing activities under the Agreement and any intention to do so would have to depend, *inter alia*, on the market demand for the Products, the margins and profitability of co-manufacturing the Products, the capital expenditure involved, availability of funds and financing, any technical expertise required and the level of support rendered by Ultra Electronics – USSI, availability of manpower and the receipt of any legal, regulatory, licensing and other approvals that may be required. If we were to proceed with any co-manufacturing activities under the Agreement and if the financial effect is expected to be material, we would seek the relevant approval from our Shareholders in accordance with the provisions of the Listing Manual. We believe that if we were to succeed in developing our co-manufacturing business, it would provide us with an additional source of revenue. We may in future explore co-manufacturing agreements with our other suppliers if the opportunity arises and makes economic sense.

EXCHANGE CONTROLS

Singapore

There are no exchange control restrictions in the repatriation of capital and the remittance of profits into or out of Singapore by or to our Group companies in Singapore.

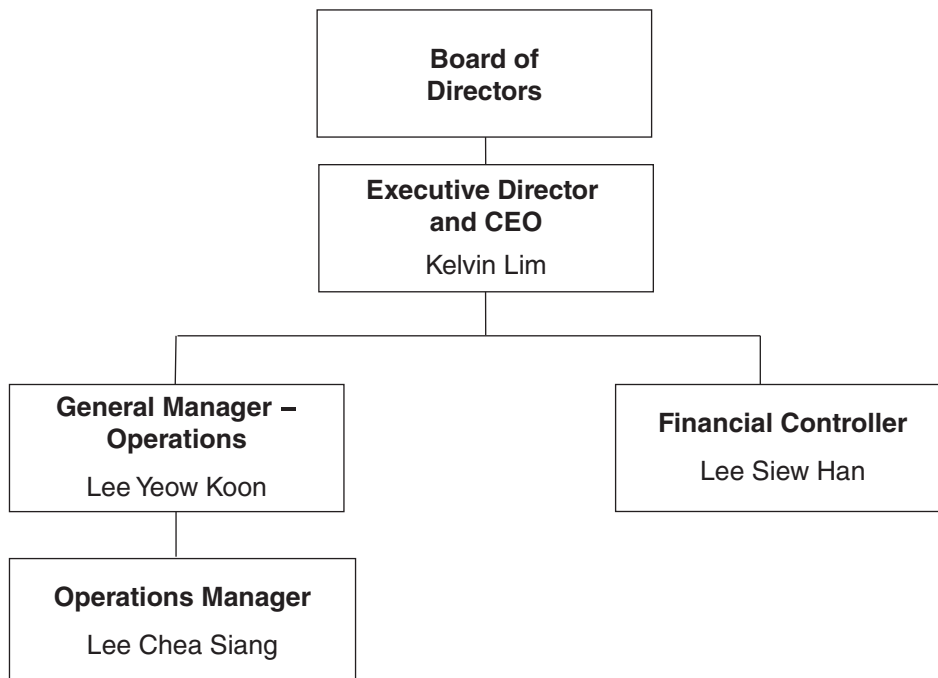
Brunei

There are no exchange control restrictions on the repatriation of capital and the remittance of profits into or out of Brunei by or to our Group companies in Brunei.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out as follows:



DIRECTORS

Our Board is entrusted with the responsibility for the overall management of our Group. Our Board comprises six members whose particulars are set out below.

None of our Directors are related to one another or to any of our Executive Officers and Substantial Shareholders.

Name	Age in 2014	Address	Position
Chan Tien Lok	61	10A Galistan Avenue, Singapore 669684	Non-Executive Chairman
Kelvin Lim	36	56 Choa Chu Kang North 6, #18-25, Singapore 689577	Executive Director and CEO
Ong Chin Hin	50	169 Jalan Jurong Kechil, #01-14, Singapore 598669	Non-Executive Director
Ong Beng Chye	46	5A Lothian Terrace Singapore 456785	Lead Independent Director
Peter Boo	62	8 Namly Hill, Shamrock Park, Singapore 267272	Independent Director
Tan Peng Chin	57	3 Jalan Harum, Singapore 268477	Independent Director

DIRECTORS, MANAGEMENT AND STAFF

Our Directors' career and academic history, business experience and general areas of responsibility within our Group are set out below:

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

Chan Tien Lok has over 13 years of experience in the security products and solutions industry. He is currently the chairman of 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.

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

Kelvin Lim has more than 13 years of experience in the security products and solutions industry. He joined our 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 IPST. In July 2013, he stepped down as CEO of IPST and was appointed as CEO of IPS Securex.

Kelvin Lim is instrumental in formulating and implementing our business strategies and spearheading the growth of our 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 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 our business to several regional markets, including Malaysia, Indonesia, Hong Kong, China and Thailand.

Prior to joining our Group, Kelvin Lim worked in the sales department of Ademco (Far East) Pte. Ltd., a provider of security solutions and services to businesses and governments across Asia. He joined the company as a sales executive in 1999 and was promoted to regional sales manager within six months in recognition of his outstanding performance. As a testament to his capabilities, he has won numerous sales achievement awards from the company.

Kelvin Lim 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.

DIRECTORS, MANAGEMENT AND STAFF

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

Ong Chin Hin is currently the group managing director of IPST, and assists Chan Tien Lok in managing the businesses, operations and business developments of IPST.

Ong Chin Hin first joined IPST 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 IPST, 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 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 Inshape 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.

Ong Beng Chye is the Lead Independent Director of our Group. He was appointed to our 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. Concurrently since 2007, he joined Higson International Pte Ltd as group financial controller. He is also presently the independent director and chairman of the audit committees of Geo Energy Resources Limited, Hafary Holdings Ltd and Kitchen Culture Holdings Ltd, and an independent director of Heatec Jietong Holdings Ltd. From 2005 to 2006, he was an executive director and chief financial officer of Time Watch Investments Private Limited, a watch manufacturer and retailer. In 2004, he was an executive director and vice-president of SAC Capital Private Limited, a merger and acquisition advisory and corporate advisory firm. From 1998 to 2004, he was a senior manager in Deloitte & Touche LLP in Singapore. Prior to this, he was with Jupiter Asset Management Sdn Bhd in Malaysia from 1997 to 1998, Seacorp-Schroders Capital Management Bhd in Malaysia from 1995 to 1997 and Deloitte & Touche (London) from 1990 to 1995.

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.

Peter Boo is the Independent Director of our Group. He was appointed our Board on 6 June 2014.

He was a director of ROL Conveyors Pte. Ltd. from 1971 to 1975, where he was in charge of all engineering aspects in the manufacture of material handling systems. In 1975, he founded Material Handling Engineering Pte Ltd and led the company to its listing on the Stock Exchange

DIRECTORS, MANAGEMENT AND STAFF

of Singapore Dealing and Automated Quotation (SESDAQ) in 1989. The company subsequently changed its name to MHE Holdings Ltd. In May 2000, he divested off his controlling interest in MHE Holdings Ltd and retired from the company. Peter Boo is currently an independent director of Hoe Leong Corporation Ltd. and also sits on the board of other companies in Singapore as well as overseas. He received the National Productivity Award for Material Handling Engineering Pte Ltd in 1989 and the First Entrepreneurship Excellence Award in 1990. Peter Boo was the chairman of Mechanical Engineering Advisory Committee in Ngee Ann Polytechnic from 1992 to 2006. He was also a board member of Singapore Corporation of Rehabilitative Enterprises (a statutory board under the Ministry of Home Affairs) from 2000 to 2006, Industrial & Services Co-operative Society Ltd from 2004 to 2006 and Bizlink Centre Singapore Ltd from 2005 to 2010.

Peter Boo obtained a Diploma in Mechanical Engineering from Singapore Polytechnic in 1974.

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

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 from 1983 to 1987, before joining Wong Yoong Tan & Molly Lim as managing partner in 1987. 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, 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.

Tan Peng Chin graduated with a Bachelor of Laws (Hons) from the National University of Singapore. He is a member of the Law Society of Singapore and the Singapore Academy of Law.

Experience and Expertise of our Directors

Pursuant to Rule 406(3)(a) of the Listing Manual, our Directors have the appropriate expertise to act as directors of our Company, as evidenced by their business and working experience set out above. All our Directors have been informed of their obligations under the Listing Manual as well as the relevant Singapore laws and regulations. Ong Beng Chye, Peter Boo and Tan Peng Chin each has prior experience as a director of public listed companies in Singapore and is familiar with the roles and responsibilities of a director of a public listed company in Singapore. Chan Tien Lok, Kelvin Lim and Ong Chin Hin have attended the relevant training programme organised by the Singapore Institute of Directors in Singapore to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

DIRECTORS, MANAGEMENT AND STAFF

List of Present and Past Principal Directorships of Directors

The list of present and past directorships of our Directors for the past five years is set out below:

Name	Present directorships	Past directorships
Chan Tien Lok	<u>Our Group</u> Company IPS Securex <u>Other companies</u> Europower Technology Pte. Ltd. Fibrtech (HK) Ltd IPSE IPSPG IPSL IPS Leasing Pte. Ltd. IPSPH IPS Specialists Construction Pte. Ltd. IPST Linnhoff India Pvt. Ltd. Linnhoff Technologies Pte. Ltd. Perfex Heat Transfer Sdn. Bhd. Perfex International Private Limited PSI SRC	<u>Our Group</u> Nil <u>Other companies</u> Eco-Wiz Group Pte. Ltd. Eco-Wiz Mfg (S) Pte. Ltd. Eco-Wiz (SG) Pte. Ltd. Eco-Wiz Thailand Co., Ltd. Fibrwrap Construction Pte. Ltd. Fyfe Asia Pte Ltd Fyfe (HK) Ltd IPS-Oru Asia Pacific Pte Ltd IPSSPL IPS Technologies (Hong Kong) Limited Jiangsu Lintec Engineering Equipment Co., Ltd.
Kelvin Lim	<u>Our Group</u> Company IPS Brunei IPS Securex <u>Other companies</u> Nil	<u>Our Group</u> Nil <u>Other companies</u> IPSPH IPST
Ong Chin Hin	<u>Our Group</u> Company IPS Securex <u>Other companies</u>	<u>Our Group</u> Nil <u>Other companies</u>

DIRECTORS, MANAGEMENT AND STAFF

Name	Present directorships	Past directorships
	Europower Technology Pte. Ltd. IPSPG IPSL IPS Leasing Pte. Ltd. IPSPH IPST Linnhoff India Pvt. Ltd. Perfex Heat Transfer Sdn Bhd Perfex International Private Limited PSI Storebaelt Engineering Pte. Ltd.	Eco-Wiz Aqua Pte. Ltd. Eco-Wiz Group Pte. Ltd. Eco-Wiz Mfg (S) Pte. Ltd. Eco-Wiz (SG) Pte. Ltd. Eco-Wiz Thailand Co., Ltd.
Ong Beng Chye	<u>Our Group</u> Nil <u>Other companies</u> Appleton Global Pte Ltd Geo Energy Resources Limited Hafary Holdings Limited Heatec Jietong Holdings Ltd. Kitchen Culture Holdings Ltd.	<u>Our Group</u> Nil <u>Other companies</u> ES Shipping Pte. Ltd.
Peter Boo	<u>Our Group</u> Nil <u>Other companies</u> Connect Centre Pte. Ltd. Hoe Leong Corporation Ltd. Knightsburg Private Limited Professional & Organisation Development Sdn Bhd Profile Avenue Sdn Bhd Seacare Maritime Medical Centre Pte Ltd Seacare Medical Holdings Pte. Ltd. Songxing Engrg Sdn Bhd Songxing Investment Holdings Pte Ltd	<u>Our Group</u> Nil <u>Other companies</u> Bizlink Centre Singapore Ltd Compact Metal Industries Ltd Hisen Electronics Singapore Pte Ltd International Healthcare Management (Pte) Ltd Mobileobjects Asia Pte. Ltd. NHC Health Resources Pte Ltd NTUC Healthcare Co-operative Ltd NTUC Unity TCM Wellness Pte. Ltd. Origins Healthcare Pte Ltd Seacare Evolution Pte. Ltd. Seacare Landscape Pte. Ltd. Seapharma Pte Ltd Unicare Health Pte Ltd

DIRECTORS, MANAGEMENT AND STAFF

Name	Present directorships	Past directorships
Tan Peng Chin	<u>Our Group</u> Nil <u>Other companies</u> Clarity Singapore Limited Elkem Carbon Singapore Pte. Ltd. Huber + Suhner (Singapore) Pte Ltd Hyperion Systems Engineering (Singapore) Pte. Ltd. NRT Gaming Pte. Ltd. OM Holdings Limited	<u>Our Group</u> Nil <u>Other companies</u> Armstrong Industrial Corporation Limited Black Creek Asia Pte. Ltd. China Telecom (Singapore) Pte. Ltd. Cyclotech Asia Pte. Ltd. Data2 Singapore Pte. Ltd. Eastern Pine Capital Pte. Ltd. Evaluation & Due Diligence Fund Services (Asia) Pte. Limited Golden Palm 62 Pte. Ltd. Gold Manor Singapore Pte. Ltd. Joypalm International Pte. Ltd. Jupiter Asset Management (Asia) Private Limited Miyowa Asia Pte. Ltd. Scriptpro Sea Pte Ltd Soptec Pte. Ltd. Southern Harvest Pte. Ltd. Springs Capital (Singapore) Pte. Limited Tan Peng Chin LLC Thai Phos Corporation Pte. Ltd. The Dispute Board Federation Limited Treasure Maritime (Pte) Ltd

Independence of our Independent Directors

The Code of Corporate Governance (the “**Code**”) recommends that there should be a strong and independent element on a board of directors which is able to exercise objective judgement on corporate affairs independently, in particular, from the management of the company and substantial shareholders. Under the Code, an “independent director” is defined as one who has no relationship with the company, its related corporations, its 10.0% shareholder or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement with a view to the best interests of the company. Examples of relationships, which are deemed not to be independent, include:

- (i) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;
- (ii) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;

DIRECTORS, MANAGEMENT AND STAFF

- (iii) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service; and
- (iv) a director:
 - (a) who, in the current or immediate past financial year, is or was; or
 - (b) whose immediate family member, in the current or immediate past financial year, is or was,

a 10.0% shareholder of, or a partner in (with 10.0% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

Our Independent Director, Tan Peng Chin is a consultant of Tan Peng Chin LLC, a law firm in Singapore. Since FY2005, IPSP and its group of companies had engaged the legal services of Tan Peng Chin LLC mainly in relation to the registration of trade marks, including the “IPS Securex” trade mark. Tan Peng Chin was not the lawyer in charge of the matters and was not involved in the negotiations, deliberations and the delivery of services pertaining to the transactions between Tan Peng Chin LLC and IPSP and its group of companies. During the Relevant Period, the fees charged by Tan Peng Chin LLC to our Group were on arm’s length basis and were based on normal commercial terms comparable with legal fees quoted by other law firms for similar services. For further information, please see “**Interested Person Transactions – Past Interested Person Transactions – Transaction with Tan Peng Chin LLC**” of this Offer Document.

Having considered the Code and Tan Peng Chin’s relationship with our Group, the Nominating Committee and the Board have confirmed that:

- (i) Tan Peng Chin does not have any relationship with the Company, its related corporations, its 10.0% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company; and
- (ii) Tan Peng Chin is independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, his business judgement.

DIRECTORS, MANAGEMENT AND STAFF

EXECUTIVE OFFICERS

Our Executive Officers are entrusted with the responsibility for the daily operations of our Group and their particulars are set out below.

Name	Age in 2014	Address	Position
Lee Yeow Koon	37	Block 69, Redhill Close, #17-80, Singapore 150069	General Manager – Operations
Lee Siew Han	44	99 Cashew Road, #08-01, Singapore 679670	Financial Controller
Lee Chea Siang	37	Block 12, Taman Ho Swee, #03-67, Singapore 162012	Operations Manager

None of our Executive Officers are related to one another or to any of our Directors or Substantial Shareholders.

Our Executive Officers' career and academic history, business experience and areas of responsibility within our Group are set out below:

Lee Yeow Koon is the General Manager – Operations of our Group. He has more than seven years of managerial experience in the security products and solutions industry and is responsible for overseeing and managing the day-to-day operations of our Group's business operations. He joined our 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 our 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. Since 2013, Lee Yeow Koon has been the General Manager – Operations of our Group with responsibility for overseeing the Group's operations.

Prior to joining our 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 is the Financial Controller of our Group. She joined our Group in 2013 and is in charge of the Group's financial and accounting operations.

Lee Siew Han has more than 22 years of experience in accounting and finance-related matters. She has worked in the finance and administration department of IPSP 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 IPSP and its subsidiaries. Before joining IPSP, between 2004 and 2010, Lee Siew Han gained experience in the management of accounting and finance matters from managerial positions held in KS

DIRECTORS, MANAGEMENT AND STAFF

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 is the Operations Manager of our Group. He joined our 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 our 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 our 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.

The list of present and past directorships of our Executive Officers over the last five years preceding the Latest Practicable Date is set forth below:

Name	Present directorships	Past directorships
Lee Yeow Koon	<u>Our Group</u>	<u>Our Group</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
Lee Siew Han	<u>Our Group</u>	<u>Our Group</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
Lee Chea Siang	<u>Our Group</u>	<u>Our Group</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
	Nil	Nil

There is no arrangement, undertakings or understanding with any Substantial Shareholders, customers, suppliers or other person, pursuant to which any of our Directors or Executive Officers was appointed.

DIRECTORS, MANAGEMENT AND STAFF

REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation paid to our Directors and our Executive Officers (including salaries, bonuses, director's fees, allowances and benefits-in-kind) in FY2012 and FY2013 and the estimated compensation to be paid to our Directors and our Executive Officers for FY2014 (on an aggregate basis and in remuneration bands) are as follows:

	FY2012 ⁽¹⁾	FY2013 ⁽¹⁾	Estimated amount for FY2014 ⁽¹⁾
Directors			
Chan Tien Lok	Band A	–	Band A
Kelvin Lim	Band A	Band B	Band B
Ong Chin Hin	–	–	Band A
Ong Beng Chye	–	–	Band A
Peter Boo	–	–	Band A
Tan Peng Chin	–	–	Band A
Executive Officers			
Lee Yeow Koon	Band A	Band A	Band A
Lee Siew Han	–	–	Band A
Lee Chea Siang	Band A	Band A	Band A

Note:

(1) Remuneration bands:

“**Band A**” refers to remuneration of up to S\$250,000.

“**Band B**” refers to remuneration between S\$250,001 and S\$500,000.

Save as disclosed under the section entitled “**Directors, Management and Staff – Service Agreement**” of this Offer Document, no compensation was paid to any of our Directors or Executive Officers in FY2012 or FY2013 and no compensation is expected to be paid to any of our Directors or Executive Officers in FY2014, pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

As at the date of this Offer Document, no compensation has been paid or will be paid in the form of stock options to any of our Directors, Executive Officers or any of our Employees.

As at the Latest Practicable Date, save as required for compliance with the applicable laws, we have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

SERVICE AGREEMENT

On 27 May 2014, our Company entered into a service agreement with our Executive Director and CEO (the “**Executive**”), Kelvin Lim for an initial period of three years (“**Initial Term**”) with effect from the Listing Date and thereafter for such period as our Board may decide.

DIRECTORS, MANAGEMENT AND STAFF

The Service Agreement may be terminated by either party giving to the other six months' notice in writing of such intended termination, or for the Company, in lieu of the six months' notice or part thereof, pay the Executive an amount equivalent to six months' of the Executive's last drawn salary, and/or if the Executive, *inter alia*; (i) be found guilty of any misconduct or neglect in the discharge of his duties; (ii) breach any of the material provisions of the Service Agreement; (iii) commit any act of criminal breach of trust or dishonesty; or (iv) become bankrupt or make any arrangement or composition with his creditors generally. There are no benefits payable to the Executive upon termination of the Service Agreement.

Under the Service Agreement, the Executive undertook, *inter alia*, for as long as he remains a Director of our Company (or any of the Group companies); (i) he will not have any interest directly or indirectly in any entity whose business competes directly or indirectly with the business of our Group; and (ii) he will not directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except in a business, trade or occupation that does not compete with any business carried on or proposed to be carried on by our Group.

The Executive also agreed not to, either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested in any business which shall be in direct competition with the business carried on by our Group during his employment under the Service Agreement and within a period of 12 months thereafter in any territory where our Group directly or indirectly operates.

In addition, the Executive shall not, except as authorised or required by his duties, reveal to any person, firm or company any confidential information which may have come to his knowledge during his employment with our Company or otherwise and shall keep all confidential information entrusted to him in complete secrecy. This restriction under the Service Agreement shall continue to apply after the expiry or termination of the Service Agreement.

Under the terms of the Service Agreement, the Executive will be paid a monthly salary of S\$23,000 and shall be entitled to an annual performance bonus in respect of each FY calculated 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") in respect of that FY as follows:

NPBT	Performance bonus
NPBT above S\$400,000 and up to S\$800,000	5.0% of the NPBT
NPBT > S\$800,000	10.0% of the NPBT

The Executive's remuneration package, including the annual performance bonus, shall be subject to review by the Remuneration Committee.

The Executive is entitled to a transport allowance each month for payments of road tax, insurance, car repair and maintenance and Electronic Road Pricing ("ERP") charges and shall be reimbursed for petrol expenses and parking fee to the extent that such expenses were used solely in connection with the conduct of our Company's business. In addition, the Executive shall be reimbursed for all traveling, hotel, entertainment, and other expenses reasonably and properly incurred by him in the reasonable and proper performance of his duties.

DIRECTORS, MANAGEMENT AND STAFF

During his employment, the Executive shall be entitled to such other benefits, including insurance coverage, health and medical benefits as may be determined by our Board. In addition, our Company has taken out term life insurance policy for the Executive. Please see the section entitled “**Interested Person Transactions – Other present and on-going interested person transactions – Assignment of term life insurance policy from Kelvin Lim to IPS Securex**” of this Offer Document for further information.

The Remuneration Committee shall review the remuneration package, including the annual performance bonus, of the Executive within one and a half years from the Listing Date.

Had the Service Agreement been in existence since FY2013, the aggregate remuneration (including director’s fee, contributions to the CPF and other benefits) paid or provided to the Executive would have been approximately S\$404,000 instead of S\$260,000 and the profit before income tax of our Group for FY2013 would have been approximately S\$1.6 million instead of S\$1.7 million.

Save as disclosed above, there is no other existing or proposed service agreement between our Company or our subsidiaries and any of our Directors. There is no existing or proposed service agreement entered into or to be entered into by our Directors with our Company or our subsidiaries which provides for benefits upon termination of employment.

STAFF

As at the Latest Practicable Date, we employed a total workforce of 36 staff. We do not employ a significant number of temporary or part-time staff. As at the Latest Practicable Date, we have one Employee stationed in Brunei and the remainder of our Employees are based in Singapore.

All our Employees have employment contracts with us. Our Employees are not covered by any collective bargaining agreements and are not unionised. The number of full-time Employees is not subject to any material fluctuation. The relationship and co-operation between the management and staff have been good and are expected to continue to remain so in the future. There has not been any incidence of labour dispute which affected our operations during the Period under Review.

As at the Latest Practicable Date, other than amounts set aside or accrued in respect of the relevant laws and regulations, we have not set aside or accrued any amounts for any of our Employees to provide for pension, retirement or similar benefits to our Employees.

The breakdown of our Group’s full-time staff by function as at 30 June of 2011, 2012 and 2013 and as at the Latest Practicable Date is as follows:

By Function	← As at 30 June →			As at the Latest Practicable Date
	2011	2012	2013	
Directors	3	3	3	3
Operations	17	13	11	21
Sales and marketing	6	3	3	3
Administration	4	3	6	9
Total	30	22	23	36

CORPORATE GOVERNANCE

Our Board recognises the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will use best efforts to implement the good practices recommended in the Code of Corporate Governance 2012 (the “Code”). Our Board has formed three committees: (i) the Audit Committee; (ii) the Remuneration Committee; and (iii) the Nominating Committee.

We have six Directors on our Board, of which three are Independent Directors. Our Independent Directors do not have any existing or prior business or professional relationship of a material nature with our Group, our other Directors, CEO and/or Substantial Shareholders. Our Independent Directors are also not related to our other Directors, CEO and/or Substantial Shareholders.

We have appointed Ong Beng Chye as our Lead Independent Director. As Lead Independent Director, he is the contact person for Shareholders in situations where there are concerns or issues which communication with our Non-Executive Chairman, CEO and/or Financial Controller has failed to resolve or where such communication is inappropriate. Ong Beng Chye will also take the lead in ensuring compliance with the Code.

BOARD PRACTICES

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. None of our Directors are appointed for any fixed terms. One third (or the number nearest one third) of our Directors, are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further information on the appointment and retirement of Directors are set out in Appendix E – “**Summary of the Memorandum and Articles of Association of our Company**” of this Offer Document.

Audit Committee

Our Audit Committee comprises Ong Beng Chye, Peter Boo and Tan Peng Chin. The Chairman of the Audit Committee is Ong Beng Chye.

Our Audit Committee will assist our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group. Our Audit Committee will provide a channel of communication between our Board, our management, our internal auditors and our external auditors on matters relating to audit.

Our Audit Committee will meet periodically to perform the following functions:

- (i) review the periodic consolidated financial statements of our Company and results announcements before submission to our 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, Listing Manual and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of our Company and results announcements;

CORPORATE GOVERNANCE

- (ii) review, with the external auditors and internal auditors, their audit plans, scope of work, evaluation of the adequacy of our internal controls, audit reports, management letters on internal controls and our management's response, where applicable;
- (iii) at least annually, review and report to our Board, the adequacy and effectiveness of our Group's internal controls addressing financial, operational and compliance risks prior to the incorporation of such results in our annual report;
- (iv) review the independence and objectivity of the external auditors;
- (v) review and discuss with the external auditors, 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 our Group's operating results or financial position, and our management's response;
- (vi) monitor and review the implementation of the external auditors' and internal auditors' recommendations concurred with management in relation to the adequacy and effectiveness of our Group's internal controls addressing financial, operational and compliance risks;
- (vii) review the co-operation given by our management to the external auditors and internal auditors, where applicable;
- (viii) make recommendations to our Board on proposals to our Shareholders for the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- (ix) make recommendations to our Board on proposals for the appointment, re-appointment, removal, remuneration and terms of engagement of the accounting/auditing firm to which the internal audit function is outsourced, if applicable;
- (x) review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual (if any);
- (xi) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- (xii) review and recommend foreign exchange hedging policies, if any, to the Board for approval;
- (xiii) review the policy and arrangements by which our 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 investigations of such matter and for appropriate follow-up;
- (xiv) investigate any matters within its terms of reference; and
- (xv) undertake generally such other functions and duties as may be requested by our Board or required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Our Audit Committee will meet, at a minimum, on a half-yearly basis.

CORPORATE GOVERNANCE

In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee shall also commission an annual internal control audit until such time as our Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by our management and our Board, our Board, with the concurrence of our Audit Committee, is of the opinion that our Group's internal control procedures are adequate to address financial, operational and compliance risks of our Group.

In addition, all future transactions with interested persons shall comply with the requirements of the Listing Manual. As required by paragraph (9)(e) of Appendix 4C of the Listing Manual, our Directors shall abstain from voting in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest. Please refer to the section entitled "**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**" of this Offer Document for further information.

Our Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

Our Audit Committee, having conducted an interview with our Financial Controller, Lee Siew Han, and having considered:

- (i) the qualifications and past working experience of Lee Siew Han which are compatible with her position as Financial Controller of our Group (please refer to the section entitled "**Directors, Management and Staff – Executive Officers**" of this Offer Document for further information);
- (ii) Lee Siew Han's demonstration of the requisite competency in finance-related matters of our Group in connection with the preparation for the listing of our Company; and
- (iii) the absence of feedback from the representatives of our Group's Independent Auditors and Reporting Accountants, Deloitte & Touche LLP, that Lee Siew Han is not suitable as Financial Controller of our Group;

is of the view that Lee Siew Han is suitable for the position of Financial Controller of our Group.

Further, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee members to cause them to believe that Lee Siew Han does not have the competence, character and integrity expected of a financial controller of a listed company.

CORPORATE GOVERNANCE

Remuneration Committee

Our Remuneration Committee comprises Tan Peng Chin, Peter Boo and Ong Beng Chye. The Chairman of the Remuneration Committee is Tan Peng Chin.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director.

The recommendations of our Remuneration Committee will be submitted for endorsement by our Board. All aspects of remuneration including, but not limited to, directors' fees, salaries, allowances, bonuses, the Awards to be granted under the PSP, the Options to be granted under the ESOS and other benefits-in-kind shall be covered by our Remuneration Committee.

In addition, our Remuneration Committee will perform an annual review of the remuneration of Employees related to our Directors, CEO and/or Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these Employees.

Each member of our Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

Nominating Committee

Our Nominating Committee comprises Peter Boo, Chan Tien Lok, Ong Beng Chye and Tan Peng Chin. The Chairman of the Nominating Committee is Peter Boo.

Our Nominating Committee will be responsible for:

- (i) developing and maintaining a formal and transparent process and making recommendations to our Board for the nomination and re-nomination of our Directors, having regard to their contribution, performance and ability to commit sufficient time and attention to the affairs of our Group, taking into account their respective commitments outside our Group including their principal occupation and board representations on other companies, if any;
- (ii) determining a suitable size of our Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of our Group;
- (iii) implementing a process to be carried out for assessing the effectiveness of our Board as a whole and its committees, and for assessing the contribution of each Director to the effectiveness of our Board;
- (iv) reviewing our Directors' mix of skills, experience, core competencies and knowledge of our Group that our Board requires to function competently and efficiently;
- (v) determining annually, and as and when circumstances require, whether or not a Director is independent;
- (vi) determining and recommending to our Board the maximum number of listed company board representations which any Director may hold and disclosing this in our Company's annual report;

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- (vii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director, taking into account their respective commitments outside our Group including their principal occupation and board representations on other companies, if any;
- (viii) reviewing the succession plans for Directors and key executives;
- (ix) reviewing training and professional development programmes for our Board; and
- (x) reviewing and approving any new employment of persons related to our Directors, CEO and Substantial Shareholders and the proposed terms of their employment.

Our Nominating Committee will decide how our Board's performance is to be evaluated and will propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term Shareholders' value.

Each member of our Nominating Committee will not take part in determining his own re-nomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director or that of employees related to him.

Nominating Committee's view of our Independent Directors

The Nominating Committee having taken into consideration the following:

- (i) the number of listed company board representations of Ong Beng Chye, Peter Boo and Tan Peng Chin;
- (ii) Peter Boo and Tan Peng Chin are currently serving on the board of listed companies with financial year ends of 31 December which do not coincide with our Company's financial year end of 30 June;
- (iii) The majority of Ong Beng Chye's board representations is on SGX-ST listed companies with financial year ends of 31 December which do not coincide with our Company's financial year end of 30 June;
- (iv) Ong Beng Chye, having multiple SGX-ST listed company board representations, has obtained the written consent of the respective independent directors of these SGX-ST listed companies, with regards to his appointment as our Independent Director;
- (v) the principal occupation and commitments of our Independent Directors;
- (vi) the confirmations by our Independent Directors stating that they are each able to devote sufficient time and attention to the matters of our Company;
- (vii) our Independent Directors' working experience and expertise in different areas of specialisation; and
- (viii) the composition of our Board,

is of the view that each of Ong Beng Chye, Peter Boo and Tan Peng Chin is individually and collectively able to devote sufficient time, attention and resources to the discharge of their duties and are suitable and possess relevant experience as Independent Directors of our Company.

EMPLOYEE SHARE SCHEMES

On 29 May 2014, our Shareholders approved a performance share plan known as the “IPS Securex Performance Share Plan” and a share option scheme known as the “IPS Securex Employee Share Option Scheme”, the rules of which are set out in Appendices F and G of this Offer Document, respectively.

Both the PSP and the ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. Both the PSP and ESOS form an integral and important component of our compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group.

The PSP and ESOS are designed to complement each other in our Group’s efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to increase our Group’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve increased performance by providing our Group with a more comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining local and foreign talent.

Unlike the ESOS whereby participants are required to pay the exercise price of the Options, the PSP allows our Group to provide an incentive for participants to achieve certain specific performance targets by awarding fully paid Shares to participants after these targets have been met.

In addition, the assessment criteria for granting Option(s) under the ESOS are more general (e.g. based on length of service and general performance of our Group) and do not relate to specific performance targets imposed by our Group. In contrast, the assessment criteria for granting of Awards under the PSP will be based on specific performance targets or to impose time-based service conditions, or a combination of both.

IPS SECUREX PERFORMANCE SHARE PLAN

The PSP complies with the requirements as set out in Chapter 8, Part VIII of the Listing Manual. A summary of the rules of the PSP is set out below. Capitalised terms used throughout this section shall, unless otherwise defined in the section entitled “**Definitions**” of this Offer Document, bear the meanings as defined in Appendix F of this Offer Document.

As at the date of this Offer Document, no Awards have been granted under the PSP.

Objectives of the PSP

The main objectives of the PSP are as follows:

- (i) to attract potential employees with relevant skills to contribute to our Group and to create value for Shareholders;
- (ii) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of our Group;
- (iii) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- (iv) to align the interests of the Participants with the interests of the Shareholders;

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- (v) to give recognition to the contributions made by the Participants to the success of our Group; and
- (vi) to retain key employees of the Company whose contributions are essential to the long-term prosperity of the Group.

The rationale for adopting the PSP is to give our Company greater flexibility to align the interests of employees, especially our key personnel, with that of our Shareholders. It is also intended to reward, retain and motivate employees to achieve superior performance which creates and enhances economic value for our Shareholders. A performance target based Award may be granted.

As the Shares will be issued free under the PSP, the Participants would receive the same benefit from an Award in respect of fewer Shares as they would receive if share options were granted instead in respect of a larger number of Shares. The PSP would therefore allow our Company to provide an incentive to employees while reducing the dilutive effect to Shareholders.

The Awards given to a particular Participant will be determined at the discretion of the Committee, who will take into account factors such as the Participant's capability, scope of responsibility, skill and vulnerability to leaving the employment of our Group. In deciding on an Award to be granted to a Participant, the Committee will also consider all aspects of the compensation and/or benefits given to the Participant and such other share-based incentive schemes of our Company, if any. The Committee may also set specific criteria and performance targets for each Participant, taking into account factors such as (i) our Company's and our Group's business goals and directions for each financial year; (ii) the Participant's actual job scope and responsibilities; and (iii) the prevailing economic conditions.

Summary of the PSP

The following is a summary of the rules of the PSP which should be read in conjunction with the "**Rules of the IPS Securex Performance Share Plan**" set out in Appendix F of this Offer Document.

1. Eligibility

The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the PSP:

- (i) Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the date of grant of the Award; and
- (ii) Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or before the date of grant of the Award.

Controlling Shareholders and Associates of a Controlling Shareholder who meet the above eligibility criteria are also eligible to participate in the PSP provided that (i) the participation of, and (ii) the terms of each grant and the actual number of Awards granted under the PSP to, a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by our independent Shareholders in a general meeting in separate resolutions for each such person, and the basis for seeking such Shareholders' approval will be included in the circular to Shareholders.

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There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by our Company or any other company within our Group.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the PSP may be amended from time to time at the absolute discretion of the Committee.

2. Awards

Awards represent the right of a Participant to receive fully paid Shares free of charge, upon the Participant achieving prescribed Performance Targets.

The selection of the Participants and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the PSP shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of our Group.

In the case of a performance-related Award, the Performance Targets will be set by the Committee depending on each individual Participant's job scope and responsibilities. The Performance Targets to be set shall take into account both the medium and long-term corporate objectives of our Group and the individual performance of the Participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. The Performance Targets could be based on criteria such as sales growth, growth in earnings and return on investment. In addition, the Participant's length of service with our Group, achievement of past performance targets, value-add to our Group's performance and development and overall enhancement to Shareholder value, among others, will be taken into account.

Awards may be granted at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested, and hence any Shares comprised in such Awards may only be delivered, on or after the second Market Day from the date on which the aforesaid announcement is made.

An Award letter confirming the Award will be sent to each Participant as soon as reasonably practicable after the Award is finalised, specifying, *inter alia*, in relation to the Award:

- (i) in relation to a performance-related Award, the Performance Targets and the performance period during which the prescribed Performance Targets are to be met;
- (ii) the number of Shares to be vested on the Participant; and
- (iii) the date by which the Award shall be vested.

The Committee will take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of our Company and the pre-determined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on pre-determined dollar amounts such that the quantum of Shares comprised in Awards is

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dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the PSP will comply with the relevant rules of the Listing Manual.

3. Size and duration of the PSP

The total number of Shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of Shares issued and/or issuable in respect of (i) all Awards granted under the PSP; (ii) all Options granted under the ESOS; and (iii) any other share-based incentive schemes or share plans of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

The Directors believe that the size of the PSP will give our Company sufficient flexibility to decide the number of Shares to be offered under the PSP. However, it does not indicate that the Committee will definitely issue Shares up to the prescribed limit. The Committee will exercise its discretion in deciding the number of Shares to be granted to each Participant under the PSP. This, in turn, will depend on and be commensurate with the performance and value of the Participant to our Group.

The aggregate number of Shares that are available to the Controlling Shareholders or Associates of our Controlling Shareholders under the PSP shall not exceed 25.0% of the total number of Shares available under the PSP. The number of Shares that are available to each Controlling Shareholder or Associate of our Controlling Shareholder under the PSP shall not exceed 10.0% of the Shares available under the PSP.

The PSP shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the PSP is adopted by our Company in general meeting, provided always that the PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the PSP, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

4. Operation of the PSP

The Committee shall have the discretion to determine whether Performance Targets have been met (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to our Company and/or any of our subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to make reference to the audited results of our Company or our Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the Performance Targets if the Committee decides changing the Performance Targets would be a fairer measure of performance.

Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon the Committee being satisfied that the Participant has achieved the Performance Targets.

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Subject to the prevailing legislation and the provisions of the Listing Manual, our Company will be delivering Shares to Participants upon vesting of their Awards by way of an issue of new Shares or the transfer of existing Shares held as treasury shares to the Participants. In determining whether to issue new Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, our Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on our Company of either issuing new Shares or purchasing existing Shares.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date of issue of the new Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

5. Adjustments and alterations under the PSP

(i) Variation of Capital

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares over which future Awards may be granted under the PSP,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of our Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

Unless the Committee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on Catalist during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;
- (c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the PSP; and
- (d) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by our Company.

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Notwithstanding the provisions of the rules of the PSP:

- (a) the adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and
 - (b) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be, in their opinion, fair and reasonable.
- (ii) Modifications to the PSP

Any or all the provisions of the PSP may be modified and/or altered at any time and from time to time by resolution of the Committee, provided that:

- (a) any modification or alteration which would be to the advantage of Participants under the PSP shall be subject to the prior approval of Shareholders in a general meeting; and
- (b) no modification or alteration shall be made without due compliance with the Listing Manual and such other laws or regulations as may be applicable.

6. Reporting requirements

Under the Listing Manual, an immediate announcement must be made on the date of grant of an Award and provide details of the grant, including the following:

- (i) date of grant;
- (ii) market price of the Shares on the date of grant of the Award;
- (iii) number of Shares granted under the Award;
- (iv) number of Shares granted to each Director and Controlling Shareholder (and each of their Associates) under the Award, if any; and
- (v) the vesting period in relation to the Award.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the PSP continues in operation:

- (i) the names of the members of the Committee administering the PSP;
- (ii) in respect of the following Participants:
 - (a) Directors of our Company;
 - (b) Participants who are Controlling Shareholders and their Associates; and
 - (c) Participants (other than those in paragraph (ii)(a) and (b) above) who have received Shares pursuant to the vesting of Awards granted under the PSP which, in aggregate, represent five per cent. (5.0%) or more of the total number of Shares available under the PSP,

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the following information:

- (A) the name of the Participant;
- (B) the aggregate number of Shares comprised in Awards which have been granted to such Participant during the financial year under review;
- (C) the aggregate number of Shares comprised in Awards which have been granted to such Participant since the commencement of the PSP to the end of the financial year under review;
- (D) the aggregate number of Shares comprised in Awards which have been issued and/or transferred to such Participant pursuant to the vesting of Awards under the PSP since the commencement of the PSP to the end of the financial year under review; and
- (E) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review; and

(iii) such other information as may be required by the Listing Manual or the Companies Act.

7. Role and composition of the Committee

The Committee shall be responsible for the administration of the PSP and shall consist of Directors. As at the date of this Offer Document, the Committee comprises Tan Peng Chin, Peter Boo and Ong Beng Chye.

The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the PSP) for the implementation and administration of the PSP as they think fit including, but not limited to:

- (i) imposing restrictions on the number of Awards that may be vested within each financial year; and
- (ii) amending Performance Targets if by so doing, it would be a fairer measure of performance for a Participant or for the PSP as a whole.

In compliance with the requirements of the Listing Manual, any Participant of the PSP who is a member of the Committee shall not be involved in its deliberations in respect of Awards to be granted to or held by him or his Associate.

8. Abstention from voting

Participants who are also Shareholders and are eligible to participate in this Plan must abstain from voting on any resolution relating to the participation of, or grant of Awards to the Participants.

EMPLOYEE SHARE SCHEMES

Financial effects of the PSP

1. Cost of Awards

Entities shall apply Singapore Financial Reporting Standard 102 (“**FRS 102**”) for all share-based payment transactions. Participants will receive Shares and the Awards will be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards will be recognised as a charge to profit or loss over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is subject to revision, and the impact of the revised estimate will be recognised in profit or loss with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to profit or loss will be made.

The amount charged to profit or loss will be the same whether our Company settles the Awards by issuing new Shares or by purchasing existing Shares. The amount of the charge to profit or loss also depends on whether or not the Performance Target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the Performance Target is a market condition, the probability of the Performance Target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to amounts charged to profit or loss are made if the market condition is not met. However, if the Performance Target is not a market condition, the fair value per Share of the Awards granted at the grant date will be used to compute the amount to be charged to profit or loss at each accounting date, based on an assessment at that date of whether the non-market conditions will be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there will be no charge to profit or loss if the Awards do not ultimately vest.

2. Share capital

The PSP will result in an increase in our Company’s issued share capital where new Shares are issued to Participants. The number of new Shares issued will depend on, among others, the size of the Awards granted under the PSP. In any case, the PSP provides that the total number of Shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of Shares issued and/or issuable in respect of (i) all Awards granted under the PSP; (ii) all Options granted under the ESOS; and (iii) any other share-based incentive schemes or share plans of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares) of the Company from time to time. If instead of issuing new Shares to the Participants, treasury shares are transferred to Participants or our Company pays the equivalent cash value, the PSP will have no impact on our Company’s total number of issued Shares.

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3. NTA

The PSP will result in a charge to our Company's profit or loss over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. When new Shares are issued under the PSP, there will be no effect on the NTA. However, if, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, or our Company pays the equivalent cash value, the NTA will be impacted by the cost of the Shares purchased or the cash payment, respectively.

4. EPS

The PSP will result in a charge to earnings equivalent over the period from the grant date to the vesting date, computed in accordance with FRS 102.

It should again be noted that the delivery of Shares to Participants of the PSP will generally be contingent upon the Participants meeting the prescribed Performance Targets and conditions.

IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

The ESOS complies with the requirements as set out in Chapter 8, Part VIII of the Listing Manual. Capitalised terms used throughout this section shall, unless otherwise defined in the section entitled "**Definitions**" of this Offer Document, bear the meanings as defined in Appendix G of this Offer Document.

As at the date of this Offer Document, no Options have been granted under the ESOS.

Objectives of the ESOS

The objectives of the ESOS are as follows:

- (i) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- (ii) to retain key employees and directors whose contributions are essential to the long-term growth and profitability of our Group;
- (iii) to instil loyalty to, and a stronger identification by participants with the long-term prosperity of, our Group;
- (iv) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and
- (v) to align the interests of participants with the interests of our Shareholders.

The ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of our employee compensation plan, is designed to primarily reward and retain directors and employees whose

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services are vital to our well-being and success. This would enable our Company to give recognition to past contributions and services as well as motivating participants generally to contribute towards the long-term growth of our Group.

Summary of the ESOS

The following is a summary of the rules of the ESOS which should be read in conjunction with the “**Rules of the IPS Securex Employee Share Option Scheme**” set out in Appendix G of this Offer Document.

1. Participants

Confirmed full-time employees of our Group, Executive Directors and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.

Confirmed full-time employees of our Group, Executive Directors and Non-Executive Directors who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the ESOS provided that (i) the participation of, and (ii) the terms of any Options to be granted and the actual number of Shares to be granted under the ESOS, to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person.

2. Administration

The ESOS shall be administered by the Committee with powers to determine, *inter alia*, the following:

- (i) persons to be granted Options;
- (ii) number of Options to be granted; and
- (iii) recommendations for modifications to the ESOS.

As at the date of this Offer Document, the Committee comprises Tan Peng Chin, Peter Boo and Ong Beng Chye. The Committee will consist of Directors (including Directors or persons who may be participants of the ESOS). A member of the Committee who is also a participant of the ESOS shall not be involved in any deliberation or decision in respect of Options granted or to be granted to him.

3. Size of the ESOS

The total number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of (i) all Options granted under the ESOS; and (ii) all Awards granted under the PSP; and (iii) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15.0% of the number of issued Shares (including treasury shares, as defined in the Companies Act) on the day immediately preceding the Offer Date of the Option.

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Our Directors believe that this limit gives us sufficient flexibility to decide upon the number of Option Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that the Committee will definitely issue Option Shares up to the prescribed limit. The Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

4. Maximum entitlements

The aggregate number of Shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that participant.

The aggregate number of Shares in respect of which Options may be granted to the Controlling Shareholders or Associates of the Controlling Shareholders under the ESOS shall not exceed 25.0% of the total number of Shares available under the ESOS. The aggregate number of Shares in respect of which Options may be granted to any individual Controlling Shareholders or Associate of a Controlling Shareholder under the ESOS shall not exceed 10.0% of the total number of Shares available under the ESOS.

5. Options, exercise period and exercise price

The Options that are granted under the ESOS may have exercise prices that are, at the Committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the Shares on the Official List of Catalist for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price (the "**Market Price Option**") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price (the "**Discounted Option**") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will expire upon the tenth anniversary of the date of grant of that Option.

6. Grant of Options

Under the rules of the ESOS, there are no fixed periods for the grant of Options. As such, offers for the grant of Options may be made at any time at the discretion of the Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be).

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In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second Market Day from the date on which the aforesaid announcement is made.

7. Termination of Options

Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

8. Acceptance of Options

The grant of Options shall be accepted within 30 days from the date of offer. Offers of Options made to grantees, if not accepted by the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

9. Rights of Shares arising from the exercise of Options

Shares arising from the exercise of Options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Shares so allotted will, upon issue, rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date for which is prior to the relevant exercise date of the Option. For such purposes, "record date" means the date as at the close of business on which our Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

10. Duration of the ESOS

The ESOS shall continue in operation for a maximum duration of 10 years commencing on the date on which the ESOS is adopted by our Company in general meeting and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

11. Abstention from voting

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any resolution of Shareholders relating to the ESOS.

Grant of Discounted Options

Discounted Options will only be granted to deserving employees whose performance has been consistently good and/or whose future contributions to our Group will be invaluable. The ability to offer Discounted Options will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus on improving the profitability and return of our Group to a level that benefits our Shareholders when these are eventually reflected through an appreciation of our share price. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Group would be granted Discounted Options.

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The flexibility to grant Discounted Options is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Committee will have absolute discretion to:

- (i) grant Options set at a discount to the Market Price of a Share (subject to a maximum limit of 20.0%); and
- (ii) determine the participants to whom, and the Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Committee shall be at liberty to take into consideration factors including the performance of our Company and our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions.

At present, our Company foresees that Discounted Options may be granted principally in the following circumstances:

- (i) firstly, where it is considered more effective to reward and retain talented employees by way of a Discounted Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Group's performance and the Discounted Option serves as additional incentives to such Group employees. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence, during such period, the ability to offer Discounted Options would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Discounted Options will give an opportunity to our Group employees to realise some tangible benefits even if external events cause the Share price to remain largely static; and
- (ii) secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through a Discounted Option rather than paying him a cash bonus. For example, Discounted Options may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Discounted Options, as part of eligible employees' compensation packages. The ESOS will provide our Group employees with an incentive to focus more on improving the profitability of our Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period.

The Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20.0% of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid. Such Discounted Options may only be exercisable after two years from the date of grant.

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Our Company may also grant Options without any discount to the Market Price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the Market Price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

Financial effects of the ESOS

Any Options granted under the ESOS will have a fair value. Where such options are granted at a consideration below their fair value, there will be a cost to our Company, the amount of which will depend on whether the Options are granted at the Market Price or at a discount to the Market Price. The cost to our Company of granting Options under the ESOS will be as follows:

- (i) the exercise of an Option at a discounted exercise price will translate into a reduction of the proceeds from the exercise of such options, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the exercise proceeds will represent the monetary cost to our Company of granting Options with a discounted exercise price;
- (ii) as the monetary cost of granting Options with a discounted exercise price is borne by our Company, the earnings of our Company will effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction will, accordingly, result in the dilution of our Company's EPS;
- (iii) the effect of the issue and allotment of new Shares upon the exercise of Options on our Company's NAV per Share will be accretive if the exercise price is above the NAV per Share, but dilutive otherwise; and
- (iv) the grant of Options under the ESOS will have an impact on our Company's reported profit because under FRS 102, share-based payments require the recognition of an expense in respect of Options granted under the ESOS. The expense will be based on the fair value of the Options at the date of grant and will be recognised over the vesting period.

The financial effects discussed above in (i), (ii) and (iii) will only materialise upon the exercise of the relevant Options. The cost of granting Options discussed in (iv) above will be recognised in the financial statements even if the Options discussed in (iv) above are not exercised.

Share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option. As our Company is required to account for share-based awards granted to our employees, the cost of granting Options will affect our financial results as this cost to our Company will have to be charged to our Company's profit or loss commencing from the time Options are granted. Subject as aforesaid, as and when Options are exercised, the cash inflow will add to the net tangible assets of our Company and its share capital base will grow. Where Options are granted with subscription prices that are set at a discount to the market prices for our Shares prevailing at the time of the grant of such Options, the amount of the cash inflow to our Company on the exercise of such Options will be diminished by the quantum of the discount given, as compared with the cash inflow that would have been receivable by our Company had the Options been granted at the market price of our Shares prevailing at the time of the grant.

EMPLOYEE SHARE SCHEMES

The grant of Options will have an impact on our Company's reported profit under the accounting rules in FRS 102. The cost to our Company in granting an Option will vary depending on the number of Options granted pursuant to the ESOS, whether these Options are granted at Market Price or at a discount to the Market Price and the validity period of the Options. Generally, a greater discount and a longer validity period for an Option will result in a higher potential cost to our Company.

RATIONALE FOR PARTICIPATION BY THE CONTROLLING SHAREHOLDERS IN THE PSP AND THE ESOS

Our Company acknowledges that the services and contributions of employees who are Controlling Shareholders or Associates of our Controlling Shareholders are important to the development and success of our Group. The extension of the PSP and the ESOS to confirmed full-time employees who are Controlling Shareholders or Associates of our Controlling Shareholders allows our Group to have a fair and equitable system to reward employees who have actively contributed to the progress and success of our Group. The participation of our Controlling Shareholders or the Associates of the Controlling Shareholders in the PSP and the ESOS will serve both as a reward to them for their dedicated services to our Group and a motivation for them to take a long-term view of our Group.

Although participants who are Controlling Shareholders or Associates of our Controlling Shareholders may already have shareholding interests in our Company, the extension of the PSP and the ESOS to include them ensures that they are equally entitled, with the other employees of our Group who are not Controlling Shareholders or Associates of our Controlling Shareholders, to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the PSP and the ESOS solely by reason that he/she is a Controlling Shareholder or an Associate of our Controlling Shareholder(s).

The specific approval of our independent Shareholders is required for the proposed participation of any Controlling Shareholder and/or their Associates in the PSP and the ESOS as well as any specific grant thereunder to such persons. Separate resolutions must be passed for each such person and, in the case of a grant, the resolution must state the actual number of Shares comprised in the specific grant and its applicable terms, as well as the Company's rationale for such proposal. On the foregoing basis, we are of the view that there are sufficient safeguards against abuse resulting from the participation of the Controlling Shareholders and/or their Associates in the PSP and the ESOS.

It is proposed that our Controlling Shareholder and Non-Executive Chairman, Chan Tien Lok, and our Executive Director and CEO, Kelvin Lim, who is also our Controlling Shareholder, be entitled to participate in the PSP and the ESOS. The shareholding interests of Chan Tien Lok and Kelvin Lim in the issued share capital of our Company as at the Latest Practicable Date are disclosed in the section entitled "**Shareholders**" of this Offer Document.

Rationale for participation of Chan Tien Lok

Chan Tien Lok is the Non-Executive Chairman and Controlling Shareholder of our Company and was appointed to the Board of our Company on 10 October 2013.

EMPLOYEE SHARE SCHEMES

Chan Tien Lok has over 13 years of experience in the security products and solutions industry. He is currently the chairman of IPSP, which was founded by him in 1986. As our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok plays an important role in providing leadership, business networks and market contacts to our Group. Our Directors believe that the potential contribution that may be made by Chan Tien Lok to our Group's future development will be substantial.

Rationale for participation of Kelvin Lim

Kelvin Lim is the Executive Director, CEO and Controlling Shareholder of our Company and was appointed to the Board of our Company on 10 October 2013.

Kelvin Lim has over 13 years of experience in the security products and solutions industry. As our Executive Director, CEO and Controlling Shareholder, Kelvin Lim is responsible for the overall business development, strategic planning and operations of our Group. Our Directors believe that the potential contribution that may be made by Kelvin Lim to our Group's future development will be substantial.

Our Directors are of the view that including Chan Tien Lok and Kelvin Lim in the PSP and the ESOS will give due recognition for their services and contributions to the growth and development of our Group. The extension of the PSP and the ESOS to Chan Tien Lok and Kelvin Lim is consistent with our Company's objectives to motivate our employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Company. Although both Chan Tien Lok and Kelvin Lim already have shareholding interests in the Company, the extension of the PSP and the ESOS to them will ensure that they are equally entitled, with the other employees who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby enhancing their long-term commitment to our Company.

Acknowledgement and approval by subscribers of Placement Shares

The participation in the PSP and the ESOS by Chan Tien Lok and Kelvin Lim will take place only after the listing of our Company on the SGX-ST. By subscribing for the Placement Shares, investors shall be deemed to have acknowledged and approved the participation by Chan Tien Lok and Kelvin Lim in each of the PSP and the ESOS. Nonetheless, under the Listing Manual, the specific grant of Awards or Options to Chan Tien Lok, Kelvin Lim and any other Controlling Shareholders or their Associates will have to be approved in separate resolutions by independent Shareholders in general meeting.

RATIONALE FOR PARTICIPATION BY OUR NON-EXECUTIVE DIRECTORS (INCLUDING INDEPENDENT DIRECTORS) IN THE PSP AND THE ESOS

While the PSP and the ESOS caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include the Non-Executive Directors (including Independent Directors).

The Non-Executive Directors are persons from different professions and working backgrounds, bringing to our Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on their diverse backgrounds and working experience. Although our Non-Executive Directors are not involved in the day-to-day running of our operations, they play an invaluable role in furthering the business interests of our Group by contributing their experience

EMPLOYEE SHARE SCHEMES

and expertise. It is crucial for our Group to attract, retain and incentivise the Non-Executive Directors. By aligning the interests of the Non-Executive Directors with the interests of Shareholders, our Company aims to inculcate a sense of commitment on the part of the Non-Executive Directors towards serving the short and long-term objectives of our Group.

The participation by Non-Executive Directors in the PSP and the ESOS will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment. For instance, the Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The grant of Awards and/or Options to Non-Executive Directors will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as Non-Executive Directors, and to motivate existing Non-Executive Directors to take extra efforts to promote the interests of our Company and/or our Group.

However, as their services and contributions cannot be measured in the same way as the full-time employees of our Group, for the purpose of assessing the contributions of the Non-Executive Directors, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria, such as the extent of involvement and responsibilities shouldered by the relevant Non-Executive Director, taking into consideration, *inter alia*, his performance and contributions to the success and development of our Group, his committee memberships in our Group, as well as his contribution, which includes contribution of his experience in the areas of overall business strategies, risk management and investment decisions.

In order to minimise any potential conflict of interests and not compromise the independence of the Non-Executive Directors, we intend to grant only a nominal number of Awards and/or Options to such Non-Executive Directors. The Committee may also decide that no Awards/Options shall be granted in any financial year or no Award/Option may be granted at all.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, CEO or Controlling Shareholders or the Associates of such Directors, CEO or Controlling Shareholders) are known as interested person transactions (as defined in Chapter 9 of the Listing Manual). The following discussion on material interested person transactions for the Relevant Period is based on our Group and interested persons as construed accordingly.

Save as disclosed below and in the sections entitled “**Restructuring Exercise**”, “**General Information on our Group – Our History and Development**” and “**Directors, Management and Staff**” of this Offer Document, none of our Directors, CEO or Controlling Shareholders or their respective Associates (collectively, referred to as “**Interested Persons**”) has or had any interest in any material transactions undertaken by our Group for the Relevant Period.

INTERESTED PERSONS

The following persons or companies are considered “Interested Persons” for the purposes of this section and the section entitled “**Potential Conflicts of Interests**” of this Offer Document.

Interested Person	Nature of relationship with our Group
IPSG	IPSG is a company incorporated in Singapore and is an investment holding company with interests presently ranging from the manufacturing of industrial radiators, heat exchangers, asphalt and concrete plants to the distribution of engines and industrial generators, and the supply of general merchandise such as sanitary ware and building materials. It was the ultimate holding company of our Group prior to the Restructuring Exercise. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, our other Controlling Shareholder, Tan Suan Yap, and our Non-Executive Director, Ong Chin Hin, are the directors of IPSG. Chan Tien Lok and Tan Suan Yap own 65.0% and 35.0% of the issued share capital of IPSG, respectively.
IPST	IPST is a company incorporated in Singapore and is an investment holding company with our Company as its subsidiary. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, our other Controlling Shareholder, Tan Suan Yap, and our Non-Executive Director, Ong Chin Hin, are the directors of IPST. Chan Tien Lok and Tan Suan Yap own 65.0% and 35.0% of the issued share capital of IPST, respectively.
IPSE	IPSE is a company incorporated in Singapore and is principally engaged in the manufacturing and distribution of concrete batch plants and related components. IPSL and IPSG own 85.0% and 15.0% of the issued share capital of IPSE, respectively. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, are the directors of IPSE.

INTERESTED PERSON TRANSACTIONS

Interested Person	Nature of relationship with our Group
IPSL	IPSL is a company incorporated in Singapore. It is a 50.0% subsidiary of IPSPG and a joint venture between IPSPG and Lintec GmbH & Co. Kg, an unrelated third party. IPSL's principal business is in the distribution of asphalt plants and related infrastructure equipment and in investment holding with interests in the manufacturing and distribution of asphalt and concrete batch plants. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, are the directors of IPSL. Our Non-Executive Director, Ong Chin Hin, is the alternate director to both Chan Tien Lok and Tan Suan Yap.
IPSPH	IPSPH is a company incorporated in Singapore and is an investment holding company and was principally engaged in the assembly and distribution of ground support equipment used in the aviation industry. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, our other Controlling Shareholder, Tan Suan Yap, owns 65.0% and 35.0% of the issued share capital of IPSPH, respectively. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, our other Controlling Shareholder, Tan Suan Yap, and our Non-Executive Director, Ong Chin Hin, are the directors of IPSPH.
IPSTHK	IPSTHK was a company incorporated in Hong Kong and was principally engaged in the distribution of and the provision of maintenance services for security products. IPSTHK was a wholly-owned subsidiary of our Controlling Shareholder, IPST. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, was the director of IPSTHK. IPSTHK was de-registered on 5 April 2013.
IPSSAS	IPSSAS was a company incorporated in New South Wales, Australia and was principally engaged in the distribution of ground support products used in the aviation industry. IPST owned 51.0% of the issued share capital of IPSSAS and the remaining 49.0% of the issued share capital was held by an unrelated third party. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, were directors of IPSSAS. IPSSAS was de-registered on 27 June 2011.
IPSSPL	IPSSPL is a company incorporated in Queensland, Australia. IPST owned 51.0% of the issued share capital of IPSSPL and the remaining 49.0% of the issued share capital was held by unrelated third parties. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, were the directors of IPSSPL. On 14 February 2014, IPST sold its ownership of 51.0% of the issued share capital of IPSSPL, which was then dormant, to an existing unrelated third party shareholder and director of IPSSPL.

INTERESTED PERSON TRANSACTIONS

Interested Person	Nature of relationship with our Group
CSH	CSH is a company incorporated in the British Virgin Islands and is an investment holding company that holds the entire issued share capital of SDC. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, own 79.0% and 21.0% of the issued share capital of CSH, respectively. The directors of CSH are third parties. CSH is in the process of being struck off.
PSI	PSI is a company incorporated in Singapore and is principally engaged in the distribution of engines, and related parts and accessories. PSI is a wholly-owned subsidiary of IPST. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, our other Controlling Shareholder, Tan Suan Yap, and our Non-Executive Director, Ong Chin Hin, are the directors of PSI.
SDC	SDC is a company incorporated in Singapore and is dormant. SDC is a wholly-owned subsidiary of CSH. The director of SDC is a third party. SDC is in the process of being struck off from ACRA.
SRC	SRC was a company incorporated in Singapore and was a wholly-owned subsidiary of IPST. Our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap, were the directors of SRC. SRC was de-registered on 11 March 2014.
Tan Peng Chin LLC	Tan Peng Chin LLC is a full service law firm based in Singapore. Our Independent Director, Tan Peng Chin, is the founder and was the managing partner/senior director of Tan Peng Chin LLC. With effect from 1 January 2014, Tan Peng Chin has stepped down as managing partner/senior director of and has divested his entire shareholding in Tan Peng Chin LLC. Tan Peng Chin is currently a consultant in Tan Peng Chin LLC.
Kelvin Lim	Kelvin Lim is our Executive Director and CEO.
Chan Tien Lok	Chan Tien Lok is our Non-Executive Chairman and Controlling Shareholder.
Tan Suan Yap	Tan Suan Yap is our Controlling Shareholder.

PAST INTERESTED PERSON TRANSACTIONS

Transactions with IPST

(i) Provision of office and warehouse space by IPST to IPS Securex

During the Relevant Period, IPS Securex leased from IPST office and warehouse space at 71 Tech Park Crescent, Singapore 638072 (the “**Premises**”) for its own use pursuant to several allocated and shared office and warehouse space agreements, the first of which was entered into on 1 July 2009 (collectively, the “**Allocated and Shared Office and Warehouse**”

INTERESTED PERSON TRANSACTIONS

Space Agreements). The lease of the Premises was terminated on 30 November 2013 and superseded by the Office and Storage Lease Agreement which took effect on 1 December 2013 as defined and referenced in the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Provision of office cum storage space by IPSG to IPS Securex**” of this Offer Document. The following are details of the Allocated and Shared Office and Warehouse Space Agreements which were entered into during the Relevant Period:

Date of lease agreement	Lease term	Area (sq ft)	Monthly rental (\$)
1 July 2010	1 July 2010 to 30 June 2011	4,711	12,000
1 July 2011	1 July 2011 to 31 December 2011	3,994	9,850
1 January 2012	1 January 2012 to 30 June 2012	3,413	8,605
1 July 2012	1 July 2012 to 30 June 2013	2,920	6,487

The monthly rental payable by IPS Securex to IPST pursuant to the Allocated and Shared Office and Warehouse Space Agreements includes the rental of the Premises and existing furniture, fixtures and fittings, as well as property tax, maintenance fees, water and electricity charges. The rental payable by IPS Securex to IPST pursuant to the Allocated and Shared Office and Warehouse Space Agreements during the Relevant Period was as follows:

\$S'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Rental payable by IPS Securex to IPST pursuant to the Allocated and Shared Office and Warehouse Space Agreements	144	111	78	32	–

Our Directors are of the view that the rental payable by IPS Securex to IPST was not conducted on arm's length basis and was not based on normal commercial terms because there was no independent valuation that was conducted and there was no rental of office and warehouse space by IPS Securex with any unrelated third party and as such there was no basis for comparing similar transactions entered into with unrelated third parties in order to conclude that the rental was on arm's length basis and on normal commercial terms.

Our Group does not intend to enter into such transactions with IPST in the future.

INTERESTED PERSON TRANSACTIONS

(ii) Provision of group services by IPST to IPS Securex

During the Relevant Period, IPST provided to IPS Securex various services such as operational management, finance, corporate secretarial, human resources and IT support services (collectively, the “**IPST Group Services**”) pursuant to the group services agreements dated 1 July 2012 and 25 July 2013 (collectively, the “**IPST Group Services Agreements**”). The IPST Group Services under the IPST Group Services Agreements were first provided retrospectively from 1 July 2010. This arrangement was subsequently terminated on 30 June 2013 and was superseded by the group services agreement between IPST and IPS Securex which took effect on 1 July 2013 as referenced in the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Provision of group services by IPST to IPS Securex**” of this Offer Document. The following are details of the IPST Group Services Agreements which were entered into during the Relevant Period:

Date of agreement	Term	Monthly fee (S\$)
25 July 2013	1 July 2010 to 30 June 2011	9,000
25 July 2013	1 July 2011 to 30 June 2012	27,035
1 July 2012	1 July 2012 to 30 June 2013	30,000

The monthly fee payable by IPS Securex to IPST pursuant to the IPST Group Services Agreements was determined on a cost allocation basis based on the salaries and related costs and overheads incurred by IPST. The fees payable by IPS Securex to IPST pursuant to the IPST Group Services Agreements during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to IPST pursuant to the IPST Group Services Agreements	108	324	360	–	–

Our Directors are of the view that the IPST Group Services were not conducted on arm's length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company's minority Shareholders as they allowed our Group to leverage off the expertise of IPST for the IPST Group Services under a cost-effective arrangement. If our Group was required to carry out such services under our Group's payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the fees payable by IPS Securex to IPST under the IPST Group Services Agreements.

Our Group does not intend to enter into such transactions with IPST in the future.

INTERESTED PERSON TRANSACTIONS

(iii) Charges by IPST to IPS Securex for inventory storage management and handling services provided by IPSL to IPS Securex

During the Relevant Period, pursuant to an inventory storage management and handling service agreement entered into on 15 June 2012 between IPSL and IPST for a period of 12 months from 1 July 2012 to 30 June 2013 (the “**IPST Inventory Storage Management and Handling Service Agreement**”), IPS Securex incurred monthly charges of S\$1,800 from IPST for the inventory storage management and handling services provided by IPSL to IPS Securex. The IPST Inventory Storage Management and Handling Service Agreement was subsequently superseded by the inventory storage management and handling service agreement which took effect on 1 July 2013 as referenced in the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Provision of inventory storage management and handling services by IPSL to IPS Securex**” of this Offer Document.

The services provided by IPSL to IPS Securex pursuant to the IPST Inventory Storage Management and Handling Service Agreement included warehousing management, loading and unloading of goods, goods receipt, binning and tagging of stock, goods issue and staging, crating, packaging and unpacking, taking part in joint physical stock count and updating of stock status information. The charges incurred by IPS Securex and payable to IPST were determined on a cost allocation basis based on the payroll of the warehouse staff and related costs per month incurred by IPSL.

The aggregate charges incurred by IPS Securex and payable to IPST pursuant to the IPST Inventory Storage Management and Handling Service Agreement during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Charges incurred by IPS Securex and payable to IPST pursuant to the IPST Inventory Storage Management and Handling Service Agreement	–	–	22	–	–

Our Directors are of the view that the charges incurred by IPS Securex and payable to IPST for the inventory storage management and handling services provided by IPSL to IPS Securex pursuant to the IPST Inventory Storage Management and Handling Service Agreement were not conducted on arm’s length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company’s minority Shareholders as they allowed our Group to leverage off the expertise of IPSL under a cost-effective arrangement. If our Group was required to carry out such services under our Group’s payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the charges incurred by IPS Securex and payable to IPST under the IPST Inventory Storage Management and Handling Service Agreement.

INTERESTED PERSON TRANSACTIONS

(iv) Assignment of trade mark by IPST to our Company

On 24 October 2013, IPST and our Company entered into a deed of assignment where IPST assigned and transferred to our Company the “IPS Securex” trade mark under Singapore Trade Mark No. T0814178C in classes 9, 37, 41, 42 and 45 (the “**IPS Securex Trade Mark**”) in respect of the provision of goods and services relating to our business as a provider of security products and integrated security solutions in Singapore and in all parts of the world for a nominal consideration of S\$1.00 (the “**Deed of Assignment**”). Please refer to the section entitled “**General Information on our Group – Intellectual Property**” of this Offer Document for more information on the IPS Securex Trade Mark.

Our Directors are of the view that the Deed of Assignment entered into between IPST and our Company was not made on arm’s length basis and was not based on normal commercial terms as it involved only a nominal consideration of S\$1.00. Nonetheless, the Deed of Assignment is beneficial to our Group and is not prejudicial to the interests of our Group or our Company’s minority Shareholders.

(v) Loans from IPST to IPS Securex

During the Relevant Period, IPST granted various loans to IPS Securex pursuant to loan agreements entered into between the parties on 10 February 2011, 4 March 2011, 26 May 2011, 6 February 2012, 26 April 2012 and 25 May 2012 for general working capital purposes. These loans amounted in aggregate to S\$874,000 and US\$180,000, with interest rates for the S\$ denominated loans at 5.0% per annum and the US\$ denominated loan at 2.0% per annum. These loans were either payable on demand or have a maturity period of three months. All of these loans were unsecured.

The loans due from IPS Securex to IPST including the S\$ equivalent amount of any US\$ loan outstanding as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date were as follows:

S\$’000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Loans due from IPS Securex to IPST	464	524	–	–	–

The largest amount due from IPS Securex to IPST, including the S\$ equivalent amount of any US\$ loan outstanding, during the Relevant Period was approximately S\$574,000.

The aggregate interest expense payable by IPS Securex to IPST, including the S\$ equivalent amount of any US\$ interest expense payable, during the Relevant Period was as follows:

S\$’000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Interest expense payable by IPS Securex to IPST	6	9	13	–	–

INTERESTED PERSON TRANSACTIONS

On 22 September 2011, IPS Securex issued 700,000 ordinary shares at S\$1.00 per ordinary share as partial satisfaction of the loans due from IPS Securex to IPST and the net advances due to IPST from IPS Securex as set out in the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Advances between IPST and IPS Securex**” of this Offer Document. Please refer to the section entitled “**Share Capital**” of this Offer Document for further information on this issuance of shares.

As at the Latest Practicable Date, the various loans have been fully repaid. Our Directors are of the opinion that the loans provided by IPST to IPS Securex were not made on arm’s length basis and were not based on normal commercial terms because no quotations for interest rates were obtained for similar loans from any financial institutions.

Our Group does not intend to enter into such transactions with IPST in the future.

(vi) Advances between IPST and IPS Securex

During the Relevant Period, IPST granted various advances to IPS Securex for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPST from these transactions, our Directors are of the opinion that these advances were not made on arm’s length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPST from IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$’000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPST from IPS Securex	663	203	43	80	–

The largest aggregate amount of advances due to IPST from IPS Securex during the Relevant Period was approximately S\$1.0 million.

Further, IPS Securex had also granted various advances to IPST for general working capital purposes during the Relevant Period. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from these transactions, our Directors are of the opinion that these advances were not made on arm’s length basis and were not based on normal commercial terms.

The aggregate amount of advances due from IPST to IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$’000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due from IPST to IPS Securex	8	6	–	–	–

INTERESTED PERSON TRANSACTIONS

The largest aggregate amount due from IPST to IPS Securex during the Relevant Period was approximately S\$8,000.

On 22 September 2011, IPS Securex issued 700,000 ordinary shares at S\$1.00 per ordinary share as partial satisfaction of the net advances due to IPST from IPS Securex and the loans due from IPS Securex to IPST pursuant to loan agreements dated 10 February 2011, 4 March 2011 and 26 May 2011 as set out in the section entitled “**Interested Person Transactions – Past Interested Person Transactions – Loans from IPST to IPS Securex**” of this Offer Document. Please refer to the section entitled “**Share Capital**” of this Offer Document for further information on this issuance of shares.

As at the Latest Practicable Date, all advances between IPST and IPS Securex have been fully settled.

Our Group does not intend to enter into such transactions with IPST in the future.

(vii) Financial assistance provided by IPS Securex to IPST in relation to loans from IPST to IPST

During the Relevant Period, IPST granted two loans to IPST as follows:

No.	Date of agreement	Purpose of loan	Interest rate per annum (%)	Principal amount (S\$'000)	Maturity period
1.	25 April 2012	General working capital	4.0	280	Payable on demand
2.	24 May 2012	General working capital	4.0	250	Payable on demand

These two loans granted to IPST by IPST as well as the interest expenses, late charges and any penalties (the “**Amount Owing**”) were jointly and severally guaranteed by IPS Securex and certain of IPST’s subsidiaries. In addition, the Amount Owing was secured by a first charge over all the assets of IPS Securex and certain of IPST’s subsidiaries. Further, IPST reserved the rights to call back these two loans granted to IPST from IPS Securex and certain of IPST’s subsidiaries.

The aggregate amount of the loans due from IPST to IPST and guaranteed by IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Loans due from IPST to IPST and guaranteed by IPS Securex	–	530	530	530	530

INTERESTED PERSON TRANSACTIONS

The largest amount guaranteed by IPS Securex in favour of IPST during the Relevant Period was S\$530,000.

On 21 May 2014, IPST, with the written consent of IPST and certain of its subsidiaries, issued a release and discharge letter releasing IPS Securex from all its claims, actions, and cause of actions, whether known or unknown or whether in law or equity (including those against certain of IPST's subsidiaries), as well as its rights, obligations and undertakings of any nature under the aforesaid loans.

Our Directors are of the opinion that the aforesaid financial assistance provided by IPS Securex to IPST was not made on arm's length basis and was not based on normal commercial terms because IPS Securex did not derive any commercial benefit from these arrangements.

Our Group does not intend to enter into such transactions with IPST, IPST and their subsidiaries in the future.

(viii) Sale of computer by IPST to IPS Securex

In FY2011, IPST sold a computer to IPS Securex for use by IPS Securex's staff. The purchase price payable by IPS Securex to IPST was approximately S\$2,000. The purchase price was determined based on the book value in IPST's accounts.

Our Directors are of the view that the sale of computer by IPST to IPS Securex was not conducted on arm's length basis and was not based on normal commercial terms because the purchase price payable by IPS Securex to IPST was not referenced to any unrelated third party price quotations for similar transactions.

Our Group does not intend to enter into such transactions with IPST in the future.

Transactions with IPST

(i) Provision of office cum storage space by IPST to IPS Securex

During the Relevant Period, IPS Securex leased from IPST office cum storage space for an area of 3,278 sq ft at the Premises for its own use pursuant to an office and storage lease agreement dated 4 October 2013 (the "**Office and Storage Lease Agreement**"). The Office and Storage Lease Agreement took effect from 1 December 2013 to 31 December 2013 and was subsequently superseded by the Office and Storage Tenancy Agreement which took effect on 1 January 2014 as defined and referenced in the section entitled "**Interested Person Transactions – Present and On-going Interested Person Transactions – Provision of office cum storage space by IPST to IPS Securex**" of this Offer Document.

The monthly rent payable of S\$7,710 by IPS Securex to IPST pursuant to the Office and Storage Lease Agreement includes the rental of the Premises and existing furniture, fixtures and fittings, as well as property tax, maintenance fees, water and electricity charges. The rental payable by IPS Securex to IPST pursuant to the Office and Storage Lease Agreement during the Relevant Period was as follows:

INTERESTED PERSON TRANSACTIONS

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Rental payable by IPS Securex to IPSPG pursuant to the Office and Storage Lease Agreement	–	–	–	8	–

Our Directors are of the view that the rental payable by IPS Securex to IPSPG was not conducted on arm's length basis and was not based on normal commercial terms because there was no independent valuation that was conducted and there was no rental of office cum storage space by IPS Securex with any unrelated third party and as such there was no basis for comparing similar transactions entered into with unrelated third parties in order to conclude that the rental was on arm's length basis and on normal commercial terms.

(ii) Provision of group services by IPSPG to IPS Securex

During the Relevant Period, IPSPG provided to IPS Securex various services such as finance, corporate secretarial, human resources and IT support services pursuant to a group services agreement entered into on 1 July 2013 between IPSPG and IPS Securex. This agreement was terminated on 30 September 2013, and was subsequently superseded by the Group Services Agreement as defined and referenced in the section entitled "**Interested Person Transactions – Present and On-going Interested Person Transactions – Provision of group services by IPSPG to IPS Securex**" of this Offer Document.

The monthly fee payable of S\$17,000 by IPS Securex to IPSPG under the aforesaid agreement was determined on a cost allocation basis based on the salaries and related costs and overheads incurred by IPSPG. The fees payable by IPS Securex to IPSPG during the Relevant Period pursuant to the aforesaid agreement were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to IPSPG for the provision of group services	–	–	–	51	–

Our Directors are of the view that the group services provided by IPSPG to IPS Securex under the aforesaid agreement were not conducted on arm's length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company's minority Shareholders as it allowed our Group to leverage off the expertise of IPSPG for the group services under a cost-effective arrangement. If our Group was required to carry out such services under our Group's payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the fees payable by IPS Securex to IPSPG under the aforesaid agreement.

INTERESTED PERSON TRANSACTIONS

(iii) Loan from IPSPG to IPS Securex

In FY2011, IPSPG granted a loan of S\$250,000 to IPS Securex pursuant to a loan agreement dated 10 November 2010 between the parties for general working capital purposes, with an interest rate of 4.0% per annum and a maturity period of three months.

The loan due from IPS Securex to IPSPG as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Loan due from IPS Securex to IPSPG	–	–	–	–	–

The largest amount due from IPS Securex to IPSPG during the Relevant Period was S\$250,000.

The interest expense payable by IPS Securex to IPSPG during the Relevant Period was as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Interest expense payable by IPS Securex to IPSPG	4	–	–	–	–

As at the Latest Practicable Date, the loan has been fully repaid. Our Directors are of the opinion that the loan provided by IPSPG to IPS Securex was not made on arm's length basis and was not based on normal commercial terms because no quotations for interest rates were obtained for similar loans from any financial institutions.

Our Group does not intend to enter into such transactions with IPSPG in the future.

(iv) Financial assistance provided by IPSPG to IPS Securex in relation to performance guarantees

During the Relevant Period, IPSPG procured the following performance guarantees from financial institutions for and on behalf of IPS Securex in favour of certain of IPS Securex's customers in relation to certain integrated security solution projects undertaken by IPS Securex:

Financial institution	Performance guarantee in favour of	Maximum amount guaranteed (S\$'000)	Guarantee period
DBS Bank Ltd.	Decon Builders Pte Ltd	3	1 September 2012 to 29 April 2014

INTERESTED PERSON TRANSACTIONS

Financial institution	Performance guarantee in favour of	Maximum amount guaranteed (S\$'000)	Guarantee period
UOB	Sato Kogyo (S) Pte Ltd and Hitachi Plant Technologies, Ltd. JV	56	30 July 2010 to 27 February 2013
UOB	OUB Centre Limited	63	1 July 2010 to 26 February 2014

Pursuant to the terms and conditions of the performance guarantees, IPSP had agreed, among others, to indemnify the financial institutions and keep the financial institutions indemnified (the “**Indemnity**”) against all losses, damages, expenses and costs (including legal costs) incurred or suffered by the financial institutions in connection with the issuance of the performance guarantees in favour of IPS Securex’s customers. Between IPS Securex and IPSP, there was an arrangement whereby IPS Securex would reimburse IPSP for any claims, expenses and liabilities incurred by IPSP in connection with the performance guarantees.

The aggregate amount under the Indemnity that IPSP was liable to the financial institutions in respect of performance guarantees issued by these financial institutions to IPS Securex’s customers as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Amount under the Indemnity that IPSP was liable to financial institutions in respect of performance guarantees issued by these financial institutions to IPS Securex’s customers	119	119	67	67	–

The largest aggregate amount under the Indemnity that IPSP was liable to the financial institutions in respect of performance guarantees issued by these financial institutions to IPS Securex’s customers during the Relevant Period was approximately S\$122,000.

In consideration of IPSP agreeing to procure these performance guarantees from financial institutions on behalf of IPS Securex for IPS Securex’s customers, a charge (equivalent to the bank service charge payable by IPSP to the financial institutions) was payable by IPS Securex to IPSP during the Relevant Period as follows:

INTERESTED PERSON TRANSACTIONS

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Charge payable by IPS Securex to IPSPG in relation to performance guarantees	3	1	_(1)	–	_(1)

Note:

(1) Value is less than S\$1,000.

Our Directors are of the opinion that the aforesaid financial assistance provided by IPSPG to IPS Securex was not conducted on arm's length basis and was not based on commercial terms as IPSPG did not derive any commercial benefit from these arrangements.

Our Group does not intend to enter into such transactions with IPSPG in the future.

(v) Advances between IPSPG and IPS Securex

During the Relevant Period, IPSPG granted various advances to IPS Securex for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPSPG from these transactions, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPSPG from IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPSPG from IPS Securex	2	4	_(1)	85	–

Note:

(1) Value is less than S\$1,000.

The largest aggregate amount of advances due to IPSPG from IPS Securex during the Relevant Period was approximately S\$85,000.

Further, IPS Securex had also granted various advances to IPSPG for general working capital purposes during the Relevant Period. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from these transactions, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

INTERESTED PERSON TRANSACTIONS

The aggregate amount of advances due from IPSPG to IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due from IPSPG to IPS Securex	1	1	–	–	–

The largest aggregate amount due from IPSPG to IPS Securex during the Relevant Period was approximately S\$1,000.

As at the Latest Practicable Date, all advances between IPSPG and IPS Securex have been fully settled.

Our Group does not intend to enter into such transactions with IPSPG in the future.

(vi) Miscellaneous transactions between IPSPG and IPS Securex

During the Relevant Period, IPS Securex entered into the following transactions with IPSPG:

- (a) time charged by IPSPG to IPS Securex for assistance rendered by IPSPG's employee in relation to the OUB Project;
- (b) provision by IPSPG to IPS Securex of temporary ad-hoc additional storage space of approximately 227 sq ft and 505 sq ft at a month rental of S\$227 and S\$505 for IPS Securex's inventories in FY2013 and HY2014, respectively; and
- (c) supply, replacement and installation of components by IPS Securex for the Surveillance and Monitoring System at IPSPG's office premises.

The amounts for the aforesaid transactions during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Time charged by IPSPG to IPS Securex	12	–	–	–	–
Provision of temporary ad- hoc additional storage space by IPSPG to IPS Securex	–	–	– ⁽¹⁾	– ⁽¹⁾	–
Supply, replacement and installation of components by IPS Securex for IPSPG	–	–	5	–	– ⁽¹⁾

Note:

(1) Value is less than S\$1,000.

INTERESTED PERSON TRANSACTIONS

The value for transaction (a) above was determined on a cost allocation basis based on the salaries incurred by IPSPH while the value for transaction (b) above was based on a rental rate of S\$1.00 per sq ft charged by IPSPH. The value for transaction (c) above was determined based on fees charged to unrelated third party customers for similar services. Accordingly, our Directors are of the view that transaction (c) above was made on arm's length basis and was based on normal commercial terms, whereas transactions (a) and (b) above were not conducted on arm's length basis and were not based on normal commercial terms because IPS Securex did not obtain similar services from any unrelated third party and as such there was no basis for comparing similar transactions entered into with unrelated third parties in order to conclude that they were on arm's length basis and on normal commercial terms.

Save for the provision of temporary ad-hoc additional storage space by IPSPH to IPS Securex and the supply, replacement and installation of components for the Surveillance and Monitoring System at IPSPH's office premises, our Group does not intend to enter into such transactions with IPSPH in the future. Upon the completion of the Placement, future transactions conducted between IPS Securex and IPSPH in relation to the provision of temporary ad-hoc additional storage space by IPSPH to IPS Securex will be conducted in accordance with such guidelines and procedures as described in the section entitled **"Interested Person Transactions – Review Procedures for Future Interested Person Transactions"** of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

Transactions with IPSPH

(i) Loans from IPSPH to IPS Securex

During the Relevant Period, IPSPH granted various loans to IPS Securex pursuant to loan agreements entered into between the parties on 3 November 2011, 22 December 2011, 5 January 2012, 29 February 2012 and 19 June 2012 for general working capital purposes. These loans amounted in aggregate to S\$275,000 and US\$205,000, with interest rates for the S\$ denominated loans at 5.0% per annum and the US\$ denominated loans at 2.0% per annum. These loans were either payable on demand or have a maturity period of three or six months. All of these loans were unsecured.

The loans due from IPS Securex to IPSPH, including the S\$ equivalent amount of any US\$ loan outstanding, as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date were as follows:

	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
S\$'000					
Loans due from IPS Securex to IPSPH	–	175	–	–	–

The largest amount due from IPS Securex to IPSPH, including the S\$ equivalent amount of any US\$ loan outstanding, during the Relevant Period was approximately S\$176,000.

INTERESTED PERSON TRANSACTIONS

The aggregate interest expenses payable by IPS Securex to IPSPH, including the S\$ equivalent amount of any US\$ interest expense payable, during the Relevant Period was as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Interest expenses payable by IPS Securex to IPSPH	–	4	3	–	–

As at the Latest Practicable Date, the various loans have been fully repaid. Our Directors are of the opinion that the loans provided by IPSPH to IPS Securex were not made on arm's length basis and were not based on normal commercial terms because no quotations for interest rates were obtained for similar loans from any financial institutions.

Our Group does not intend to enter into such transactions with IPSPH in the future.

(ii) Advances between IPSPH and IPS Securex

During the Relevant Period, IPSPH granted various advances to IPS Securex for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPSPH from these transactions, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPSPH from IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPSPH from IPS Securex	49	4	–	–	–

The largest aggregate amount of advances due to IPSPH from IPS Securex during the Relevant Period was approximately S\$111,000.

Further, IPS Securex had also granted various advances to IPSPH for general working capital purposes during the Relevant Period. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from these transactions, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

INTERESTED PERSON TRANSACTIONS

The aggregate amount of advances due from IPSPH to IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due from IPSPH to IPS Securex	446	4	–	–	–

The largest aggregate amount of advances due from IPSPH to IPS Securex during the Relevant Period was approximately S\$446,000.

As at the Latest Practicable Date, all advances between IPSPH and IPS Securex have been fully settled.

Our Group does not intend to enter into such transactions with IPSPH in the future.

(iii) Miscellaneous transactions between IPSPH and IPS Securex

During the Relevant Period, IPS Securex entered into the following transactions with IPSPH:

- (a) other income recognised by IPS Securex from IPSPH for time charged by IPS Securex to IPSPH for assistance rendered by IPS Securex's employee to secure and manage a security project in Thailand; and
- (b) purchase of parts and components relating to ground support equipment used in the aviation industry by IPS Securex from IPSPH.

The amounts for the aforesaid transactions during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Time charged by IPS Securex to IPSPH	40	–	–	–	–
Purchase of parts and components by IPS Securex from IPSPH	–	–	– ⁽¹⁾	2	– ⁽¹⁾

Note:

(1) Value is less than S\$1,000.

The value for transaction (a) above was determined on a cost allocation basis based on the salaries incurred by IPS Securex. The value for transaction (b) above was based on cost price with a mark-up.

INTERESTED PERSON TRANSACTIONS

Our Directors are of the view that transaction (a) above was not made on arm's length basis and was not based on normal commercial terms because our Group did not provide any similar services to any unrelated third parties and as such there was no basis for comparing similar transactions entered into with unrelated third parties in order to conclude that it was on arm's length basis and on normal commercial terms. Our Directors are of the view that transaction (b) above was not made on arm's length basis and was not based on normal commercial terms because the purchase price payable by IPS Securex to IPSPH for the parts and components was not referenced by IPS Securex with any unrelated third party price quotations for similar transactions.

Our Group does not intend to enter into such transactions with IPSPH in the future.

Transactions with IPSTHK

(i) Purchase of Acoustic Hailing Systems by IPSTHK from IPS Securex

In FY2011, IPS Securex sold certain Acoustic Hailing Systems for approximately S\$143,000 to IPSTHK for sale by IPSTHK to its own customer. The value of the purchases made by IPSTHK from IPS Securex was determined based on the cost price of the Acoustic Hailing Systems.

Our Directors are of the view that the aforesaid transaction between IPS Securex and IPSTHK was not made on arm's length basis and was not based on normal commercial terms as no economic benefit was derived by IPS Securex from this transaction.

Our Group does not intend to enter into such transactions with IPSTHK in the future.

(ii) Advances between IPSTHK and IPS Securex

During the Relevant Period, IPSTHK granted various advances to IPS Securex for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPSTHK from these transactions, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPSTHK from IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
S\$'000					
Advances due to IPSTHK from IPS Securex	12	–	–	–	–

The largest aggregate amount of advances due to IPSTHK from IPS Securex during the Relevant Period was approximately S\$12,000.

INTERESTED PERSON TRANSACTIONS

Further, IPS Securex had also granted an advance to IPSTHK in FY2011 for general working capital purposes. This advance was unsecured, non-interest bearing and was payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from this transaction, our Directors are of the opinion that the advance was not made on arm's length basis and was not based on normal commercial terms.

The advance due from IPSTHK to IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advance due from IPSTHK to IPS Securex	8	–	–	–	–

The largest amount due from IPSTHK to IPS Securex during the Relevant Period was approximately S\$8,000.

As at the Latest Practicable Date, all advances between IPSTHK and IPS Securex have been fully settled.

Our Group does not intend to enter into such transactions with IPSTHK in the future.

Transaction with IPSL

Provision of inventory storage management and handling services by IPSL to IPS Securex

During the Relevant Period, IPSL provided to IPS Securex various services, such as, warehousing management, loading and unloading of goods, goods receipt, binning and tagging of stock, goods issue and staging, crating, packaging and unpacking, taking part in joint physical stock count and updating of stock status information, for a monthly fee of S\$3,000 pursuant to an inventory storage management and handling service agreement entered into on 1 July 2013. This agreement was terminated on 28 February 2014, and was subsequently superceded by the Inventory Storage Management and Handling Service Agreement as defined and referenced in the section entitled **"Interested Person Transactions – Present and On-going Interested Person Transactions – Provision of inventory storage management and handling services by IPSL to IPS Securex"** of this Offer Document.

The monthly fee payable by IPS Securex to IPSL under the inventory storage management and handling service agreement entered into on 1 July 2013 was determined on a cost allocation basis based on the payroll of the warehouse staff and related costs per month incurred by IPSL. The fees payable by IPS Securex to IPSL pursuant to the aforesaid agreement during the Relevant Period were as follows:

INTERESTED PERSON TRANSACTIONS

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to IPSL pursuant to the provision of inventory storage management and handling services	–	–	–	18	6

Our Directors are of the view that the fees payable by IPS Securex to IPSL pursuant to the aforesaid agreement were not made on arm's length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company's minority Shareholders as they allowed our Group to leverage off the expertise of IPSL under a cost-effective arrangement. If our Group was required to carry out such services under our Group's payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the fees payable by IPS Securex to IPSL under the aforesaid agreement.

Transaction with IPSE

Provision of security system services by IPS Securex to IPSE

In HY2014, IPS Securex provided maintenance services to IPSE for the Surveillance and Monitoring System installed at IPSE's office premises. The amount payable by IPSE to IPS Securex for the aforesaid transaction was S\$45 and was determined based on fees charged by IPS Securex to unrelated third party customers for similar services.

Accordingly, our Directors are of the view that the aforesaid transaction was made on arm's length basis and was based on normal commercial terms.

Our Group may enter into such transactions with IPSE in the future. Upon the completion of the Placement, future transactions conducted between IPS Securex and IPSE in relation to the provision of maintenance services by IPS Securex to IPSE will be conducted in accordance with such guidelines and procedures as described in the section entitled "**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**" of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

Transactions with SDC

(i) Purchase of connecting systems by IPS Securex from SDC

During the Relevant Period, IPS Securex purchased from SDC connecting systems for power and data transmission used as part of the integrated security systems that IPS Securex provides to its customers. Based on IPS Securex's understanding, the value of the purchases made by IPS Securex from SDC was determined based on the cost price of the connecting systems.

The aggregate amounts payable by IPS Securex to SDC for the aforesaid transactions during the Relevant Period were as follows:

INTERESTED PERSON TRANSACTIONS

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Purchase of connecting systems by IPS Securex from SDC	1	48	–	–	–

Our Directors are of the view that the aforesaid transactions were not made on arm's length basis and were not based on normal commercial terms because the purchase price payable by IPS Securex to SDC for the connecting systems was not referenced by IPS Securex with any unrelated third party price quotations for similar transactions.

Our Group does not intend to enter into such transactions with SDC in the future.

(ii) Advances by IPS Securex to SDC

During the Relevant Period, IPS Securex granted various advances to SDC for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. The advances payable by SDC of approximately S\$110,000 outstanding as at 30 June 2012 were fully written off in FY2013 against allowance for doubtful debts, previously provided by IPS Securex when SDC ceased operations. Accordingly, as no commercial benefit was derived by IPS Securex from these advances and their subsequent write-offs, our Directors are of the opinion that these transactions were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPS Securex from SDC as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPS Securex from SDC	132	110	–	–	–

The largest aggregate amount of advances due to IPS Securex from SDC during the Relevant Period was approximately S\$132,000.

As at the Latest Practicable Date, all advances from IPS Securex to SDC have been fully settled and/or written off.

Our Group does not intend to enter into such transactions with SDC in the future.

INTERESTED PERSON TRANSACTIONS

Transactions with IPSSAS

Advances between IPSSAS and IPS Securex

During the Relevant Period, IPSSAS granted various advances to IPS Securex for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPSSAS from these advances, our Directors are of the opinion that these transactions were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPSSAS from IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPSSAS from IPS Securex	3	–	–	–	–

The largest aggregate amount of advances due to IPSSAS from IPS Securex during the Relevant Period was approximately S\$3,000.

Further, IPS Securex had also granted advances to IPSSAS for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from this transaction, our Directors are of the opinion that these advances were not made on arm's length basis and were not based on normal commercial terms.

The amount of advances due from IPSSAS to IPS Securex as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advance due from IPSSAS to IPS Securex	2	–	–	–	–

The largest amount of advances due from IPSSAS to IPS Securex during the Relevant Period was approximately S\$2,000.

As at the Latest Practicable Date, all advances between IPSSAS and IPS Securex have been fully settled.

Our Group does not intend to enter into such transactions with IPSSAS in the future.

INTERESTED PERSON TRANSACTIONS

Transactions with CSH

Advances by IPS Securex to CSH

During the Relevant Period, IPS Securex granted various advances to CSH for general working capital purposes. These advances were unsecured, non-interest bearing and payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from these advances, our Directors are of the opinion that these transactions were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPS Securex from CSH as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPS Securex from CSH	2	2	–	–	–

The largest aggregate amount of advances due to IPS Securex from CSH during the Relevant Period was approximately S\$2,000.

As at the Latest Practicable Date, all advances due to IPS Securex from CSH have been fully settled.

Our Group does not intend to enter into such transactions with CSH in the future.

Transactions with IPSSPL

Advance by IPS Securex to IPSSPL

During the Relevant Period, IPS Securex granted an advance to IPSSPL for general working capital purposes. This advance was unsecured, non-interest bearing and was payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from this advance, our Directors are of the opinion that the transactions was not made on arm's length basis and was not based on normal commercial terms.

The amount of advance due to IPS Securex from IPSSPL as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advance due to IPS Securex from IPSSPL	2	–	–	–	–

The largest amount of advance due to IPS Securex from IPSSPL during the Relevant Period was approximately S\$2,000.

INTERESTED PERSON TRANSACTIONS

As at the Latest Practicable Date, all advances due to IPS Securex from IPSSPL have been fully settled.

Our Group does not intend to enter into such transactions with IPSSPL in the future.

Transactions with SRC

Advances by IPS Securex to SRC

During the Relevant Period, IPS Securex granted various advances to SRC for general working capital purposes. These advances were unsecured, non-interest bearing and were payable on demand. Accordingly, as no commercial benefit was derived by IPS Securex from these advances, our Directors are of the opinion that these transactions were not made on arm's length basis and were not based on normal commercial terms.

The aggregate amount of advances due to IPS Securex from SRC as at 30 June 2011, 2012, 2013, 31 December 2013 and the Latest Practicable Date was as follows:

S\$'000	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013	As at 31 December 2013	As at the Latest Practicable Date
Advances due to IPS Securex from SRC	8	3	–	–	–

The largest aggregate amount of advances due to IPS Securex from SRC during the Relevant Period was approximately S\$34,000.

As at the Latest Practicable Date, all advances due to IPS Securex from SRC have been fully settled.

Our Group does not intend to enter into such transactions with SRC in the future.

Transaction with PSI

Fees payable by IPS Securex to PSI for the provision of certain maintenance support services by PSI to a customer of IPS Securex

During the Relevant Period, IPS Securex engaged PSI to provide certain maintenance support services to a customer of IPS Securex. In consideration of this, PSI charged a fee to IPS Securex pursuant to its provision of such services.

The aggregate fees payable by IPS Securex to PSI pursuant to PSI's provision of maintenance support services were as follows:

INTERESTED PERSON TRANSACTIONS

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to PSI for the provision of certain maintenance support services	1	– ⁽¹⁾	2	2	2

Note:

(1) Value is less than S\$1,000.

The value of the fees payable by IPS Securex to PSI for the aforesaid transactions was determined based on the price list of PSI for similar services provided to unrelated third party customers. Accordingly, our Directors are of the view that the aforesaid transactions were made on arm's length basis and were based on normal commercial terms.

Our Group may enter into such transactions with PSI in the future. Upon the completion of the Placement, future transactions conducted between IPS Securex and PSI in relation to PSI's provision of certain maintenance support services will be conducted in accordance with such guidelines and procedures as described in the section entitled "**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**" of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

Transaction with Tan Peng Chin LLC

Provision of legal services by Tan Peng Chin LLC to our Group

During the Relevant Period, our Group had engaged the legal services of Tan Peng Chin LLC in relation to the "IPS Securex" trade mark.

The fees payable by our Group to Tan Peng Chin LLC for the aforesaid transaction during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by our Group to Tan Peng Chin LLC	–	–	–	3	–

Our Directors are of the view that the fees charged by Tan Peng Chin LLC for professional legal services provided to our Group were on arm's length basis and were based on normal commercial terms comparable with legal fees quoted by other law firms for similar services. Our Directors also note that our Independent Director, Tan Peng Chin, has confirmed that he was not involved in the negotiations and deliberations leading to the engagement of Tan Peng Chin LLC by our Group nor was he involved in the delivery of services pertaining to the aforesaid transaction between Tan Peng Chin LLC and our Group. Our Group may continue engaging Tan Peng Chin LLC for future legal services.

INTERESTED PERSON TRANSACTIONS

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Transactions with IPSP

(i) **Provision of office cum storage space by IPSP to IPS Securex**

On 31 December 2013, IPSP and IPS Securex entered into an office and storage tenancy agreement (the “**Office and Storage Tenancy Agreement**”), pursuant to which IPSP agreed to lease the office cum storage space of 4,045 sq ft at the Premises for its own use for a period of 18 months from 1 January 2014 to 30 June 2015. The monthly rental of S\$6,241 payable by IPSP to IPS Securex under the Office and Storage Tenancy Agreement was based on the valuation by an independent valuer and includes the rental of the Premises and existing furniture, fixtures and fittings.

The Office and Storage Tenancy Agreement shall be renewed on an annual basis commencing from 1 July 2015 based on the prevailing rental rate at the time of renewal, as may be mutually agreed between the parties unless either party gives notice to the other to terminate the aforesaid agreement, which notice shall be given on or before one month prior to the expiry of the aforesaid agreement.

The rental payable by IPS Securex to IPSP pursuant to the Office and Storage Tenancy Agreement during the Relevant Period was as follows:

S\$’000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Rental payable by IPS Securex to IPSP pursuant to the Office and Storage Tenancy Agreement	–	–	–	–	29

Our Directors are of the opinion that the rental payable by IPS Securex to IPSP under the Office and Storage Tenancy Agreement was made on arm’s length basis and was based on normal commercial terms because it was based on the valuation by an independent valuer.

Upon the completion of the Placement, any revision to the terms and conditions upon the renewal or otherwise of the Office and Storage Tenancy Agreement or any other rental of space in future between IPSP and IPS Securex will be conducted in accordance with such guidelines and procedures as described in the section entitled “**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**” of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

(ii) **Grant of trade mark licence by IPSP to our Group**

On 14 October 2013, IPSP and our Company entered into a trade mark licence agreement for the grant by IPSP to our Group of a non-transferable and non-exclusive licence (the “**Licence**”) to use the “IPSP” trade mark under Singapore Trade Mark No. T0515863D in class 35 (the “**IPSP Trade Mark**”) in connection with our business as a provider of security products and integrated security solutions (the “**Trade Mark Licence Agreement**”). The

INTERESTED PERSON TRANSACTIONS

Trade Mark Licence Agreement authorises our Group to reproduce and use the trade mark for the distribution, sale and rental of security equipment and systems, and provision of service maintenance of security equipment and systems in Singapore. The Trade Mark Licence Agreement shall continue to be effective unless terminated by IPSPG if our Group misuses the IPSPG Trade Mark.

The Licence is granted free of charge. The Trade Mark License Agreement shall continue to be effective unless terminated by IPSPG if our Group misuses the IPSPG Trade Mark. Please refer to the section entitled “**General Information on our Group – Intellectual Property**” of this Offer Document for further information on the IPSPG Trade Mark.

Our Directors are of the view that the grant of the use of the IPSPG Trade Mark by IPSPG to our Group was not made on arm’s length basis and was not based on normal commercial terms as there was no consideration involved. Nonetheless, the Trade Mark Licence Agreement is beneficial to our Group and is not prejudicial to the interests of our Group or our Company’s minority Shareholders.

(iii) Provision of IT support services by IPS Securex to IPSPG

On 1 October 2013, IPSPG and IPS Securex entered into an IT support services agreement (the “**IT Support Services Agreement**”), pursuant to which IPS Securex agreed to provide IT support services, such as hardware and network maintenance, and IT technical assistance for certain software applications, such as IT operating systems and productivity software to IPSPG, its subsidiaries and associated companies, for a period of nine months from 1 October 2013 to 30 June 2014 for a monthly fee of S\$5,050. On 18 February 2014, an addendum to the IT Support Services Agreement was entered into between IPSPG and IPS Securex pursuant to which IPSPG agreed to procure one of its subsidiaries to store IPSPG’s backup data in a secured location outside of the Premises, of which the access is solely controlled by IPS Securex.

The IT Support Services Agreement shall be automatically renewed for another year on terms, including the monthly fee payable, to be agreed between the parties unless either party serves a written notice of termination at least one month prior to the end of the current term.

The fees payable by IPSPG to IPS Securex pursuant to the IT Support Services Agreement during the Relevant Period were as follows:

S\$’000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPSPG to IPS Securex pursuant to the IT Support Services Agreement	–	–	–	15	23

The monthly fee payable by IPSPG to IPS Securex pursuant to the IT Support Services Agreement was determined on a cost allocation basis based on the salaries incurred by IPS Securex and allocated based on the number of workstations owned by IPSPG, its subsidiaries

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and associated companies and IPS Securex. Our Directors are of the view that the IT Support Services Agreement was not entered into on arm's length basis and was not based on normal commercial terms but is beneficial to our Group and is not prejudicial to the interests of our Group or our Company's minority Shareholders as the fees payable by IPSPG to IPS Securex help to defray the salary of the IT staff employed by IPS Securex.

Upon the completion of the Placement, any revision to the terms and conditions upon the renewal or otherwise of the IT Support Services Agreement will be conducted in accordance with such guidelines and procedures as described in the section entitled "**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**" of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

(iv) Provision of group services by IPSPG to IPS Securex

On 1 October 2013, IPSPG and IPS Securex entered into a group services agreement (the "**Group Services Agreement**"), pursuant to which IPSPG agreed to provide to IPS Securex various services such as human resources and administrative services (collectively, the "**Group Services**"), for a period of nine months from 1 October 2013 to 30 June 2014 for a monthly fee of S\$6,800.

The Group Services Agreement shall be automatically renewed for another year on terms, including the monthly fee payable, to be agreed between the parties unless either party serves a written notice of termination at least one month prior to the end of the current term.

The fees payable by IPS Securex to IPSPG pursuant to the Group Services Agreement during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to IPSPG pursuant to the Group Services Agreement	–	–	–	20	31

The monthly fee payable by IPS Securex to IPSPG pursuant to the Group Services Agreement was determined on a cost allocation basis based on the salaries and related costs and overheads incurred by IPSPG and the number of employees in IPS Securex. Our Directors are of the view that the Group Services were not conducted on arm's length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company's minority Shareholders as they allowed our Group to leverage off the expertise of IPSPG for the Group Services under a cost-effective arrangement. If our Group was required to carry out such services under our Group's payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the fees payable by IPS Securex to IPSPG under the Group Services Agreement.

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Upon the completion of the Placement, any revision to the terms and conditions upon the renewal or otherwise of the Group Services Agreement will be conducted in accordance with such guidelines and procedures as described in the section entitled “**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**” of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

Transaction with IPSL

Provision of inventory storage management and handling services by IPSL to IPS Securex

On 13 February 2014, IPSL and IPS Securex entered into an inventory storage management and handling service agreement which took effect from 1 March 2014 (the “**Inventory Storage Management and Handling Service Agreement**”), pursuant to which IPSL agreed to provide various services such as warehousing management, loading and unloading of goods, goods receipt, binning and tagging of stock, goods issue and staging, crating, packaging and unpacking, taking part in joint physical stock count and updating of stock status information, for a period of 16 months from 1 March 2014 to 30 June 2015 for a monthly fee of S\$1,880.

The Inventory Storage Management and Handling Service Agreement shall be automatically renewed for another year on terms, including the monthly fee payable, to be agreed between the parties, unless either party serves a written notice of termination at least one month prior to the end of the current term.

The fees payable by IPS Securex to IPSL pursuant to the Inventory Storage Management and Handling Service Agreement during the Relevant Period were as follows:

S\$'000	FY2011	FY2012	FY2013	HY2014	1 January 2014 to the Latest Practicable Date
Fees payable by IPS Securex to IPSL pursuant to the Inventory Storage Management and Handling Service Agreement	–	–	–	–	5

The monthly fee payable by IPS Securex to IPSL pursuant to the Inventory Storage Management and Handling Service Agreement was determined on a cost allocation basis based on the payroll of the warehouse staff and related costs per month incurred by IPSL and the area of the storage space occupied by IPS Securex. Our Directors are of the view that the fees payable by IPS Securex to IPSL pursuant to the Inventory Storage Management and Handling Service Agreement were not conducted on arm's length basis and were not based on normal commercial terms but were beneficial to our Group and were not prejudicial to the interests of our Group or our Company's minority Shareholders as they allowed our Group to leverage off the expertise of IPSL under a cost-effective arrangement. If our Group was required to carry out such services under our Group's payroll or a separate engagement with an unrelated third party service firm, it was anticipated that the fees would exceed the fees payable by IPS Securex to IPSL under the Inventory Storage Management and Handling Service Agreement.

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Upon the completion of the Placement, any revision to the terms and conditions upon the renewal or otherwise of the Inventory Storage Management and Handling Service Agreement will be conducted in accordance with such guidelines and procedures as described in the section entitled “**Interested Person Transactions – Review Procedures for Future Interested Person Transactions**” of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

Other present and on-going interested person transactions

(i) **Assignment of term life insurance policy from Kelvin Lim to IPS Securex**

On 29 August 2012, our Executive Director and CEO, Kelvin Lim, took up a term life insurance policy (the “**Policy**”) with AIA Singapore Private Limited (“**AIA**”) in his personal capacity as Policy owner and insured, for a sum assured of S\$300,000 and with an expiry date on 29 August 2022.

On 21 September 2012, a notice of assignment (the “**Notice of Assignment**”) was executed by Kelvin Lim and IPS Securex for the assignment by Kelvin Lim, as Policy owner and assignor, to IPS Securex, as assignee, of the full benefit of all monies assured or to become payable by or under the Policy, including the ownership of the Policy, for a nominal consideration of S\$1.00. Pursuant to the Notice of Assignment, IPS Securex became the legal owner of the Policy, and agreed to pay the premiums payable to AIA under the Policy.

On 1 November 2013, by way of a letter from IPS Securex to Kelvin Lim, IPS Securex informed Kelvin Lim that the sum insured under the Policy of S\$300,000 will be shared by IPS Securex with Kelvin Lim on a 50:50 basis after the deduction of all costs that IPS Securex has incurred which are not covered by other insurance policies taken up by IPS Securex on Kelvin Lim as insured and as a result of the accident or mishap.

Pursuant to the Notice of Assignment, IPS Securex, as the legal owner of the Policy, is liable to pay for the premiums to AIA under the Policy. However, in connection with the Placement, a service agreement (the “**Service Agreement**”) was entered into between Kelvin Lim and our Company, where it was provided that Kelvin Lim (or the beneficiaries named in the Policy, being only IPS Securex at present pursuant to the Notice of Assignment) shall be entitled to an equal share of any amount paid by AIA to IPS Securex under the Policy after the deduction of all other costs incurred by IPS Securex (the “**Net Policy Payout**”). Further, pursuant to the Service Agreement, in the event that Kelvin Lim is no longer the CEO of our Company, IPS Securex shall have the option of assigning the Policy back to Kelvin Lim, wherein Kelvin Lim will then be liable to pay for the premiums to AIA under the Policy henceforth. Please refer to the section entitled “**Directors, Management and Staff – Service Agreements**” of this Offer Document for further information on the Service Agreement entered into between Kelvin Lim and our Company.

We have taken up insurance policies that cover various circumstances, including fire, public liability, work injury, personal accident, hospitalisation and surgery, and directors and officers liability. We have also taken up travel insurance for employees travelling overseas and term life insurance for our Executive Director and CEO, Kelvin Lim, as set out in this section, as well as accident and permanent disability insurances for him. Please refer to the section entitled “**General Information on our Group – Insurance**” of this Offer Document for further information.

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Our Directors are of the view that the insurance coverage that we have provided to Kelvin Lim, our Executive Director and CEO, is part of the employee benefits that we provide to all of our permanent employees in accordance with their level of seniority, roles and responsibilities and length of service with us. Our Directors are also of the view that the arrangement of sharing the Net Policy Payout between Kelvin Lim and IPS Securex is consistent with similar arrangements that we have with our other permanent employees with regards to any sum assured and other benefits payable by the insurer.

Our Directors are of the view that the aforesaid insurance arrangements, and the sharing of the Net Policy Payout with Kelvin Lim was made on arm's length basis and was based on normal commercial terms as part of his employee welfare benefits.

(ii) Personal guarantees provided by our Controlling Shareholders for Credit Facilities

All the existing bank facilities of our subsidiary, IPS Securex, as set out below, are partially secured by personal guarantees provided by our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok, and our other Controlling Shareholder, Tan Suan Yap. The said banking facilities are as follows:

Facility	Date of facility	Lender	Amount of facility granted (\$'000)	Security	Guaranteed by
Credit facilities	25 March 2014	OCBC Bank	1,300	Deed of guarantee and indemnity for all monies from Chan Tien Lok and Tan Suan Yap	Jointly and severally guaranteed by Chan Tien Lok and Tan Suan Yap
Hire purchase facility	26 March 2014	OCBC Bank	1,000		

These personal guarantees have been provided by Chan Tien Lok and Tan Suan Yap without any fees, interest or other benefits payable by our Group to them, and as such, the above transactions were not conducted on arm's length basis and were not based on normal commercial terms but they were not prejudicial to the interests of our Group or our Company's minority Shareholders.

During the Relevant Period, the largest aggregate amount of bank borrowings guaranteed by our Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok and our other Controlling Shareholder, Tan Suan Yap, was nil and as at the Latest Practicable Date, the amount of bank borrowings guaranteed by Chan Tien Lok and Tan Suan Yap was nil. Please refer to the section entitled "**Capitalisation and Indebtedness**" of this Offer Document for further information.

Upon the admission of our Company to Catalist, we intend to request for a discharge of these guarantees and replace them with corporate guarantees provided by our Group. If we are unable to discharge these guarantees, Chan Tien Lok and Tan Suan Yap will either continue to provide the guarantees required to secure these banking/credit facilities or seek and obtain alternative facilities from other financial institutions offering comparable terms without the need for such personal guarantees.

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REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

All future interested person transactions will be properly documented and submitted to our Audit Committee for review to consider if they are on normal commercial terms, and is not prejudicial to the interests of our minority Shareholders. In respect of all future interested person transactions, we will implement the following review procedures:

- (i) in relation to any provision or procurement of shared corporate services from interested persons, including but not limited to, IT support services, group services and inventory storage management and handling services, the fees will be determined based on the cost allocation bases as set out in the section entitled “**Interested Person Transactions – Present and On-going Interested Person Transactions**” of this Offer Document. Our Audit Committee will review and/or determine the basis used for the calculation of the cost allocation, and take appropriate measures, including but not limited to, benchmarking against fees charged by unrelated third party service firms, if available, to consider if the bases for cost allocation are on normal commercial terms, and are not prejudicial to the interests of our Company’s minority Shareholders;
- (ii) in relation to any purchase of products or procurement of services from interested persons, quotes from at least two unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. Our Audit Committee will review the comparable factors, taking into account, *inter alia*, the suitability, quality, timeliness in delivery and cost of the product or service, and the experience and expertise of the supplier. Transactions with such interested persons shall not be on terms less favourable to our Group than those with unrelated third parties;
- (iii) in relation to any sale of products or provision of services to interested persons, the price and terms of two other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. Transactions with such interested persons shall not be on terms less favourable to our Group than those with unrelated third parties;
- (iv) when renting from or to interested persons, our Audit Committee shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of properties of similar location and size, or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where appropriate). The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size and location, based on the results of the relevant enquiries;
- (v) where it is not possible for appropriate information (for comparative purposes) to be obtained, the interested person transaction will be approved by our Audit Committee (with the appropriate abstention of any Audit Committee member who has an interest in the transaction), who will consider if the price, fees and/or other terms offered by or to the interested persons are fair and reasonable and if they are undertaken at arm’s length basis and on normal commercial terms, with consideration for whether the price, fees and/or other terms are in accordance with our usual business practices and policies, taking into account factors such as, but not limited to, suitability, quantity, quality, requirements and specifications; and

INTERESTED PERSON TRANSACTIONS

- (vi) any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies for the same or substantially similar type of transactions between us and unrelated parties on terms that are no more favourable than those extended to, or no less favourable than those received from other unrelated parties.

In addition, we shall monitor all interested person transactions entered into by us by categorising the transactions as follows:

- (i) a “category one” interested person transaction (either individually or as part of a series or is aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate thereof is equal to or in excess of 3.0% of the latest audited NTA of our Group; and
- (ii) a “category two” interested person transaction (either individually or as part of a series or is aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate thereof is below 3.0% of the latest audited NTA of our Group.

“Category one” interested person transactions must be reviewed and approved by our Audit Committee prior to entry. “Category two” interested person transactions must be approved by a Director who shall not be an interested person in respect of the particular transaction prior to entry and must be reviewed on a semi-annual basis by our Audit Committee. In its review, our Audit Committee will consider if they are conducted on normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders. All interested person transactions shall be subject to review by our Audit Committee on a semi-annual basis.

Before any agreement or arrangement with an interested person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee.

In respect of all interested person transactions, we shall adopt the following policies:

- (i) In the event that a member of our Audit Committee is interested in any interested person transaction, he will abstain from deliberating, reviewing and/or approving that particular transaction.
- (ii) We shall maintain a register to record all interested person transactions which are entered into by our Group (including the basis on which they are entered into) and the review and/or approval of our Audit Committee.
- (iii) We shall incorporate into our internal audit plan a review of all interested person transactions entered into by our Group.

Furthermore, if during these periodic reviews our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures. Our Audit Committee may request for an independent financial adviser’s opinion as it deems fit.

We shall ensure that all interested person transactions comply with the provisions in Chapter 9 of the Listing Manual, and if required, we will seek independent Shareholders’ approval for such transactions. In accordance with Rule 919 of the Listing Manual, interested persons and their

INTERESTED PERSON TRANSACTIONS

Associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. In addition, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the Shareholder(s).

Our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will ensure that all disclosures, approvals and other requirements on interested person transactions, including those required by prevailing legislation, rules, regulations, the Listing Manual and relevant accounting standards, are complied with. We will disclose in our annual report the aggregate value of interested person transactions during the financial year.

POTENTIAL CONFLICTS OF INTERESTS

All our Directors have a duty to disclose their interests in respect of any transactions in which they have any personal material interest or any actual or potential conflict of interest (including a conflict that arises from their directorship or employment or personal investment in any corporate action). Upon such disclosure, such Directors will not participate in any proceedings of our Board and shall abstain from voting in respect of any such transaction where the conflict arises.

Each of our Controlling Shareholder and Non-Executive Chairman, Chan Tien Lok, our Controlling Shareholder, Tan Suan Yap and our Non-Executive Director, Ong Chin Hin, has given a non-compete undertaking to the Group that insofar as the Company remains listed on the SGX-ST and:

- (i) Chan Tien Lok remains as a director and/or Controlling Shareholder of IPSPG and/or IPST;
- (ii) Tan Suan Yap remains as a director and/or Controlling Shareholder of IPSPG and/or IPST; and
- (iii) Ong Chin Hin remains as a director of IPSPG and/or IPST, respectively,

each of them will not undertake or be involved, employed or interested in any entity or business competing, whether directly or indirectly, with or dealing in similar products or carrying on a similar business as that of the Group.

Save as disclosed in the sections entitled “**Interested Person Transactions**” and “**Restructuring Exercise**” of this Offer Document, none of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in:

- (i) any transaction to which we were or are to be a party;
- (ii) any entity carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and
- (iii) any entity that is our customer or supplier of goods and services.

INTERESTS OF EXPERTS

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Offer Document, been acquired or disposed of by or leased to our Company or our subsidiary or are proposed to be acquired or disposed of by or leased to our Company or our subsidiary.

No expert is employed on a contingent basis by our Company or our subsidiary; or has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiary; or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Placement.

POTENTIAL CONFLICTS OF INTERESTS

INTERESTS OF SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, save as disclosed below and in the section entitled “**Management and Placement Arrangements**” of this Offer Document, our Company does not have any material relationship with the Sponsor, Issue Manager and Placement Agent or any other financial adviser in relation to the Placement:

- (i) UOB is the Sponsor and Issue Manager in relation to the Placement;
- (ii) UOB is the Placement Agent in relation to the Placement;
- (iii) UOB is one of the Principal Bankers of our Group;
- (iv) UOB is the Receiving Banker of the Placement; and
- (v) UOB will be the continuing Sponsor of our Company for an initial period of three years from the date on which our Company is admitted to and listed on Catalist.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the Catalist, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the Catalist will be effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, securities accounts with CDP. Persons named as direct securities account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles and the Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of S\$10 for each withdrawal of 1,000 Shares or less and a fee of S\$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued, and a stamp duty of S\$0.20 per S\$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$10 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the Catalist is payable at the rate of 0.04% of the transaction value subject to a maximum of S\$600 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST.

Dealings of our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders:

- (i) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- (ii) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, or at any time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (iii) has any unsatisfied judgment against him;
- (iv) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (v) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware of) for such breach;
- (vi) has, at any time during the last 10 years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (vii) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (viii) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (ix) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

GENERAL AND STATUTORY INFORMATION

- (x) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
- (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (b) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (c) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (d) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
- in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (xi) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

IPS-Oru Asia Pacific Pte Ltd

Chan Tien Lok and Tan Suan Yap were the directors of IPS-Oru Asia Pacific Pte Ltd (“**IPSOAP**”), which was a subsidiary of IPS-Eurotec Asia Pacific Pte Ltd, which in turn is a subsidiary of IPST. Ong Chin Hin was then the group financial controller of IPST overseeing the finance, administration and legal function of the whole IPST group of companies including IPSOAP although Ong Chin Hin did not hold any position in or draw any salary from IPSOAP. Le Officine Riunite – Udine SPA (“**Oru**”), a company incorporated in Italy, was a minority shareholder of IPSOAP. IPSOAP was the distributor in Southeast Asia for concrete batch plants produced by Oru. Trade debts were owing by IPSOAP to Oru and as IPSOAP was not able to settle the trade debts owing to Oru, Oru filed for the winding up of IPSOAP in the Singapore courts. The official receiver took over the control of IPSOAP for winding up. The winding up process was completed and IPSOAP was struck off from ACRA on 13 July 2010.

Assisted in investigations by the Corrupt Practices Investigation Bureau (“**CPIB**”) in 2012

In March and January 2012, Chan Tien Lok and Lee Yeow Koon have, respectively, assisted the CPIB in relation to investigations on the alleged involvement of a director of SRC in the corruption charges against a public official. At the time of the CPIB investigations, Chan Tien Lok was a director of IPS Securex and SRC and both IPS Securex and SRC were wholly-owned subsidiaries of IPST for which Chan Tien Lok is a Controlling Shareholder, while Lee Yeow Koon was a managerial staff of IPS Securex. Chan Tien Lok and Lee Yeow Koon were not themselves the subject of the foregoing investigations. Following an interview each with CPIB in 2012, Chan Tien Lok and Lee Yeow Koon have since not been required by CPIB to provide any further assistance in the matter for which they were interviewed for.

GENERAL AND STATUTORY INFORMATION

Assisted in investigations by the Commercial Affairs Department (“CAD”) in 2000

In December 2000, Peter Boo has assisted the CAD in relation to investigations on a third party. Following the interview with CAD, Peter Boo has since not been required by CAD to provide any further assistance in the matter for which he was interviewed for.

No person (including a Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company and its subsidiaries.

Save as disclosed in the section entitled “**Restructuring Exercise – Share Capital**”, no Shares in, or debentures of, our Company or any of our subsidiaries have been issued or are agreed to be issued, by our Company or any of our subsidiaries, as fully or partly paid-up and whether for cash or for a consideration other than cash, within the three years preceding the date of this Offer Document.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company or our subsidiaries within the two years preceding the date of lodgement of this Offer Document and are or may be material:

- (i) Share Exchange Agreement. Please refer to the section entitled “**Restructuring Exercise**” of this Offer Document for more information.
- (ii) Settlement Agreement dated 31 October 2012 between IPST, IPST, IPSG, IPS Securex, IPSPH, Richard Anthony Seymour Stuart, and Tay Angela for (a) the transfer of 960,000 ordinary shares in the capital of IPST held by Richard Anthony Seymour Stuart to IPST or its nominee for a consideration of S\$333,000; (b) the transfer of 320,000 ordinary shares in the capital of IPST held by Tay Angela to IPST or its nominee for a consideration of S\$111,000; and (c) the repayment by IPST to Richard Anthony Seymour Stuart of S\$166,666 together with all accrued interest in accordance with the loan agreement dated 25 May 2011 between IPST, Richard Anthony Seymour Stuart and IPST.

LITIGATION

As at the Latest Practicable Date, our Group is not engaged in any legal or arbitration proceedings including those which are pending or known to be contemplated, which may have, or have had in the 12 months immediately preceding the date of lodgement of this Offer Document, a material effect on our Group’s financial position or profitability of our Group.

MISCELLANEOUS

- (i) Each of the Solicitors to the Placement, the Legal Advisers to our Company on Brunei law, the Solicitors to the Sponsor, Issue Manager and Placement Agent, the Receiving Bank, the Principal Banker and the Share Registrar, do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Offer Document.

GENERAL AND STATUTORY INFORMATION

- (ii) The amount payable on application is \$0.35 for each Placement Share. There has been no previous issue of Shares by our Company or offer for sale of its Shares to the public within the two years preceding the date of this Offer Document.
- (iii) Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Bank, United Overseas Bank Limited. There is no sharing arrangement between the Receiving Bank and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the inter-bank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.
- (iv) Save as disclosed in this Offer Document under the sections entitled “**Risk Factors**” and “**Prospects, Business Strategies and Future Plans – Prospects and Trends**” of this Offer Document, our Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in this Offer Document which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
- (v) Save as disclosed in this Offer Document under the section entitled “**Management and Placement Arrangements**” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.
- (vi) No expert is employed on a contingent basis by our Company or our subsidiaries, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Placement.
- (vii) Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since 1 January 2014 to the Latest Practicable Date, which may have a material effect on the financial information provided in “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” and “**Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013**” as set out in Appendices A and B of this Offer Document, respectively.
- (viii) Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:
 - (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and

GENERAL AND STATUTORY INFORMATION

- (d) the business and financial prospects and any significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services and known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues, profitability, liquidity, capital resources or operating income or that would cause financial information disclosed to be not necessarily indicative of the future operating results or financial condition of our Group.
- (ix) We currently have no intention of changing the auditors of our Company after the Listing Date.
- (x) Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors and reporting accountants of our Group for the Period Under Review are as follows:

Name and address	Partner-in-charge	Professional body	Professional qualification
Deloitte & Touche LLP 6 Shenton Way, OUE Downtown 2, #32-00, Singapore 068809	Tay Hwee Ling	Institute of Singapore Chartered Accountants	Chartered Accountant

CONSENTS

- (i) Deloitte & Touche LLP has given and has not, before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document as Independent Auditors and Reporting Accountants and to the issue of this Offer Document with the inclusion herein of its name and all references thereto and the inclusion herein of **“Independent Auditors’ Report on the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013”** and **“Independent Auditors’ Review Report on the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013”** as set out in Appendices A and B of this Offer Document, respectively, in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.
- (ii) United Overseas Bank Limited has given, and has not before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document as the Sponsor, Issue Manager and Placement Agent and to the issue of this Offer Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading.

GENERAL AND STATUTORY INFORMATION

Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company at 71 Tech Park Crescent, Singapore 638072, during normal business hours for a period of six months from the date of registration of this Offer Document:

- (i) the Memorandum and Articles of our Company;
- (ii) the material contracts referred to in the section entitled “**General and Statutory Information – Material Contracts**” of this Offer Document;
- (iii) the Service Agreement as referred to in the section entitled “**Directors, Management and Staff – Service Agreements**” of this Offer Document;
- (iv) the letters of consent referred to in the section entitled “**General and Statutory Information – Consents**” of this Offer Document;
- (v) the “**Independent Auditors’ Report and the Combined Financial Statements for the Years Ended 30 June 2011, 2012 and 2013**” as set out in Appendix A of this Offer Document; and
- (vi) the “**Independent Auditors’ Review Report and the Interim Condensed Unaudited Combined Financial Statements for the Six Months Period Ended 31 December 2013**” as set out in Appendix B of this Offer Document.

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**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
THE COMBINED FINANCIAL STATEMENTS FOR
THE YEARS ENDED 30 JUNE 2011, 2012 AND 2013**

**INDEPENDENT AUDITORS’ REPORT ON THE COMBINED FINANCIAL STATEMENTS
FOR YEARS ENDED 30 JUNE 2011, 2012 AND 2013**

20 June 2014

The Board of Directors
IPS Securex Holdings Limited
71 Tech Park Crescent
Singapore 638072

Dear Sirs

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of IPS Securex Holdings Limited (the “Company”), and its subsidiaries (collectively the “Group”). The combined financial statements comprise the combined statements of financial position as at 30 June 2011, 2012, 2013 and the related combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 30 June 2011, 2012 and 2013 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes, as set out on pages A-3 to A-40.

Management’s Responsibility for the Combined Financial Statements

Management is responsible for the preparation of these combined financial statements that give a true and fair view in accordance with the Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors’ Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 30 June 2011, 2012 and 2013 and of the results, changes in equity and cash flows of the Group for the Relevant Periods.

Restriction on Distribution and Use

This report is made solely to you as a body for inclusion in the offer document to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Singapore Exchange Securities Trading Limited.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Hwee Ling
Partner

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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THE YEARS ENDED 30 JUNE 2011, 2012 AND 2013**

IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMBINED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011, 2012 and 2013

	<u>Note</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
		\$	\$	\$
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	6	452,778	391,540	1,465,079
Trade receivables	7	1,182,056	983,118	887,563
Other receivables	8	516,005	296,401	519,673
Inventories	10	581,213	385,516	429,936
Total current assets		<u>2,732,052</u>	<u>2,056,575</u>	<u>3,302,251</u>
Non-current assets				
Plant and equipment	11	68,997	1,164,238	1,200,722
Deferred tax asset	14	–	–	29,485
Total non-current assets		<u>68,997</u>	<u>1,164,238</u>	<u>1,230,207</u>
Total assets		<u><u>2,801,049</u></u>	<u><u>3,220,813</u></u>	<u><u>4,532,458</u></u>
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	12	84,897	376,529	276,177
Other payables	13	1,852,266	1,526,962	1,190,594
Income tax payable		–	–	31,172
Total current liabilities		<u>1,937,163</u>	<u>1,903,491</u>	<u>1,497,943</u>
Non-current liability				
Deferred tax liability	14	8,314	1,187	–
Capital and reserves				
Share capital	15	1,500,000	2,200,000	2,200,000
Accumulated (losses) profit		(644,428)	(883,865)	834,515
Total equity		<u>855,572</u>	<u>1,316,135</u>	<u>3,034,515</u>
Total liabilities and equity		<u><u>2,801,049</u></u>	<u><u>3,220,813</u></u>	<u><u>4,532,458</u></u>

See accompanying notes to financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
THE COMBINED FINANCIAL STATEMENTS FOR
THE YEARS ENDED 30 JUNE 2011, 2012 AND 2013**

IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Years ended 30 June 2011, 2012 and 2013

	<u>Note</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
		\$	\$	\$
Revenue	16	4,922,077	4,189,530	9,488,090
Cost of sales		<u>(2,080,653)</u>	<u>(1,938,268)</u>	<u>(5,463,374)</u>
Gross profit		2,841,424	2,251,262	4,024,716
Other operating income	17	98,456	16,745	14,386
Administrative expenses		<u>(2,552,585)</u>	<u>(2,477,314)</u>	<u>(2,276,012)</u>
Other operating expenses		<u>(218,524)</u>	<u>(24,447)</u>	<u>(28,080)</u>
Finance costs	18	<u>(9,934)</u>	<u>(12,810)</u>	<u>(16,130)</u>
Profit (Loss) before income tax	19	158,837	(246,564)	1,718,880
Income tax benefit (expense)	20	<u>4,396</u>	<u>7,127</u>	<u>(500)</u>
Profit (Loss) for the year, representing total comprehensive income (loss) for the year		<u>163,233</u>	<u>(239,437)</u>	<u>1,718,380</u>
Basic and diluted earnings (loss) per share (cents)	21	<u>0.26</u>	<u>n.m.</u>	<u>2.73</u>

n.m. denotes not meaningful

See accompanying notes to financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMBINED STATEMENTS OF CHANGES IN EQUITY

Years ended 30 June 2011, 2012 and 2013

	<u>Share capital</u>	<u>Accumulated (losses) profit</u>	<u>Total</u>
	\$	\$	\$
Balance at 1 July 2010	1,500,000	(807,661)	692,339
Total comprehensive income for the year	–	163,233	163,233
Balance at 30 June 2011	1,500,000	(644,428)	855,572
Issuance of new shares (Note 15)	700,000	–	700,000
Total comprehensive loss for the year	–	(239,437)	(239,437)
Balance at 30 June 2012	2,200,000	(883,865)	1,316,135
Total comprehensive income for the year	–	1,718,380	1,718,380
Balance at 30 June 2013	<u>2,200,000</u>	<u>834,515</u>	<u>3,034,515</u>

See accompanying notes to financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS

Years ended 30 June 2011, 2012 and 2013

	2011	2012	2013
	\$	\$	\$
Operating activities			
Profit (Loss) before income tax	158,837	(246,564)	1,718,880
Adjustments for:			
Interest income	(270)	(183)	(567)
Interest expense	9,934	12,810	16,130
Depreciation of plant and equipment	52,953	77,424	222,551
Gain on disposal of plant and equipment	(3,050)	–	–
Inventories written down/off	109,141	13,521	4,981
Allowance for doubtful debts	100,595	1,049	–
Net foreign exchange loss (gain)	22,926	(12,489)	1,185
Operating cash flows before working capital changes	451,066	(154,432)	1,963,160
Trade receivables	(857,236)	198,938	95,555
Other receivables	(391,636)	218,555	(223,272)
Inventories	(126,903)	182,176	(49,401)
Trade payables	8,125	291,632	(100,352)
Other payables	785,066	(268,243)	372,545
Cash (used in) generated from operations	(131,518)	468,626	2,058,235
Interest received	270	183	567
Income tax refund	21,331	–	–
Net cash (used in) from operating activities	(109,917)	468,809	2,058,802
Investing activities			
Proceeds from disposal of plant and equipment	3,050	–	–
Purchase of plant and equipment	(44,591)	(1,172,665)	(259,035)
Net cash used in investing activities	(41,541)	(1,172,665)	(259,035)
Financing activities			
Restricted cash	12,000	–	–
Interest paid	(4,192)	(9,357)	(25,324)
Loan from (repayment to) holding company	266,540	464,000	(524,233)
Loan from (repayment to) related company	–	175,486	(175,486)
Net cash from (used in) financing activities	274,348	630,129	(725,043)
Net increase (decrease) in cash and cash equivalents	122,890	(73,727)	1,074,724
Cash and cash equivalents at beginning of year	342,305	442,269	381,031
Effect of exchange rates changes on the balance of cash held in foreign currencies	(22,926)	12,489	(1,185)
Cash and cash equivalents at end of year (Note 6)	442,269	381,031	1,454,570

See accompanying notes to financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS

As at 30 June 2011, 2012 and 2013

1 GENERAL

The Company (Registration No. 201327639H) is incorporated in the Republic of Singapore with its principal place of business and registered office at 71 Tech Park Crescent, Singapore 638072. The financial statements are expressed in Singapore dollars.

The combined financial statements have been prepared solely in connection with the proposed listing of the Company on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed below.

The Restructuring Exercise

Pursuant to the restructuring exercise (“Restructuring Exercise”) to rationalise the structures of the Company and its subsidiaries (“Group”) in preparation for the proposed listing of the Company on the SGX-ST, the Company underwent the following:

(a) Incorporation of the Company

The Company was incorporated on 10 October 2013 in Singapore in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of \$1.00 comprising one share held by IPS Technologies Pte. Ltd. (“IPST”).

(b) Acquisition of IPS Securex Pte. Ltd.

Pursuant to a share exchange agreement dated 5 March 2014 entered into between the Company and 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.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS

As at 30 June 2011, 2012 and 2013

1 GENERAL (cont’d)

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

<u>Number of Shares</u>	<u>Name of Shareholder</u>
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

Following completion of the Restructuring Exercise, details of the Company’s subsidiaries are as follows:

<u>Name of Subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation and operation</u>	<u>Effective equity interest of the Group</u>		
			<u>2011</u>	<u>2012</u>	<u>2013</u>
			%	%	%
IPS Securex Pte. Ltd. ^(a)	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services	Singapore	100	100	100
IPS Securex (B) Sdn Bhd ^(b)	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services	Brunei	–	–	–

Notes:

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Incorporated on 26 October 2013.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND
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THE YEARS ENDED 30 JUNE 2011, 2012 AND 2013**

IPS SECUREX HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO COMBINED FINANCIAL STATEMENTS

As at 30 June 2011, 2012 and 2013

1 GENERAL (cont’d)

Basis of preparation of the combined financial statements

The Group resulting from the above Restructuring Exercise is regarded as a continuing entity throughout the years ended 30 June 2011, 2012 and 2013 (“Relevant Periods”) as the Group is ultimately controlled by the common shareholders both before and after the Restructuring Exercise. Accordingly, although the Company is only incorporated on 10 October 2013, the combined financial statements of the Group for the Relevant Periods have been prepared using the principles of merger accounting on the basis that the Restructuring Exercise transfers the equity interest in the combining entities under the common control to the Company has been effected as at the beginning of the Relevant Periods presented in these combined financial statements, or since their respective dates of establishment whichever is the shorter period.

The financial statements of the Group for the years ended Relevant Periods were authorised for issue by the Board of Directors on 20 June 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS – The Group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to the Group since the beginning of the Relevant Periods.

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

- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 32 *Financial Instruments: Presentation and FRS 107 Financial Instruments Disclosure – Offsetting Financial Assets and Financial Liabilities*
- *Annual Improvements to FRS 2012*
- Amendments to FRS 36 *Impairment of Assets*

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

The management anticipates that the adoption of the above/other FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

BASIS OF COMBINATION – The Group resulting from the Restructuring Exercise as disclosed in Note 1, is one involving entities under common control. Accordingly, the combined financial statements have been accounted for using the principles of merger accounting where financial statement items of the merged entities for the reporting periods in which the common control combination occurs are included in the combined financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

All significant intercompany transactions and balances between the entities in the Group are eliminated on combination.

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

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 rate method, except for short-term balances when the recognition of interest would be immaterial.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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 continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, and are subsequently measured at amortised cost, using the effective interest rate method except for short-term balances when the recognition of interest would be immaterial.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

INVENTORIES – Inventories are stated at the lower of cost (first-in first-out method) and net realisable value. Costs comprise cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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 – 3 years
Furniture, fixtures and office renovation	–	3 – 5 years
Tools and equipment	–	3 – 5 years
Motor vehicles	–	5 – 10 years
Alert alarm systems	–	7 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, 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 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.

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.

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 related 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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.

IMPAIRMENT OF ASSETS – Assets of the Group are subject to impairment requirements as stated below.

Trade and other receivables

The amount of 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. The carrying amount is reduced through the use of an allowance account. If the receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of these 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 Company 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.

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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.

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).

Interest income

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

Rental income

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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.

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.

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 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, and is accounted for using the balance sheet liability method. 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 subsidiaries 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 entity within the Group are measured and presented in the currency of the primary economic environment in which the entity within the Group operates (its functional currency). The combined financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the combined 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.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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**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.

(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 \$2,562,000. At the inception of the agreement, management has assessed whether substantially all risk 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 23).

(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 10 to the financial statements.

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**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (cont'd)**

(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 9 to the financial statements. The contract revenue recognised as revenue amounted to \$740,772 (2012: \$1,292,131, 2011: \$771,265).

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:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
<u>Financial assets</u>			
Loans and receivables (including cash and cash equivalents)	<u>1,904,600</u>	<u>1,349,465</u>	<u>2,715,340</u>
<u>Financial liabilities</u>			
Amortised cost	<u>1,560,850</u>	<u>1,518,790</u>	<u>834,506</u>

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**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont’d)**

(b) 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 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 3 (2012: 4, 2011: 4) customers, which accounted for 91.7% (2012: 96.5%, 2011: 77.8%) of the total trade receivables.

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

(ii) Foreign currency risk management

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

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 dollar are as follows:

	Liabilities			Assets		
	2011	2012	2013	2011	2012	2013
	\$	\$	\$	\$	\$	\$
United States dollars	693,684	336,386	256,539	620,106	182,677	932,417

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**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)**

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 \$67,588 (2012: increase/decrease by \$15,371, 2011: increase/decrease \$7,358).

(iii) 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

All financial liabilities of the Group in 2011, 2012 and 2013 are interest-free, repayable on demand or current, except for loans from holding company and related company as disclosed in Note 13 to the financial statements.

Non-derivative financial assets

All the financial assets in 2011, 2012 and 2013 are repayable on demand or due within 1 year from the end of the reporting period.

(iv) 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 approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(c) *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 and accumulated profits. The Group's overall strategy remains unchanged during the Relevant Periods.

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5 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS

Prior to the Restructuring Exercise, IPST is 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 were 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.

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

	2011	2012	2013
	\$	\$	\$
<u>Former ultimate holding company</u>			
Sales	–	–	(5,095)
Purchase of services	12,000	–	–
Interest expense	4,192	–	–
Miscellaneous expense	–	–	227
<u>Holding company</u>			
Accounting and administrative services	108,000	324,419	360,000
Rental expense	144,000	110,730	77,844
Warehouse operation services	–	–	21,600
Interest expense	5,742	9,282	13,272
Miscellaneous expense	1,723	–	–
<u>Related companies</u>			
Sales	(142,670)	–	–
Other income	(40,000)	–	–
Purchases	–	–	421
Interest expense	–	3,528	2,858
<u>Related parties</u>			
Purchases	1,942	48,590	2,409

As at 30 June 2013, the former ultimate holding company provided performance guarantees of \$66,632 (2012: \$119,500, 2011: \$119,500) to third parties in relation to the Group’s performance obligations for the projects.

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**5 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS
(cont'd)**

Compensation of directors and key management personnel

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

	2011	2012	2013
	\$	\$	\$
Short-term employee benefits	292,828	290,619	385,908
Post-employment benefits	27,701	29,960	22,653
Total compensation	<u>320,529</u>	<u>320,579</u>	<u>408,561</u>

6 CASH AND CASH EQUIVALENTS

	2011	2012	2013
	\$	\$	\$
Cash on hand	12,551	4,469	7,227
Cash at bank	440,227	387,071	1,457,852
	452,778	391,540	1,465,079
Less:			
Restricted cash	(10,509)	(10,509)	(10,509)
Cash and cash equivalents in the statement of cash flows	<u>442,269</u>	<u>381,031</u>	<u>1,454,570</u>

Included in the cash at bank of the Group is amount of \$10,509 for the Relevant Periods, withdrawals from which are restricted for project purposes.

Significant cash and bank balances of the Group that are not denominated in the functional currency are as follows:

	2011	2012	2013
	\$	\$	\$
United States dollar	<u>323,672</u>	<u>109,242</u>	<u>932,417</u>

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7 TRADE RECEIVABLES

	2011	2012	2013
	\$	\$	\$
Trade receivables due from:			
Third parties	837,728	466,187	581,258
Related companies (Note 5)	142,706	–	–
Accrued revenue	59,905	199,316	161,211
Allowance for doubtful debts:			
Third parties	(97,046)	–	–
	<u>943,293</u>	<u>665,503</u>	<u>742,469</u>
Amount due from contract customers (Note 9)	<u>238,763</u>	<u>317,615</u>	<u>145,094</u>
	<u><u>1,182,056</u></u>	<u><u>983,118</u></u>	<u><u>887,563</u></u>

The average credit period on sale of goods is 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.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Management believes that there is no allowance for doubtful debts required other than those provided in the accounts, 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:

	2011	2012	2013
	\$	\$	\$
Not past due and not impaired	472,174	265,579	369,300
Past due but not impaired (i)	471,119	399,924	373,169
	<u>943,293</u>	<u>665,503</u>	<u>742,469</u>
Impaired receivables – individually assessed (ii)			
– Past due and no response to repayment demands	97,046	–	–
Less: Allowance for doubtful debts	(97,046)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Total trade receivables, net	<u><u>943,293</u></u>	<u><u>665,503</u></u>	<u><u>742,469</u></u>

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7 TRADE RECEIVABLES (cont’d)

(i) Aging of receivables that are past due but not impaired:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
<3 months	374,762	396,258	33,962
3 months to 6 months	75,524	3,666	104,005
6 months to 12 months	20,833	–	227,121
>12 months	–	–	8,081
	<u>471,119</u>	<u>399,924</u>	<u>373,169</u>

(ii) These amounts are stated before any deduction for impairment losses.

Movement in the allowance for doubtful debts:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Balance at beginning of the year	97,046	97,046	–
Write-off during the year	–	(97,046)	–
Balance at end of the year	<u>97,046</u>	<u>–</u>	<u>–</u>

Significant trade receivables of the Group that are not denominated in the functional currency are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
United States dollars	<u>202,808</u>	<u>–</u>	<u>–</u>

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8 OTHER RECEIVABLES

	2011	2012	2013
	\$	\$	\$
Other receivables due from:			
Third parties	6,754	31,157	11,650
Former ultimate holding company (Note 5)	1,036	1,077	–
Holding company (Note 5)	8,289	5,774	–
Related parties (Note 5)	133,998	111,808	–
Related companies (Note 5)	465,703	7,068	–
Allowance for doubtful debts:			
Related parties (Note 5)	(110,847)	(111,896)	–
	<u>504,933</u>	<u>44,988</u>	<u>11,650</u>
Deposits	3,596	247,434	496,142
Prepayments	7,476	3,979	11,881
	<u><u>516,005</u></u>	<u><u>296,401</u></u>	<u><u>519,673</u></u>

In 2011 and 2012, other receivables are mainly due from related parties and related companies. Management has assessed the recoverability of these receivables and has recognised allowance for doubtful debts due from related parties in view of the uncertainty over the recoverability based on its evaluation of the financial condition.

Movement in the allowance for doubtful debts:

	2011	2012	2013
	\$	\$	\$
Balance at beginning of the year	10,252	110,847	111,896
Provision during the year	100,595	1,049	–
Write-off during the year	–	–	(111,896)
Balance at end of the year	<u><u>110,847</u></u>	<u><u>111,896</u></u>	<u><u>–</u></u>

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8 OTHER RECEIVABLES (cont’d)

Significant other receivables of the Group that are not denominated in the functional currency are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
United States dollar	93,626	73,435	–

9 CONTRACT WORK-IN-PROGRESS

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Contracts work-in-progress at the end of the reporting period:			
Amount due from contract customers included in trade receivable (Note 7)	238,763	317,615	145,094
Cumulative contract cost incurred and cumulative attributable profit recognised to date	638,403	1,315,627	431,266
Less: Cumulative progress billings	(399,640)	(998,012)	(286,172)
Net	238,763	317,615	145,094
Retention monies held by customer for contract work (unbilled)	35,488	60,796	61,777

10 INVENTORIES

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Inventories, net of allowance for inventory obsolescence	468,887	358,378	335,915
Work-in-progress	112,326	27,138	94,021
	581,213	385,516	429,936

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10 INVENTORIES (cont’d)

Movement in the allowance for inventory obsolescence:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Balance at beginning of the year	–	99,944	99,944
Provision during the year	99,944	–	–
Balance at end of the year	<u>99,944</u>	<u>99,944</u>	<u>99,944</u>

11 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
At 1 July 2010	245,219	36,059	77,797	62,012	–	–	421,087
Additions	11,605	1,960	2,226	28,800	–	–	44,591
Disposals	(3,116)	–	–	(28,105)	–	–	(31,221)
At 30 June 2011	253,708	38,019	80,023	62,707	–	–	434,457
Additions	12,451	620	25,715	–	1,127,750	6,129	1,172,665
At 30 June 2012	266,159	38,639	105,738	62,707	1,127,750	6,129	1,607,122
Additions	21,536	–	3,880	–	233,619	–	259,035
Disposals	(3,965)	(5,879)	–	–	–	–	(9,844)
Transfers	–	–	–	–	6,129	(6,129)	–
At 30 June 2013	283,730	32,760	109,618	62,707	1,367,498	–	1,856,313
Accumulated depreciation:							
At 1 July 2010	206,534	26,203	48,979	62,012	–	–	343,728
Depreciation for the year	32,232	4,870	13,451	2,400	–	–	52,953
Disposal	(3,116)	–	–	(28,105)	–	–	(31,221)
At 30 June 2011	235,650	31,073	62,430	36,307	–	–	365,460
Depreciation for the year	19,717	3,022	14,057	5,760	34,868	–	77,424
At 30 June 2012	255,367	34,095	76,487	42,067	34,868	–	442,884
Depreciation for the year	14,926	2,574	10,753	5,760	188,538	–	222,551
Disposal	(3,965)	(5,879)	–	–	–	–	(9,844)
At 30 June 2013	266,328	30,790	87,240	47,827	223,406	–	655,591
Carrying amount:							
At 30 June 2013	17,402	1,970	22,378	14,880	1,144,092	–	1,200,722
At 30 June 2012	10,792	4,544	29,251	20,640	1,092,882	6,129	1,164,238
At 30 June 2011	18,058	6,946	17,593	26,400	–	–	68,997

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12 TRADE PAYABLES

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Third parties	<u>84,897</u>	<u>376,529</u>	<u>276,177</u>

These amounts are unsecured and non-interest bearing. Trade payables are normally settled within 30 days terms.

Significant trade payables of the Group that are not denominated in the functional currency are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
United States dollars	<u>18,440</u>	<u>27,299</u>	<u>256,539</u>

13 OTHER PAYABLES

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Other payables:			
Director (Note 5)	1,293	–	–
Third parties	103,895	18,347	7,780
Former ultimate holding company (Note 5)	1,571	4,189	243
Holding company (Note 5)	662,918	202,907	42,783
Related companies (Note 5)	64,155	3,537	–
Loans from:			
Holding company (Note 5)	463,540	524,233	–
Related company (Note 5)	–	175,486	–
Deferred revenue	32,922	–	–
Accruals	178,581	213,562	507,523
Advance from customers	343,391	384,701	632,265
	<u>1,852,266</u>	<u>1,526,962</u>	<u>1,190,594</u>

The loans from holding company in 2011 and 2012 and loans from related company in 2012 bore interest at 2% per annum for United States dollar denominated loan and 5% per annum for Singapore dollar denominated loan.

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13 OTHER PAYABLES (cont’d)

Significant other payables of the Group that are not denominated in the functional currency are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
United States dollar	<u>675,244</u>	<u>309,087</u>	<u>–</u>

14 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:

	\$
At 1 July 2010	12,710
Credit to profit or loss for the year (Note 20)	<u>(4,396)</u>
At 30 June 2011	8,314
Credit to profit or loss for the year (Note 20)	<u>(7,127)</u>
At 30 June 2012	1,187
Credit to profit or loss for the year (Note 20)	<u>(30,672)</u>
At 30 June 2013	<u>(29,485)</u>

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:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Deferred tax liability (asset)	<u>8,314</u>	<u>1,187</u>	<u>(29,485)</u>

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15 SHARE CAPITAL

The Company was incorporated on 10 October 2013. Accordingly, the share capital in the combined statements of financial position as at 30 June 2011, 2012 and 2013 relates to the aggregate amounts of the Group’s share of the share capital of the subsidiary, IPSS.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	Number of ordinary shares			\$	\$	\$
Issued and paid up:						
At beginning of financial year	1,500,000	1,500,000	2,200,000	1,500,000	1,500,000	2,200,000
Issuance for ordinary shares	–	700,000	–	–	700,000	–
At end of the year	<u>1,500,000</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>1,500,000</u>	<u>2,200,000</u>	<u>2,200,000</u>

On 22 September 2011, IPSS increased its share capital from \$1,500,000 to \$2,200,000 by the allotment of 700,000 ordinary shares in the capital of loss at \$1 each credited as fully paid to IPST, in partial satisfaction of a debt due to them. The newly issued shares rank pari passu in all respects with the previously issued shares.

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

16 REVENUE

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Sales of goods	1,456,566	848,533	5,971,175
Rendering of services	3,465,511	3,290,047	3,168,940
Rental income	–	50,950	347,975
	<u>4,922,077</u>	<u>4,189,530</u>	<u>9,488,090</u>

17 OTHER OPERATING INCOME

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Government grants	39,901	7,268	8,023
Net foreign exchange gain	9,703	–	–
Interest income	270	183	567
Gain on disposal of plant and equipment	3,050	–	–
Charges to related company (Note 5)	40,000	–	–
Others	5,532	9,294	5,796
	<u>98,456</u>	<u>16,745</u>	<u>14,386</u>

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18 FINANCE COSTS

	2011	2012	2013
	\$	\$	\$
Interest expense			
Former ultimate holding company (Note 5)	4,192	–	–
Holding company (Note 5)	5,742	9,282	13,272
Related company (Note 5)	–	3,528	2,858
	<u>9,934</u>	<u>12,810</u>	<u>16,130</u>

19 PROFIT (LOSS) BEFORE INCOME TAX

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

	2011	2012	2013
	\$	\$	\$
Directors’ remuneration	303,279	202,996	260,215
Employee benefit expenses (inclusive of directors’ remuneration)	1,684,613	1,706,367	1,476,129
Cost of defined contribution plans (included in employee benefit expenses)	157,323	181,023	151,555
Allowance for doubtful debts	100,595	1,049	–
Depreciation of plant and equipment ⁽¹⁾	52,953	77,424	222,551
Inventories written off	9,197	13,521	4,981
Allowance for inventory obsolescence	99,944	–	–
Inventories recognised as an expenses in cost of sales	255,177	435,165	2,341,733
Net foreign exchange (gain) loss	<u>(9,703)</u>	<u>6,190</u>	<u>11,974</u>

(1) Included in cost of sales and administrative expenses.

20 INCOME TAX (BENEFIT) EXPENSE

	2011	2012	2013
	\$	\$	\$
Current tax expense	–	–	31,172
Deferred tax benefit (Note 14)	<u>(4,396)</u>	<u>(7,127)</u>	<u>(30,672)</u>
	<u>(4,396)</u>	<u>(7,127)</u>	<u>500</u>

Domestic income tax is calculated at 17% of the estimated assessable profit for the year.

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20 INCOME TAX (BENEFIT) EXPENSE (cont’d)

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

	2011	2012	2013
	\$	\$	\$
Profit (Loss) before income tax	158,837	(246,564)	1,718,880
Income tax at statutory rate	27,002	(41,916)	292,210
Effect of expenses that are not deductible	30,522	12,727	9,827
Effect of income that are not taxable	–	(888)	(850)
Effect of utilisation of previously unrecognised and unused tax losses and capital allowances	(45,283)	–	(238,033)
Effect of tax concessions and partial exemption	(16,637)	(12,786)	(62,654)
Deferred tax asset not recognised	–	35,736	–
Tax (benefit) expense for the year	<u>(4,396)</u>	<u>(7,127)</u>	<u>500</u>

As at the end of the year, the Group has tax loss carry forwards amounting to approximately \$Nil (2012: \$1,399,629, 2011: \$1,189,416). No deferred tax asset has been recognised for the amount of \$Nil (2012: \$237,937, 2011: \$202,201) in respect of the tax losses and unutilised capital allowances due to the unpredictability of future profit streams at that time. The realisation of the future income tax benefits from the above is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

21 EARNINGS (LOSS) PER SHARE

Earnings per share for the Relevant Periods have been calculated based on the profit (loss) for the year of the Company of \$1,718,380 (2012: (\$239,437), 2011: \$163,233) and pre-placement shares of 63,000,000.

The fully diluted earnings per share and basic earnings per share are the same because there is no dilutive share.

22 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*.

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22 SEGMENT INFORMATION (cont’d)

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
- (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 (loss)		
	2011	2012	2013	2011	2012	2013
	\$	\$	\$	\$	\$	\$
Security solutions business ⁽¹⁾	2,227,830	2,140,664	6,711,948	684,224	556,928	1,955,063
Maintenance and leasing business ⁽²⁾	2,694,247	2,048,866	2,776,142	2,048,058	1,680,814	2,064,672
	<u>4,922,077</u>	<u>4,189,530</u>	<u>9,488,090</u>	<u>2,732,282</u>	<u>2,237,742</u>	<u>4,019,735</u>
Other operating income				98,456	16,745	14,386
Administrative expenses				(2,552,585)	(2,477,314)	(2,276,012)
Other operating expenses				(109,382)	(10,927)	(23,099)
Finance costs				(9,934)	(12,810)	(16,130)
Profit (Loss) before income tax				158,837	(246,564)	1,718,880
Income tax benefit (expense)				4,396	7,127	(500)
Profit (Loss) for the year				<u>163,233</u>	<u>(239,437)</u>	<u>1,718,380</u>

(1) Included sales to related companies and former ultimate holding company of \$142,670 in 2011 and \$2,700 in 2013 respectively.

(2) Included sales to former ultimate holding company of \$2,395 in 2013.

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22 SEGMENT INFORMATION (cont'd)

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 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

	2011	2012	2013
	\$	\$	\$
Security solutions business	1,088,073	487,290	969,268
Maintenance and leasing business	675,680	2,220,376	1,986,410
Total segment assets	1,763,753	2,707,666	2,955,678
Unallocated assets	1,037,296	513,147	1,576,780
Combined total assets	<u>2,801,049</u>	<u>3,220,813</u>	<u>4,532,458</u>

Segment liabilities

	2011	2012	2013
	\$	\$	\$
Security solutions business	326,986	187,339	645,383
Maintenance and leasing business	117,475	604,841	322,435
Total segment liabilities	444,461	792,180	967,818
Unallocated liabilities	1,501,016	1,112,498	486,155
Combined total liabilities	<u>1,945,477</u>	<u>1,904,678</u>	<u>1,453,973</u>

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. 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.

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22 SEGMENT INFORMATION (cont’d)

Other segment information

	2011	2012	2013
	\$	\$	\$
Depreciation:			
Maintenance and leasing business	–	34,868	188,538
Unallocated	52,953	42,556	34,013
	<u>52,953</u>	<u>77,424</u>	<u>222,551</u>
Additions to plant and equipment:			
Maintenance and leasing business	–	1,127,750	239,748
Unallocated	44,591	44,915	19,287
	<u>44,591</u>	<u>1,172,665</u>	<u>259,035</u>
Allowance for doubtful debts:			
Unallocated	100,595	1,049	–
Allowance for inventory obsolescence:			
Security solutions business	99,944	–	–

Geographical information

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

	Revenue			Non-current assets		
	2011	2012	2013	2011	2012	2013
	\$	\$	\$	\$	\$	\$
Singapore	3,117,546	3,284,234	3,538,668	68,997	1,164,238	1,200,722
Vietnam	495,161	450,148	4,468,761	–	–	–
Brunei	254,415	110,733	373,044	–	–	–
Thailand	9,489	159,322	1,602	–	–	–
Indonesia	374,228	174,450	845,882	–	–	–
Malaysia	528,568	10,643	260,133	–	–	–
Hong Kong	142,670	–	–	–	–	–
Total	<u>4,922,077</u>	<u>4,189,530</u>	<u>9,488,090</u>	<u>68,997</u>	<u>1,164,238</u>	<u>1,200,722</u>

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22 SEGMENT INFORMATION (cont’d)

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:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
<u>Security solutions business</u>			
Customer A	–	–	2,595,686
Customer B	495,161	450,148	2,227,878
Customer C	35,407	479,963	325,384
Customer D	516,444	–	249,059
	<u> </u>	<u> </u>	<u> </u>
<u>Maintenance and leasing business</u>			
Customer E	2,274,466	2,300,133	2,043,695
	<u> </u>	<u> </u>	<u> </u>

23 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group rents outs its alert alarm systems under operating lease. The rental income earned during the financial year is disclosed in Note 16.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	\$	\$
Within one year	–	353,988	353,988
In the second to fifth year inclusive	–	1,415,952	1,415,952
More than five years	–	746,194	403,224
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	2,516,134	2,173,164
	<u> </u>	<u> </u>	<u> </u>

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24 CONTINGENT LIABILITIES

As at 30 June 2013, one of its subsidiaries, IPSS provided a guarantee to its holding company in respect of loans due from holding company to former holding company with interest rate of 4% per annum amounting to \$530,000 (2012: \$530,000, 2011: \$Nil).

Management is of the view that the guarantee approximates to its fair value.

On 21 May 2014, the former ultimate holding company with the written consent of holding company and certain of its subsidiaries issued a release and discharge letter releasing IPSS from all its claims, actions, and cause of actions, whether known or unknown or whether in law or equity (including those against certain of IPST’s subsidiaries), as well as its rights, obligations and undertakings of any nature under the aforesaid loans.

25 EVENTS AFTER THE REPORTING PERIOD

At an extraordinary general meeting held on 29 May 2014, the shareholders approved, inter alia, the following:

- (i) the sub-division of 3,000,000 shares into 63,000,000 shares following the Restructuring Exercise;
- (ii) the conversion of the Company into a public company limited by shares and the consequential change of the name to “IPS Securex Holdings Limited”;
- (iii) the adoption of the new articles;
- (iv) the listing and quotation of all the issued shares (including the placement shares to be allotted and issued as part of the placement) the performance shares and the option shares to be issued (if any) on Catalist;
- (v) the allotment and issue of the placement shares which are the subject of the placement, on the basis that the placement shares, when allotted, issued and fully paid-up, will rank pari passu in all respects with the existing issued and fully paid-up shares;

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25 EVENTS AFTER THE REPORTING PERIOD (cont’d)

- (vi) the authorisation for the Directors, pursuant to Section 161 of the Companies Act, the Listing Manual and the Articles, to: (a) issue shares whether by way of rights, bonus or otherwise; (b) 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) 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 shall in their absolute discretion deem fit; and (c) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the authority was in force, provided that:
- (a) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of the instruments made or granted pursuant to this authority) does not exceed 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 (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the then existing shareholders (including shares to be issued in pursuance of instruments made or granted pursuant to this authority) does not exceed 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 (b) below);
 - (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of the issued shares shall be based on the total number of issued shares of the Company (excluding treasury shares) immediately after the placement, after adjusting for:
 - (A) new shares arising from the conversion or exercise of the instruments;
 - (B) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and
 - (C) any subsequent consolidation or bonus or sub-division of shares;
 - (c) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the articles for the time being of the Company; and

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25 EVENTS AFTER THE REPORTING PERIOD (cont’d)

- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall take effect from the Listing Date and continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier; and 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.

- (vii) the adoption of the IPS Securex Performance Share Plan (“PSP”) and that the Directors be authorised to allot and issue shares upon the release of awards granted under the PSP;

- (viii) the participation in the PSP by Chan Tien Lok, who is a controlling shareholder of the Company;

- (ix) the adoption of the IPS Securex Employee Share Option Scheme (“ESOS”) and that the Directors be authorised to allot and issue option shares upon the exercise of options granted under the ESOS;

- (x) the grant of options at a discount under the ESOS; and

- (xi) the participation in the ESOS by Chan Tien Lok, who is a controlling shareholder of the Company.

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STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements of the Group as set out on pages A-3 to A-40 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2011, 2012 and 2013 and of the results, changes in equity and cash flows of the Group for the years ended 30 June 2011, 2012 and 2013 and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Kelvin Lim Ching Song
Director

Chan Tien Lok
Director

20 June 2014

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**INDEPENDENT AUDITORS’ REVIEW REPORT ON INTERIM CONDENSED UNAUDITED
COMBINED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

20 June 2014

The Board of Directors
IPS Securex Holdings Limited
71 Tech Park Crescent
Singapore 638072

Dear Sirs,

Introduction

We have reviewed the accompanying interim condensed unaudited combined financial statements of IPS Securex Holdings Limited (the “Company”) and its subsidiaries (the “Group”) which comprise the condensed combined statement of financial position of the Group as at 31 December 2013, and the related condensed combined statements of comprehensive income, changes in equity and cash flows of the Group for the six months ended 31 December 2013, and selected explanatory notes as set out on pages B-3 to B-27. Management is responsible for the preparation of the interim condensed combined financial statements in accordance with the Singapore Financial Reporting Standard 34, *Interim Financial Reporting* (“FRS 34”). Our responsibility is to express a conclusion on the interim condensed combined financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed combined financial statements is not prepared, in all material respects, in accordance with FRS 34.

Other Matters

Other than the Group’s combined statement of financial position as at 30 June 2013 which has been audited, the comparative figures have not been audited nor reviewed.

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Restriction on Distribution and Use

This report is made solely to you as a body for inclusion in the offer document to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on the Singapore Exchange Securities Trading Limited.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Hwee Ling
Partner

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CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<u>Note</u>	<u>31 December 2013</u>	<u>30 June 2013</u>
		(Unaudited)	(Audited)
		\$	\$
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	8	1,801,200	1,465,079
Trade receivables	9	1,648,630	887,563
Other receivables	10	619,308	519,673
Inventories	12	325,392	429,936
Total current assets		<u>4,394,530</u>	<u>3,302,251</u>
Non-current assets			
Plant and equipment	13	1,195,630	1,200,722
Deferred tax asset	16	5,744	29,485
Total non-current assets		<u>1,201,374</u>	<u>1,230,207</u>
Total assets		<u><u>5,595,904</u></u>	<u><u>4,532,458</u></u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables	14	669,838	276,177
Other payables	15	1,582,704	1,190,594
Income tax payable		72,907	31,172
Total current liabilities		<u>2,325,449</u>	<u>1,497,943</u>
Capital and reserves			
Share capital	17	2,200,001	2,200,000
Accumulated profit		1,070,454	834,515
Total equity		<u>3,270,455</u>	<u>3,034,515</u>
Total liabilities and equity		<u><u>5,595,904</u></u>	<u><u>4,532,458</u></u>

See accompanying notes to financial statements

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CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME

Six months from 1 July 2013 to 31 December 2013

	Note	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
		(Unaudited) \$	(Unaudited) \$
Revenue	18	3,799,847	4,015,900
Cost of sales		(2,014,937)	(1,949,470)
Gross profit		1,784,910	2,066,430
Other operating income	19	218,473	19,648
Administrative expenses		(1,698,927)	(1,234,992)
Other operating expenses		(3,041)	(2,432)
Finance costs		–	(14,368)
Profit before income tax	20	301,415	834,286
Income tax expense	21	(65,476)	–
Profit for the period, representing total comprehensive income for the period		<u>235,939</u>	<u>834,286</u>
Basic and diluted earnings per share (cents):	22	<u>0.37</u>	<u>1.32</u>

See accompanying notes to financial statements

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CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

Six months from 1 July 2013 to 31 December 2013

	<u>Share capital</u>	<u>Accumulated profit (losses)</u>	<u>Total</u>
	\$	\$	\$
Balance at 1 July 2012 (Audited)	2,200,000	(883,865)	1,316,135
Total comprehensive income for the period	–	834,286	834,286
Balance at 31 December 2012 (Unaudited)	<u>2,200,000</u>	<u>(49,579)</u>	<u>2,150,421</u>
Balance at 1 July 2013 (Audited)	2,200,000	834,515	3,034,515
Issuance of share on incorporation of company	1	–	1
Total comprehensive income for the period	–	235,939	235,939
Balance at 31 December 2013 (Unaudited)	<u>2,200,001</u>	<u>1,070,454</u>	<u>3,270,455</u>

See accompanying notes to financial statements

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CONDENSED COMBINED STATEMENT OF CASH FLOWS

Six months from 1 July 2013 to 31 December 2013

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited) \$	(Unaudited) \$
Operating activities		
Profit before income tax	301,415	834,286
Adjustments for:		
Interest income	(323)	(226)
Interest expense	–	14,368
Depreciation of plant and equipment	112,248	111,768
Loss on disposal of plant and equipment	947	–
Inventories written down	88	622
Net foreign exchange loss	735	5,029
Operating profit before working capital changes	415,110	965,847
Trade receivables	(761,067)	(1,037,436)
Other receivables	(99,635)	(162,226)
Inventories	104,456	(1,602,949)
Trade payables	393,661	979,009
Other payables	392,110	2,347,491
Cash generated from operations	444,635	1,489,736
Interest received	323	226
Net cash from operating activities	444,958	1,489,962
Investing activity		
Purchase of plant and equipment, representing net cash used in investing activity	(108,102)	(250,065)
Financing activities		
Restricted cash	10,509	–
Interest paid	–	(3,618)
Loan repayment to holding company	–	(173,315)
Loan repayment to related company	–	(58,208)
Net cash from (used in) financing activities	10,509	(235,141)
Net increase in cash and cash equivalents	347,365	1,004,756
Effect of exchange rate changes on the balance of cash held in foreign currencies	(735)	(5,029)
Cash and cash equivalents at beginning of the period	1,454,570	381,031
Cash and cash equivalents at end of the period (Note 8)	1,801,200	1,380,758

See accompanying notes to financial statements

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NOTES TO INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS

For period ended 31 December 2013

1 GENERAL

The Company (Registration No. 201327639H) is incorporated in the Republic of Singapore with its principle place of business and the registered office at 71 Tech Park Crescent, Singapore 638072. The interim condensed combined financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of an investment holding company.

The principle activities of the Group are disclosed in the audited combined financial statements for the years ended 30 June 2011, 2012 and 2013.

In preparation for the proposed listing of the Company on the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Company underwent a restructuring exercise to streamline and rationalise the group structure which are disclosed in the audited combined financial statements for the years ended 30 June 2011, 2012 and 2013.

These interim condensed combined financial statements have been prepared solely in connection with the proposed listing of the Company on Catalist, the sponsor-supervised board of the SGX-ST.

The interim condensed combined financial statements for the Group for the six months ended 31 December 2013 were authorised for issue by the Board of Directors on 20 June 2014.

2 BASIS OF PREPARATION

The interim condensed combined financial statements have been prepared for the six months ended 31 December 2013 in accordance with Singapore Financial Reporting Standard 34 *Interim Financial Reporting* (“FRS 34”).

The interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited combined financial statements for the years ended 30 June 2011, 2012 and 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Group’s audited combined financial statements for the years ended 30 June 2011, 2012 and 2013.

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4 OPERATIONS IN THE INTERIM PERIOD

Most of the customers who are government bodies and agencies would finalise their defence and security budgets in or around the beginning of their fiscal years which typically fall within the first half of each calendar year. As the Group financial year commences on 1 July, it follows, hence, that the revenue from the security solutions business is generally stronger in the second half of each of the financial years, while there is generally no seasonality for the other customers who are commercial entities.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and key sources of estimation uncertainty made by the management remain unchanged from the last audited financial year.

6 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

There has been no change in the financial risk management of the Group and the Group’s overall capital risk management remains unchanged from last audited financial year except for foreign currency risk management as disclosed below.

Foreign currency risk management

The Group’s foreign currency exposures arose mainly from the exchange rate movements of the Singapore dollar against the United States dollar. 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 dollar are as follows:

	Liabilities		Assets	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$	\$	\$	\$
United States dollars	692,177	256,539	1,029,617	932,417

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.

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**6 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont’d)**

If the Singapore dollars were to strengthen/weaken by 10% against the United States dollars, profit will decrease/increase by \$33,744 (30 June 2013: decrease/increase by \$67,588). The Group’s sensitivity to foreign currency has decreased during the current period mainly due to increase in United States dollar sales offset with increase in United States dollar purchases from the supplier in the last period.

7 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS

The Company is a subsidiary of IPS Technologies Pte. Ltd. (“IPST”). Prior to the Restructuring Exercise, IPST is 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 were 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.

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

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
<u>Former ultimate holding company</u>		
Sales	–	(200)
IT support income	(15,150)	–
Accounting and administrative services	71,400	–
Rental expense	8,391	–
	8,391	–

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For period ended 31 December 2013

**7 HOLDING COMPANY, RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS
(cont’d)**

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited) \$	(Unaudited) \$
<u>Holding company</u>		
Accounting and administrative services	–	180,000
Rental expense	32,435	38,922
Interest expense	–	12,133
<u>Related companies</u>		
Purchases	2,258	300
Interest expense	–	2,235
<u>Related parties</u>		
Sales	(45)	–
Purchases	2,430	2,409
Warehouse operation services	18,000	–

Compensation of directors and key management personnel

The remuneration of directors and key management personnel:

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited) \$	(Unaudited) \$
Short-term employee benefits	242,700	257,624
Post-employment benefits	16,800	17,080
Total compensation	259,500	274,704

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8 CASH AND CASH EQUIVALENTS

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Cash on hand	8,246	7,227
Cash at bank	1,792,954	1,457,852
	<u>1,801,200</u>	<u>1,465,079</u>
Less:		
Restricted cash	–	(10,509)
	<u>1,801,200</u>	<u>1,454,570</u>
Cash and cash equivalents in the statement of cash flows	<u><u>1,801,200</u></u>	<u><u>1,454,570</u></u>

Included in the cash at bank of the Group was amount of \$10,509 as at 30 June 2013, withdrawals from which are restricted for project purposes. During the period ended 31 December 2013, the restricted cash was released as the bank account was closed.

Significant cash and bank balances of the Group that are not denominated in the functional currency are as follows:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
United States dollar	<u><u>826,865</u></u>	<u><u>932,417</u></u>

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9 TRADE RECEIVABLES

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Trade receivables	1,330,843	581,258
Unbilled revenue	159,538	161,211
	<u>1,490,381</u>	<u>742,469</u>
Amount due from contract customers (Note 11)	158,249	145,094
	<u><u>1,648,630</u></u>	<u><u>887,563</u></u>

The average credit period on sale of goods is 30 days terms (30 June 2013: 30 days). No interest is charged on the outstanding balance. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Management believes that there is no allowance for doubtful debts required other than those provided in the accounts, 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:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Not past due and not impaired	812,322	369,300
Past due but not impaired (i)	678,059	373,169
	<u>1,490,381</u>	<u>742,469</u>

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9 TRADE RECEIVABLES (cont’d)

(i) Aging of receivables that are past due but not impaired:

< 3 months	660,225	33,962
3 months to 6 months	8,809	104,005
6 months to 12 months	1,589	227,121
>12 months	7,436	8,081
	678,059	373,169

Significant trade receivables of the Group that are not denominated in the functional currency are as follows:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
United States dollars	202,752	–

10 OTHER RECEIVABLES

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Other receivables due from:		
Third parties	5,350	11,650
Former ultimate holding company (Note 7)	16,211	–
Holding company (Note 7)	1	–
Deposits	274,365	496,142
Prepayments	66,687	11,881
Deferred expenditure*	256,694	–
	619,308	519,673

* Deferred expenditure pertains to prepaid subcontract costs incurred for maintenance projects in the period ended 31 December 2013.

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10 OTHER RECEIVABLES (cont’d)

Movement in the allowance for doubtful debts:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Balance at beginning of the period/year	–	111,896
Write-off during the period/year	–	(111,896)
Balance at end of the period/year	–	–

11 CONTRACT WORK-IN-PROGRESS

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Contracts-in-progress at the end of the reporting period:		
Amount due from contract customers included in trade receivable (Note 9)	158,249	145,094
Cumulative contract cost incurred and cumulative attributable profit recognised to date	444,421	431,266
Less: Cumulative progress billings	(286,172)	(286,172)
Net	158,249	145,094
Retention monies held by customer for contract work (unbilled)	45,662	61,777

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12 INVENTORIES

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Inventories, net of allowance for inventory obsolescence	318,747	335,915
Work-in-progress	6,645	94,021
	<u>325,392</u>	<u>429,936</u>

13 PLANT AND EQUIPMENT

During the period ended 31 December 2013, the Group incurred approximately \$108,102 (30 June 2013: \$259,035) on acquisition of certain plant and equipment.

During the period ended 31 December 2013, the Group disposed of certain plant and equipment with a carrying amount of \$947 (30 June 2013: \$Nil) for cash proceeds of \$Nil (30 June 2013: \$Nil), resulting in loss on disposal of \$947 (30 June 2013: \$Nil).

No impairment loss was recognised during the reporting period in respect of plant and equipment.

14 TRADE PAYABLES

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Trade payables due from:		
Third parties	664,822	276,177
Related company (Note 7)	2,416	–
Related party (Note 7)	2,600	–
	<u>669,838</u>	<u>276,177</u>

These amounts are unsecured and non-interest bearing. Third parties trade payables are normally settled within 30 days terms.

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14 TRADE PAYABLES (cont'd)

Significant trade payables of the Group that are not denominated in the functional currency are as follows:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
United States dollars	485,396	256,539

15 OTHER PAYABLES

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Other payables:		
Third parties	208,177	7,780
Former ultimate holding company (Note 7)	106,413	243
Holding company (Note 7)	79,615	42,783
Related company (Note 7)	6,420	–
Accruals	685,380	507,523
Advance from customers	496,699	632,265
	<u>1,582,704</u>	<u>1,190,594</u>

Significant trade payables of the Group that are not denominated in the functional currency are as follows:

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
United States dollars	206,781	–

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16 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:

	\$
At 1 July 2012 (Audited)	1,187
Credit to profit or loss for the year	(30,672)
At 30 June 2013 (Audited)	(29,485)
Charge to profit or loss for the period (Note 21)	23,741
At 31 December 2013 (Unaudited)	(5,744)

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

17 SHARE CAPITAL

The Company was incorporated on 10 October 2013 with a share capital of \$1.

As at 30 June 2013, as the Company had not been incorporated, the share capital in the combined statement of financial position as at 30 June 2013 represents the Group’s share of the share capital of IPS Securex Pte. Ltd. (“IPSS”).

As the acquisition of IPSS by the Company is completed on 5 March 2014, the share capital in the interim condensed combined statement of financial position as at 31 December 2013 represents the aggregate amounts of the share capital of the Company and the Group’s share of the share capital of IPSS.

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

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18 REVENUE

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
Sales of goods	1,959,346	1,859,692
Rendering of services	1,663,518	1,985,216
Rental income	176,983	170,992
	<u>3,799,847</u>	<u>4,015,900</u>

19 OTHER OPERATING INCOME

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
Government grants	18,000	8,024
Net foreign exchange gain	–	11,134
Interest income	323	226
IT support income from former ultimate holding company (Note 7)	15,150	–
Forfeiture of customer’s sales deposit ⁽¹⁾	185,000	–
Others	–	264
	<u>218,473</u>	<u>19,648</u>

⁽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.

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20 PROFIT BEFORE INCOME TAX

Profit for the period has been arrived at after charging (crediting):

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
Directors’ remuneration	135,900	173,610
Employee benefit expenses (inclusive of directors’ remuneration)	881,944	862,127
Costs of defined contribution plans (included in employee benefit expenses)	95,302	72,713
Depreciation of plant and equipment ⁽¹⁾	112,248	111,915
Inventories written off	88	622
Inventories recognised as an expense in cost of sales	1,378,863	693,901
Net foreign exchange loss (gain)	625	(11,135)

⁽¹⁾ Included in cost of sales and administrative expenses.

21 INCOME TAX EXPENSE

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
Current tax expense	41,735	–
Deferred tax expense (Note 16)	23,741	–
	65,476	–

Domestic income tax is calculated at 17% of the estimated assessable profit for the period.

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21 INCOME TAX EXPENSE (cont’d)

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

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited)	(Unaudited)
	\$	\$
Profit before income tax	301,415	834,286
Income tax at statutory rate	51,241	141,829
Effect of expenses that are not deductible	75,946	6,526
Effect of income that are not taxable	(850)	(2,743)
Effect of utilisation of previously unrecognised and unused tax losses and capital allowances	–	(155,223)
Effect of tax concessions and partial exemption	(60,861)	(6,571)
Deferred tax asset not recognised	–	16,182
Tax expense for the period	<u>65,476</u>	<u>–</u>

As at the end of the period, the Group has tax loss carry forwards amounting to approximately \$Nil (31 December 2012: \$486,366). No deferred tax asset has been recognised for the amount of \$Nil (31 December 2012: \$82,682) in respect of the tax losses due to the unpredictability of future profit streams at that time. The realisation of the future income tax benefits from the above is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

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22 EARNINGS PER SHARE

Earnings per share are calculated based on the profit for the period of the Company and pre-placement shares of 63,000,000.

23 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 characteristics, 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
- (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.

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23 SEGMENT INFORMATION (cont'd)

Segment revenues and results

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

	Revenue		Net profit	
	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
	(Unaudited) \$	(Unaudited) \$	(Unaudited) \$	(Unaudited) \$
Security solutions business	2,108,694	2,472,395	1,014,843	839,865
Maintenance and leasing business ⁽¹⁾	1,691,153	1,543,505	954,979	1,225,944
	<u>3,799,847</u>	<u>4,015,900</u>	1,969,822	2,065,809
Other operating income			33,473	19,648
Administrative expenses			(1,698,927)	(1,234,992)
Other operating expenses			(2,953)	(1,811)
Finance costs			–	(14,368)
Profit before income tax			301,415	834,286
Income tax expense			(65,476)	–
Profit for the period			<u>235,939</u>	<u>834,286</u>

⁽¹⁾ Included sales to related parties of \$45 for period of 1 July 2013 to 31 December 2013, and to former ultimate holding company for period of 1 July 2012 to 31 December 2012 of \$200.

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 in the audited combined financial statements for the years ended 30 June 2011, 2012 and 2013. Segment profit represents the profit earned by each segment without allocation of 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.

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23 SEGMENT INFORMATION (cont'd)

Segment assets

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Security solutions business	2,271,253	969,268
Maintenance and leasing business	1,280,479	1,986,410
Total segment assets	3,551,732	2,955,678
Unallocated assets	2,044,172	1,576,780
Combined total assets	<u>5,595,904</u>	<u>4,532,458</u>

Segment liabilities

Security solutions business	378,029	645,383
Maintenance and leasing business	838,191	322,435
Total segment liabilities	1,216,220	967,818
Unallocated liabilities	1,109,229	530,125
Combined total liabilities	<u>2,325,449</u>	<u>1,497,943</u>

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. 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.

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24 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group rents out its alert alarm system under operating lease. The rental income earned during the period is disclosed in Note 18. In addition, the Group provided IT support income to the former ultimate holding company during the period, as disclosed in Note 7.

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

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Within one year	384,288	353,988
In the second to fifth year inclusive	1,415,952	1,415,952
More than five years	226,230	403,224
	<u>2,026,470</u>	<u>2,173,164</u>

The Group as lessee

The Group has operating lease payments for provision of group services and office and warehouse space with former ultimate holding company and inventory storage management with a related party. The lease payments during the period are disclosed in Note 7.

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

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
	\$	\$
Within one year	121,357	–
In the second to fifth year inclusive	37,138	–
	<u>158,495</u>	<u>–</u>

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24 OPERATING LEASE ARRANGEMENTS (cont’d)

On 13 February 2014, IPSS entered into an inventory storage management and handling service agreement with IPS-Lintec Asia Pacific Pte. Ltd., which commence from 1 March 2014 to 30 June 2015, at a monthly rate of \$1,880 per month. The previous agreement was superseded and terminated on 28 February 2014.

25 CONTINGENT LIABILITIES

As at 31 December 2013, one of its subsidiaries, IPSS provided a guarantee to its holding company in respect of loans due from holding company to former holding company with interest rate of 4% per annum amounting to \$530,000 (30 June 2013: \$530,000).

Management is of the view that the guarantee approximates to its fair value.

On 21 May 2014, the former ultimate holding company with the written consent of holding company and certain of its subsidiaries issued a release and discharge letter releasing IPSS from all its claims, actions, and cause of actions, whether known or unknown or whether in law or equity (including those against certain of IPST’s subsidiaries), as well as its rights, obligations and undertakings of any nature under the aforesaid loans.

26 EVENTS AFTER THE REPORTING PERIOD

At an extraordinary general meeting held on 29 May 2014, the shareholders approved, inter alia, the following:

- (i) the sub-division of 3,000,000 shares into 63,000,000 shares following the Restructuring Exercise;
- (ii) the conversion of the Company into a public company limited by shares and the consequential change of the name to “IPS Securex Holdings Limited”;
- (iii) the adoption of the new articles;
- (iv) the listing and quotation of all the issued shares (including the placement shares to be allotted and issued as part of the placement) the performance shares and the option shares to be issued (if any) on Catalist;
- (v) the allotment and issue of the placement shares which are the subject of the placement, on the basis that the placement shares, when allotted, issued and fully paid-up, will rank pari passu in all respects with the existing issued and fully paid-up shares;

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26 EVENTS AFTER THE REPORTING PERIOD (cont’d)

- (vi) the authorisation for the Directors, pursuant to Section 161 of the Companies Act, the Listing Manual and the Articles, to: (a) issue shares whether by way of rights, bonus or otherwise; (b) 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) 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 shall in their absolute discretion deem fit; and (c) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the authority was in force, provided that:
- (a) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of the instruments made or granted pursuant to this authority) does not exceed 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 (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the then existing shareholders (including shares to be issued in pursuance of instruments made or granted pursuant to this authority) does not exceed 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 (b) below);
 - (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of the issued shares shall be based on the total number of issued shares of the Company (excluding treasury shares) immediately after the placement, after adjusting for:
 - (A) new shares arising from the conversion or exercise of the instruments;
 - (B) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and
 - (C) any subsequent consolidation or bonus or sub-division of shares;
 - (c) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the articles for the time being of the Company; and

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26 EVENTS AFTER THE REPORTING PERIOD (cont’d)

- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall take effect from the Listing Date and continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier; and 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.

- (vii) the adoption of the IPS Securex Performance Share Plan (“PSP”) and that the Directors be authorised to allot and issue shares upon the release of awards granted under the PSP;

- (viii) the participation in the PSP by Chan Tien Lok, who is a controlling shareholder of the Company;

- (ix) the adoption of the IPS Securex Employee Share Option Scheme (“ESOS”) and that the Directors be authorised to allot and issue option shares upon the exercise of options granted under the ESOS;

- (x) the grant of options at a discount under the ESOS; and

- (xi) the participation in the ESOS by Chan Tien Lok, who is a controlling shareholder of the Company.

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STATEMENT OF DIRECTORS

In the opinion of the directors, the interim condensed unaudited combined financial statements of the Group as set out on pages B-3 to B-27 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the results, changes in equity and cash flows of the Group for the six months from 1 July 2013 to 31 December 2013 and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Kelvin Lim Ching Song
Director

Chan Tien Lok
Director

20 June 2014

APPENDIX C – TAXATION

The following is a discussion of certain tax matters relating to Singapore income tax, capital gains tax, stamp duty, estate duty and GST consequences in relation to the purchase, ownership and disposal of our Shares based on the current tax laws in Singapore. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. It is also not intended to be and does not constitute legal or tax advice. The discussion below is based on the assumption that our Company is a tax resident in Singapore for Singapore income tax purposes and based on certain aspects of the tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as at the date of this Offer Document. The laws, regulations and interpretations, may change at any time, and any change could be made on a retroactive basis. These laws and regulations are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts of Singapore will agree with the explanations or conclusions set out below or that changes in such laws and regulations will not occur.

You, as a prospective subscriber of our Shares, should consult your tax advisers and/or legal advisers concerning the tax consequences of owning and disposing our Shares. Neither our Company, our Directors nor any other persons involved in this Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.

1. INCOME TAX

(i) Individual Taxpayers

An individual is regarded as a tax resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore for 183 days or more, or if he ordinarily resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore. All foreign-source income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for certain income received through a partnership in Singapore) is exempt from Singapore income tax if the IRAS is satisfied that the tax exemption would be beneficial to the individual.

Singapore tax-resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 20.0%.

Non-Singapore resident individuals, subject to certain exceptions, are subject to Singapore income tax on income accrued in or derived from Singapore. They are generally subject to tax at 20.0% except for Singapore employment income which is subjected to tax at a flat rate of 15.0% or at the resident rate, whichever is higher.

(ii) Corporate Taxpayers

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

APPENDIX C – TAXATION

Corporate taxpayers are subject to Singapore income tax on income accrued in or derived from Singapore and, subject to certain exceptions, on foreign-source income received or deemed to be received in Singapore from outside Singapore. Foreign-source income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 are exempt from tax if certain prescribed conditions are met.

The corporate tax rate in Singapore is 17.0% with effect from year of assessment 2010 (i.e. financial year ended 2009). In addition, 75.0% of up to the first S\$10,000 of normal chargeable income, and 50.0% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17.0%. In addition, newly incorporated entities, subject to meeting certain conditions, will be eligible for final tax exemption on their normal chargeable income of up to S\$100,000 and the next S\$200,000 normal chargeable income will be eligible for 50.0% exemption for each company's first three consecutive years of assessment.

In the 2013 Budget, the Minister of Finance has announced that both resident and non-resident companies will enjoy a corporate income tax rebate from year of assessment 2013 to year of assessment 2015. This rebate will be based on 30.0% of the tax payable up to a maximum rebate of S\$30,000 per year of assessment.

(iii) **Dividend Distributions**

(a) **One Tier Corporate Taxation System**

Singapore adopts the One-Tier Corporate Taxation System ("**One-Tier System**"), Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax exempt (One-Tier) dividends. Such dividends are tax exempt in the hands of the shareholders.

(b) **Withholding Taxes**

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders paid by a Singapore tax resident company.

Foreign shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective home countries/countries of residence and the applicability of any double taxation agreement which their country of residence may have with Singapore.

2. **CAPITAL GAINS TAX**

In general, there is no tax on capital gains in Singapore.

Thus, any gains derived from the disposal of our Shares acquired for long-term investment will not be taxable in Singapore.

On the other hand, where the taxpayer is deemed by the IRAS to be carrying on a trade or business of dealing in shares in Singapore, gains from disposal of shares are of an income nature (rather than capital gains) and thus subject to Singapore income tax.

APPENDIX C – TAXATION

Subject to certain conditions being met, with effect from 1 June 2012 and for a period of five years, gains derived from the disposal of ordinary shares by companies will not be subjected to Singapore tax, if the divesting company holds a minimum shareholding of 20.0% of the ordinary shares in the company whose shares are being disposed for a minimum period of 24 months.

This rule does not apply to a divesting company whose gains or profits from the disposal of shares are included as part of its income based on the provisions of section 26 of the Income Tax Act (Chapter 134 of Singapore), or disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development). A new section 13Z had been added to the Income Tax Act (Chapter 134 of Singapore) via the Income Tax (Amendment) Act 2012 to provide for this rule.

In addition, Shareholders who adopt the tax treatment to be aligned with the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“FRS 39”) may be taxed on gains or losses (not being gains or losses in the nature of capital) even though no sale or disposal of our Shares is made. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of our Shares.

Other than the above, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the IRAS regards as the carrying on of a trade in Singapore.

Foreign sellers are advised to consult their own tax advisers to take into account the applicable tax laws of their respective home countries or countries of residence as well as the provisions of any applicable double taxation agreement.

3. STAMP DUTY

No stamp duty is payable on the subscription and issuance of our Shares.

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof of the consideration for, or market value of the Shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfers of our Shares through the CDP system.

4. ESTATE DUTY

Singapore estate duty has been abolished with effect from 15 February 2008.

APPENDIX C – TAXATION

5. GOODS AND SERVICES TAX (“GST”)

General

The sale of our Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST (for example, GST on brokerage) incurred by the investor in connection with the making of this exempt supply will generally become an additional cost to the investor unless the investor satisfies certain concessions.

Where our Shares are sold by a GST-registered investor to a person belonging to a country other than Singapore, the sale is a zero-rated supply (i.e. subject to GST at zero rate). Any GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with purchase and sale of our Shares.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale or holding of our Shares will be subject to GST at the prevailing rate of 7.0%. Similar services rendered contractually to an investor belonging outside Singapore should qualify for zero-rating (i.e. subject to GST at zero rate) provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

APPENDIX D – DESCRIPTION OF OUR SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles of Association (“**Articles**”). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of six months from the date of this Offer Document.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the Listing Manual, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to our Shareholders may not exceed 50.0% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company’s issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or sub-division of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the expiry of the period within which the next annual general meeting is required by law to be held, whichever is the earlier.

Shareholders

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days’ notice and the SGX-ST at least 10 clear Market Days’ notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the

APPENDIX D – DESCRIPTION OF OUR SHARES

share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if he is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if a request in writing that such a meeting be held is made by a shareholder or shareholders, holding not less than 10.0% of such of the paid-up capital which as at the date of the request carries the right of voting at general meeting.

In addition, two or more shareholders holding not less than 10.0% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing.

The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP at least 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10.0% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders

APPENDIX D – DESCRIPTION OF OUR SHARES

in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or monies carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Takeovers

Under the Singapore Code on Take-overs and Mergers (the "**Code**"), issued by the Authority pursuant to Section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any 6 month period. Under the Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (i) the following companies:
 - (a) a company;
 - (b) the parent company of (a);
 - (c) the subsidiaries of (a);
 - (d) the fellow subsidiaries of (a);
 - (e) the associated companies of (a), (b), (c) or (d); and
 - (f) companies whose associated companies include any of (a), (b), (c), (d) or (e); and
 - (g) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company with any of its pension funds and employee share schemes;

APPENDIX D – DESCRIPTION OF OUR SHARES

- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (a) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (b) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;
- (vi) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) the following persons and entities:
 - (a) an individual;
 - (b) the close relatives of (a);
 - (c) the related trusts of (a);
 - (d) any person who is accustomed to act in accordance with the instructions of (a);
 - (e) companies controlled by any of (a), (b), (c) or (d); and
 - (f) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour

APPENDIX D – DESCRIPTION OF OUR SHARES

or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder’s Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

Substantial Shareholders

The Companies Act and the Securities and Futures Act require our substantial shareholders to give notice to us and the SGX-ST of certain information, including particulars of their interest and the circumstances by which they have acquired such interest, within two business days of their becoming our substantial shareholders, being aware of any change in the percentage level of their interest and ceasing to be a substantial shareholder. “Percentage level”, in relation to a substantial shareholder, is the percentage figure ascertained by expressing the aggregate of the

APPENDIX D – DESCRIPTION OF OUR SHARES

votes attached to all the voting shares in which the substantial shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all of our voting shares, and if it is not a whole number, rounding that figure down to the next whole number.

Under the Companies Act, a person has a substantial shareholding in us if he has an interest (or interests) in one or more of our voting shares and the total votes attached to those shares are not less than 5.0% of the aggregate of the total votes attached to all of our voting shares.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum and Articles of Associations and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Accounting and Corporate Regulatory Authority. Our company registration number is 201327639H.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(i) Ability of interested directors to vote

A director who is in any way whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 156 of the Act. Subject to such disclosure, a Director shall be entitled to vote in respect of any contract or arrangement in which he is interested and he shall be taken into account in ascertaining whether a quorum is present.

(ii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by an ordinary resolution passed at a general meeting where the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided among the Directors as they may agree or failing agreement, equally.

The remuneration in the case of a Director other than an executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise in or about the business of our Company.

Subject to the provisions of the laws of Singapore, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

A Director may be party to or in any way interested in any contract or arrangement or transaction to which our Company is a party or in which our Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of our Company or any subsidiary thereof) under our Company or any other company in which our Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for our Company or any such other company in which our Company is in any way interested and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(iii) Borrowing

The Directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as a security for any debt, liability, or obligation of our Company or of any third party.

(iv) Retirement Age Limit

There is no retirement age for Directors under our Articles. Section 153(1) of the Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of our Company or authorised to continue in office as a director of our Company by way of an ordinary resolution passed at an annual general meeting of our Company.

(v) Shareholding Qualification

A Director need not be a member and shall not be required to hold any Shares.

2. Share rights and restrictions

(i) Dividends and distribution

The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of our Company.

No dividend shall be paid otherwise than out of profits or shall bear interest against our Company. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date that shall rank for dividend accordingly. Any dividend, instalment of dividend or interest in respect of any share may be paid by cheque or warrant payable to the order of the member entitled thereto, or (in the case of joint holders) of that member whose name stands first on the register of members in respect of the joint holding.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending any such application may, at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares in the Company) as the Directors may for time to time think fit.

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.

The Directors may retain any dividend or other moneys payable on or in respect of a Share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagement in respect of which the lien exists.

(ii) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or by attorney or by corporate representative, and on a show of hands every person present who is member or a representative of a member shall have one vote, provided that in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination by the chairman of the meeting (or by a person authorised by him) in his sole discretion, shall be entitled to one vote on a show of hand; and on a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share he holds. A proxy or attorney need not be a member of the Company.

Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the book containing the minutes of the proceedings of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

3. Change in capital

The company may, from time to time by ordinary resolution, whether all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation, allotment and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the company by the resolution authorising such increase directs.

4. Variation of rights of existing shares or classes of shares

Subject to the provisions of Section 74 of the Companies Act, all or any of the special rights, or privileges attached to any class of shares in the capital of the Company for the time being may, at any time, as well before as during liquidation, be modified, varied, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths (3/4) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in these articles relating to the general meetings shall mutatis mutandis apply to every such meeting, but so that the quorum thereof shall be not less than two (2) persons personally present and holding or representing by proxy one-third (1/3) of the issued shares of the class, and that any holder of shares of that class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two (2) holders of shares of that class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to lodgment of a copy of any such consent or resolution with the registrar of companies.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue the shares of that class, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles on the rights of our shareholders who are regarded as non-residents of Singapore, to hold Shares or vote in respect of their Shares.

APPENDIX F – RULES OF THE IPS SECUREX PERFORMANCE SHARE PLAN

1. NAME OF THE PSP

The PSP shall be called the “IPS Securex Performance Share Plan”.

2. DEFINITIONS

2.1 In this PSP, unless the context otherwise requires, the following words and expressions shall have the following meanings:

- “Adoption Date” : The date on which the PSP is adopted by the Company in general meeting

- “Associate” : (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - (a) his immediate family;
 - (b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - (c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and(ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more

- “Auditors” : The auditors for the time being of the Company

- “Award” : An award of Shares granted under the PSP

- “Board” : The board of Directors of the Company for the time being

- “CDP” : The Central Depository (Pte) Limited

- “Commencement Date” : The date for the commencement of the PSP

- “Committee” : The remuneration committee of the Company, or such other committee comprising directors of the Company duly authorised and appointed by the Board to administer this PSP

APPENDIX F – RULES OF THE IPS SECUREX PERFORMANCE SHARE PLAN

“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	IPS Securex Holdings Limited
“Controlling Shareholder”	:	A Shareholder who, in relation to the Company, has control, as further defined in Rule 2.2
“Director”	:	A director of the Company for the time being
“ESOS”	:	The IPS Securex Employee Share Option Scheme, as modified or supplemented from time to time
“Group”	:	The Company and its subsidiaries
“Group Employee”	:	Any confirmed full time employee of the Group (including any Group Executive Director) selected by the Committee to participate in the PSP in accordance with the provisions thereof
“Group Executive Director”	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function
“IPS Securex Performance Share Plan” or “PSP”	:	The IPS Securex Performance Share Plan, as modified or supplemented from time to time
“Listing Manual”	:	Section B of the Listing Manual: Rules of Catalist, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“New Shares”	:	The new Shares which may be issued from time to time pursuant to the vesting of Awards granted under the PSP
“Non-Executive Director”	:	A director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director
“Option”	:	The right to subscribe for Shares granted or to be granted pursuant to the ESOS
“Participant”	:	A person who is selected by the Committee to participate in the PSP in accordance with the provisions of the PSP
“Performance Targets”	:	The performance targets prescribed by the Committee to be fulfilled by a Participant for any particular period under the PSP

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“Rules”	:	The rules of the PSP, as the same may be amended or supplemented from time to time
“S\$” and “cents”	:	Singapore dollars and cents respectively
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“treasury shares”	:	Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company
“Vesting Date”	:	In relation to Shares which are the subject of an Award which has been released in accordance with Rule 10, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares will vest pursuant to Rule 10
“%” or “per cent”	:	Percentage or per centum

2.2 For the purposes of the PSP:

- (a) in relation to a Shareholder (including, where the context requires, the Company), “control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company;
- (b) unless rebutted, a person who holds, directly or indirectly, a shareholding of 15.0% or more of the Company’s total number of issued shares excluding treasury shares shall be presumed to be a Controlling Shareholder; and
- (c) in relation to a Controlling Shareholder, his “associate” shall have the meaning ascribed to it by the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of Catalist (as modified, supplemented or amended from time to time).

2.3 The terms “Depositor” and “Depository Agent” shall have the meanings ascribed to them respectively by Section 130A of the Companies Act.

2.4 Any reference in the PSP or the Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the PSP and the Rules shall have the meaning assigned to it under the Companies Act.

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2.5 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.

2.6 Any reference to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

3.1 The main objectives of the PSP are as follows:

- (i) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders;
- (ii) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of the Group;
- (iii) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- (iv) to align the interests of the Participants with the interests of the Shareholders;
- (v) to give recognition to the contributions made by the Participants to the success of the Group; and
- (vi) to retain key employees of the Company whose contributions are essential to the long-term prosperity of the Group.

4. ELIGIBILITY

4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the PSP at the absolute discretion of the Committee:

- (i) Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the date of grant of the Award; and
- (ii) Non-Executive Directors (including independent Directors) who have attained the age of 21 years on or before the date of grant of the Award.

4.2 Controlling Shareholders and Associates of the Controlling Shareholders who meet the eligibility criteria in Rule 4.1 shall be eligible to participate in the PSP provided that (i) the participation of, and (ii) the terms of each grant and the actual number of Awards granted under the PSP, to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a general meeting in separate resolutions for each such person, and the basis for seeking such Shareholders' approval will be included in the circular to Shareholders.

4.3 Participants who are also Shareholders and are eligible to participate in this Plan must abstain from voting on any resolution relating to the participation of, or grant of Awards to the Participants.

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- 4.4 The Controlling Shareholder and his Associate shall abstain from voting on the resolution in relation to his participation in this Plan and grant of Awards to him.
- 4.5 For the purposes of determining eligibility to participate in the PSP, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased, by reason only of such secondment, to be a full time employee of the Group.
- 4.6 There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by the Company or any other company within the Group.
- 4.7 Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the PSP may be amended from time to time at the absolute discretion of the Committee.

5. LIMITATIONS UNDER THE PSP

- 5.1 The total number of Shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of Shares issued and/or issuable in respect of (i) all Awards granted under the PSP; (ii) all Options granted under the ESOS; and (iii) any other share-based incentive schemes or share plans of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.
- 5.2 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the PSP.
- 5.3 The aggregate number of Shares available to the Controlling Shareholders or Associates of the Controlling Shareholders (including adjustments made in accordance with Rule 11) shall not exceed 25.0% of the Shares available under the PSP.
- 5.4 The number of Shares available to each Controlling Shareholder or Associate of the Controlling Shareholder (including adjustments made in accordance with Rule 11) shall also not exceed 10.0% of the Shares available under the PSP.

6. DATE OF GRANT

The Committee may grant Awards at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested, and hence any Shares comprised in such Awards may only be delivered, on or after the second Market Day from the date on which the aforesaid announcement is made.

7. AWARDS

- 7.1 The selection of the Participants and number of Shares which are the subject of each Award to be granted to a Participant in accordance with the PSP shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

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- 7.2 In the case of a performance-related Award, the Performance Targets will be set by the Committee depending on each individual Participant's job scope and responsibilities. The Performance Targets to be set shall take into account both the medium and long-term corporate objectives of the Group and the individual performance of the Participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. The Performance Targets could be based on criteria such as sales growth, growth in earnings and return on investment. In addition, the Participant's length of service with the Group, achievement of past Performance Targets, value-add to the Group's performance and development and overall enhancement to shareholder value, amongst others, will be taken into account.
- 7.3 As soon as reasonably practicable after an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, *inter alia*, the following:
- (i) in relation to a performance-related Award, the Performance Targets for the Participant and the period during which the Performance Targets shall be met;
 - (ii) the number of Shares to be vested on the Participant; and
 - (iii) the date by which the Award shall be vested.
- 7.4 The Committee shall take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of the Company and the pre-determined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on pre-determined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Awards are vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the PSP will comply with the relevant rules of the Listing Manual.
- 7.5 Awards are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

8. VESTING OF THE AWARDS

- 8.1 Notwithstanding that a Participant may have met his Performance Targets, no Awards shall be vested:
- (i) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;
 - (ii) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion;
 - (iii) subject to Rule 8.2, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or

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- (iv) in the event that the Committee shall, at its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the PSP (as set out in Rule 3) have not been met.

8.2 A Participant shall be entitled to an Award so long as he has met the Performance Targets notwithstanding that he may have ceased to be employed by the Group after the fulfilment of such Performance Targets. For the purpose of this Rule 8.2, the Participant may cease to be so employed in any of the following events, namely:

- (i) through ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (ii) redundancy;
- (iii) death;
- (iv) retirement at or after the legal retirement age;
- (v) retirement before the legal retirement age with the consent of the Committee; or
- (vi) any other event approved by the Committee.

9. TAKE-OVER AND WINDING UP OF THE COMPANY

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall (notwithstanding that the vesting period for the Award has not expired) be entitled to the Shares under the Awards if he has met the Performance Targets which fall within the period commencing on the date on which such offer for a take-over of the Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (i) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date on which the Performance Targets are to be met); or
- (ii) the date of expiry of the period for which the Performance Targets are to be met,

provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that the offeror intends to exercise such rights on a specified date, the Participant shall be obliged to fulfill such Performance Targets until the expiry of such specified date or the expiry date of the Performance Targets relating thereto, whichever is earlier, before an Award can be vested.

9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, notwithstanding the provisions herein and the fact that the vesting period for such Award has not expired but subject to Rule 9.5,

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to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

- 9.3 If an order or an effective resolution is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that they may have been so vested, shall be deemed or become null and void.
- 9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Awards shall so vest in the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.
- 9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

10. RELEASE OF AWARDS

- 10.1 As soon as reasonably practicable after the end of each performance period, the Committee shall review the Performance Targets specified in respect of that Award and determine whether they have been satisfied and, if so, the extent to which they have been satisfied (whether fully or partially) and the number of Shares to be released.
- 10.2 The Committee shall have the discretion to determine whether the Performance Targets have been met (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to the Company and/or any of its subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the Performance Targets if the Committee decides that a changed Performance Targets would be a fairer measure of performance.
- 10.3 Awards may only be vested, and consequently any Shares comprised in such Awards shall only be delivered, upon the Committee being satisfied that the Participant has achieved the Performance Targets.
- 10.4 Subject to the prevailing legislation and the provisions of the Listing Manual, the Company will deliver Shares to Participants upon vesting of their Awards by way of an issue of New Shares or the transfer of existing Shares held as treasury shares to the Participants.
- 10.5 In determining whether to issue New Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, the Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or purchasing existing Shares.

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- 10.6 The Committee will procure, upon approval of the Board, the allotment or transfer to each Participant of the number of Shares which are to be released to that Participant pursuant to an Award under Rule 7. Any proposed issue of New Shares will be subject to there being in force at the relevant time the requisite Shareholders' approval under the Companies Act for the issue of Shares. Any allotment of New Shares pursuant to an Award will take into account the rounding of odd lots.
- 10.7 Where New Shares are to be allotted or any Shares are to be transferred to a Participant pursuant to the release of any Award, the Vesting Date will be a trading day falling as soon as practicable after the review of the Committee referred to in Rule 10.1. On the Vesting Date, the Committee will procure the allotment or transfer of each Participant of the number of Shares so determined.
- 10.8 Where New Shares are to be allotted upon the vesting of any Award, the Company shall, as soon as practicable after allotment, where necessary, apply to the SGX-ST for the permission to deal in and for quotation of such Shares on Catalist of the SGX-ST.
- 10.9 Shares which are allotted or transferred on the release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of either:
- (i) the securities account of that Participant maintained with CDP;
 - (ii) the securities sub-account of that Participant maintained with a Depository Agent; or
 - (iii) the CPF investment account maintained with a CPF agent bank,
- in each case, as designated by that Participant. Until such issue or transfer of such Shares has been effected, that Participant shall have no voting rights nor any entitlements to dividends or other distributions declared or recommended in respect of any Shares which are the subject of the Award granted to him.
- 10.10 New Shares allotted and issued, and existing Shares held in treasury procured by the Company for transfer, on the release of an Award, shall be subject to all the provisions of the Memorandum and Articles of Association of the Company and the Companies Act, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the date of issue of the New Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
- 10.11 Shares which are allotted, and/or treasury shares which are transferred, on the vesting of an Award to a Participant, may be subject to such moratorium as may be imposed by the Committee.

APPENDIX F – RULES OF THE IPS SECUREX PERFORMANCE SHARE PLAN

11. VARIATION OF CAPITAL

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (i) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (ii) the class and/or number of Shares over which future Awards may be granted under the PSP,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine, at its own discretion, the manner in which such adjustment shall be made.

11.2 Unless the Committee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:

- (i) the issue of securities as consideration for an acquisition or a private placement of securities;
- (ii) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on Catalist of the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;
- (iii) the issue of Shares or other securities convertible into, or with rights to acquire or subscribe for, Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the PSP; and
- (iv) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company.

11.3 Notwithstanding the provisions of Rule 11.1:

- (i) the adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and
- (ii) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Participant (or his duly appointed personal representative where applicable) in writing and deliver to him (or his duly appointed personal representative where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the vesting of an Award. Any adjustment shall take effect upon such written notification being given.

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12. ADMINISTRATION OF THE PSP

- 12.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.
- 12.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the PSP) for the implementation and administration of the PSP as they think fit including, but not limited to:
- (i) imposing restrictions on the number of Awards that may be vested within each financial year; and
 - (ii) amending Performance Targets if by so doing, it would be a fairer measure of performance for a Participant or for the PSP as a whole.
- 12.3 Any decision of the Committee made pursuant to any provision of the PSP (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the number of Shares to be vested or to disputes as to the interpretation of the PSP or any rule, regulation, procedure thereunder or as to any rights under the PSP).

13. NOTICES AND ANNUAL REPORT

- 13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.
- 13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.
- 13.3 The following disclosures (as applicable) will be made by the Company in its annual report for so long as the PSP continues in operation:
- (i) the names of the members of the Committee administering the PSP;
 - (ii) in respect of the following Participants:
 - (a) Directors of the Company;
 - (b) Participants who are Controlling Shareholders and their Associates; and
 - (c) Participants (other than those in paragraph (ii)(a) and (b) above) who have received Shares pursuant to the vesting of the Awards granted under the PSP which, in aggregate, represent five per cent (5.0%) or more of the total number of Shares available under the PSP,

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the following information:

- (A) the name of the Participant;
- (B) the aggregate number of Shares comprised in Awards which have been granted to such Participant during the financial year under review;
- (C) the aggregate number of Shares comprised in Awards which have been granted to such Participant since the commencement of the PSP to the end of the financial year under review;
- (D) the aggregate number of Shares comprised in Awards which have been issued and/or transferred to such Participant pursuant to the vesting of Awards under the PSP since the commencement of the PSP to the end of the financial year under review; and
- (E) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review;

and

- (iii) such other information as may be required by the Listing Manual or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included.

14. MODIFICATIONS TO THE PSP

14.1 Any or all the provisions of the PSP may be modified and/or altered at any time and from time to time by resolution of the Committee, provided that:

- (i) any modification or alteration which would be to the advantage of Participants under the PSP shall be subject to the prior approval of Shareholders in a general meeting; and
- (ii) no modification or alteration shall be made without due compliance with the Listing Manual and such other laws or regulations as may be applicable.

14.2 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant (who is a Group Employee) shall not be affected by his participation in the PSP, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

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16. DURATION OF THE PSP

- 16.1 The PSP shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the PSP may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 16.2 The PSP may be terminated at any time at the discretion of the Committee or by an ordinary resolution of the Company in general meeting subject to all other relevant approvals which may be required and if the PSP is so terminated, no further Awards shall be offered by the Company thereunder.
- 16.3 Notwithstanding the expiry or termination of the PSP, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

17. TAXES

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the PSP shall be borne by that Participant.

18. COSTS AND EXPENSES

- 18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.
- 18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the PSP to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the PSP, including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards, shall be borne by the Company.

19. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not, under any circumstances, be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing or transferring the Shares or applying for or procuring the listing of the Shares on Catalist of the SGX-ST.

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

APPENDIX F – RULES OF THE IPS SECUREX PERFORMANCE SHARE PLAN

21. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the vesting of any Award if such issue or transfer would be contrary to the constitutive documents of the Company or any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

22. GOVERNING LAW

The PSP shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the PSP, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

RULES OF THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

1. NAME OF THE ESOS

The ESOS shall be called the “IPS Securex Employee Share Option Scheme”.

2. DEFINITIONS

2.1 In the ESOS, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Associate”	:	Has the meaning assigned to it by the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of Catalist (as amended, modified or supplemented from time to time)
“Auditors”	:	The auditors of the Company for the time being
“Awards”	:	An award of Shares granted under the PSP
“Board”	:	The board of directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Committee”	:	The remuneration committee of the Company, or such other committee comprising directors of the Company duly authorised and appointed by the Board to administer this ESOS
“Company”	:	IPS Securex Holdings Limited
“control”	:	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	A shareholder exercising control over the Company and, unless rebutted, a person who controls, directly or indirectly, 15.0% or more of the Company’s issued share capital shall be presumed to be a Controlling Shareholder of the Company
“CPF”	:	Central Provident Fund
“Date of Grant”	:	In relation to an Option, the date on which the Option is granted to a Participant pursuant to Rule 7

APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

“Director”	:	A person holding office as a director for the time being of the Company and/or its Subsidiaries, as the case may be
“ESOS”	:	The IPS Securex Employee Share Option Scheme, as the same may be modified or altered from time to time
“Executive Director”	:	A director of the Company and/or its Subsidiaries, as the case may be, who performs an executive function within the Company or the relevant Subsidiary, as the case may be
“Exercise Price”	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 9, as adjusted in accordance with Rule 10
“Grantee”	:	A person to whom an offer of an Option is made
“Group”	:	The Company and its Subsidiaries
“Group Employee”	:	Any confirmed full time employee of the Group (including any Executive Director) selected by the Committee to participate in the ESOS in accordance with Rule 4
“Listing Manual”	:	Section B of the Listing Manual: Rules of Catalist, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Price”	:	A price equal to the average of the last dealt prices for the Shares on Catalist over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
“Non-Executive Director”	:	A director of the Company and/or its Subsidiaries, as the case may be, other than an Executive Director but including the independent Directors of the Company
“Offer Date”	:	The date on which an offer to grant an Option is made pursuant to the ESOS
“Offeree”	:	The person to whom an offer of an Option is made

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“Option”	:	The right to subscribe for Shares granted or to be granted to a Group Employee pursuant to the ESOS and for the time being subsisting
“Participant”	:	The holder of an Option
“PSP”	:	The IPS Securex Performance Share Plan, as the same may be modified or altered from time to time
“Record Date”	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
“Rules”	:	Rules of the IPS Securex Employee Share Option Scheme
“securities account”	:	The securities account maintained by a Depositor with CDP
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Sponsor”	:	The sponsor appointed by the Company in accordance with the Listing Manual, for such time as the Company remains listed on the Catalist Board of the SGX-ST
“Subsidiaries”	:	Companies which are for the time being subsidiaries of the Company as defined by Section 5 of the Act; and “Subsidiary” means each of them
“Trading Day”	:	A day on which the Shares are traded on the Official List of Catalist
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent”	:	Percentage or per centum

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- 2.2 The term “Depositor”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to it by Section 130A of the Act.
- 2.3 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.4 Any reference to a time of a day in the ESOS is a reference to Singapore time.
- 2.5 Any reference in the ESOS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Unless otherwise defined, any word defined under the Act or any statutory modification thereof and used in the ESOS shall have the meaning assigned to it under the Act.

3. OBJECTIVES OF THE ESOS

- 3.1 The ESOS will provide an opportunity for Group Employees who have contributed significantly to the growth and performance of the Group (including Executive Directors) and Non-Executive Directors (including independent Directors) and who satisfy the eligibility criteria as set out in Rule 4 of the ESOS, to participate in the equity of the Company.
- 3.2 The ESOS is primarily a share incentive scheme. It recognises the fact that the services of such Group Employees are important to the success and continued well-being of the Group. Implementation of the ESOS will enable the Company to give recognition to the contributions made by such Group Employees. At the same time, it will give such Group Employees an opportunity to have a direct interest in the Company and will also help to achieve the following positive objectives:
- (i) to motivate each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
 - (ii) to retain key employees and Directors whose contributions are essential to the long-term growth and profitability of the Group;
 - (iii) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of, the Group;
 - (iv) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
 - (v) to align the interests of the Participants with the interests of the Shareholders.

4. ELIGIBILITY

- 4.1 Confirmed Group Employees (including Executive Directors) and Non-Executive Directors (including independent Director) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.

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- 4.2 Controlling Shareholders and their Associates who meet the eligibility criteria in Rule 4.1 shall be eligible to participate in the ESOS, provided that (a) the participation of, and (b) the terms of any Options to be granted and the actual number of Options to be granted under the ESOS, to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person. The Company will, at such time, provide the rationale and justification for any proposal to grant the Controlling Shareholder or his Associate any Options (including the rationale for any discount to the market price, if so proposed).

Such Controlling Shareholder and his Associate shall abstain from voting on the resolution in relation to his participation in this ESOS and the grant of Options to him.

- 4.3 For the purposes of determining eligibility to participate in the ESOS, the secondment of a confirmed Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased, by reason only of such secondment, to be a full time employee of the Group.
- 4.4 There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group.
- 4.5 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the ESOS may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

5. MAXIMUM ENTITLEMENT

- 5.1 Subject to Rules 4, 5.2, 5.3 and 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the ESOS shall be determined at the discretion of the Committee, who shall take into account criteria such as rank, past performance, years of service and potential development of the Participant.
- 5.2 The aggregate number of Shares issued and issuable in respect of all Options granted under the ESOS available to the Controlling Shareholders or Associates of the Controlling Shareholders shall not exceed 25.0% of the total number of Shares available under the ESOS.
- 5.3 The number of Shares issued and issuable in respect of all Options granted under the ESOS available to each Controlling Shareholder or Associate of a Controlling Shareholder under the ESOS shall not exceed 10.0% of the total number of Shares available under the ESOS.

6. LIMITATION ON SIZE OF THE ESOS

- 6.1 The total number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of (a) all Options granted under the ESOS; and (b) all Awards granted under the PSP; and (c) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15.0% of the number of issued Shares (including treasury shares, as defined in the Act) on the day immediately preceding the Offer Date of the Option.

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7. OFFER DATE

- 7.1 The Committee may, save as provided in Rules 4, 5 and 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the ESOS is in force, except that no Option shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results (as the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.

An offer to grant the Option to a Grantee shall be made by way of a letter (the "**Letter of Offer**") in the form or substantially in the form set out in Schedule A, subject to such amendments as the Committee may determine from time to time.

8. ACCEPTANCE OF OFFER

- 8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within 30 days after the relevant Offer Date and not later than 5.00 p.m. on the 30th day from such Offer Date (i) by completing, signing and returning to the Company the acceptance form (the "**Acceptance Form**") in or substantially in the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration and (ii) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the ESOS in accordance with these Rules.

The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares.

If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8.1, such offer shall, upon the expiry of the 30 day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.

- 8.2 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or exercise notice (the "**Exercise Notice**") in or substantially in the form set out in Schedule C given pursuant to Rule 12 which does not strictly comply with the terms of the ESOS.
- 8.3 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.
- 8.4 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 8.5 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:

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- (i) it is not accepted in the manner as provided in Rule 8.1 within the 30 day period;
- (ii) the Grantee dies prior to his acceptance of the Option;
- (iii) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option;
- (iv) the Grantee being a Group Employee ceases to be in the employment of the Group or (being a Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
- (v) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

9. EXERCISE PRICE

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:

- (i) a price equal to the Market Price; or
- (ii) a price which is set at a discount to the Market Price, provided that:
 - (a) the maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
 - (b) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

9.2 In making any determination under Rule 9.1(ii) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

- (i) the performance of the Company and/or its Subsidiaries, as the case may be;
- (ii) the years of service and individual performance of the eligible Group Employee or Director;
- (iii) the contribution of the eligible Group Employee or Director to the success and development of the Company and/or the Group; and
- (iv) the prevailing market conditions.

9.3 In the event that the Company is no longer listed on Catalist or any other relevant stock exchange or trading in the Shares on Catalist or such stock exchange is suspended for any

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reason for 14 days or more, the Exercise Price for each Share in respect of which an Option is exercisable shall be the fair market value of each such Share as determined by the Committee in good faith.

10. ALTERATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

- (i) the Exercise Price for the Shares, class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (ii) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

may be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made:

- (i) if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (ii) unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

10.3 The issue of securities as consideration for an acquisition of any assets by the Company, or the cancellation of issued Shares purchased or acquired by the Company by way of market purchase of such Shares undertaken by the Company on Catalist during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not be regarded as a circumstance requiring adjustment under the provisions of this Rule 10, unless the Committee considers an adjustment to be appropriate, having due regard to the interests of Shareholders and Participants.

10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 10.

10.5 Upon any adjustment required to be made pursuant to this Rule 10, the Company shall notify each Participant (or his duly appointed personal representative) in writing and deliver to him (or, where applicable, his duly appointed personal representative) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

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11. OPTION PERIOD

- 11.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offer Date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offer Date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:
- (i) subject to Rules 11.4, 11.5 and 11.6, upon the Participant ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever;
 - (ii) upon the bankruptcy of the Participant or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option; or
 - (iii) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(i), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 11.4 If a Participant ceases to be employed by the Group by reason of his:
- (i) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
 - (ii) redundancy;
 - (iii) retirement at or after a legal retirement age; or
 - (iv) retirement before that age with the consent of the Committee,

or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

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11.5 If a Participant ceases to be employed by a Subsidiary:

- (i) by reason of the Subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or
- (ii) for any other reason, provided the Committee gives its consent in writing,

he may, at the absolute discretion of the Committee, exercise any unexercised Options within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representative of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.7 If a Participant, who is also an Executive Director, ceases to be a Director for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

12. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES

12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C (the “**Exercise Notice**”), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by cheque, cashier’s order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the abovementioned Notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

12.2 Subject to:

- (i) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary; and
- (ii) compliance with the Rules, the Act and the Memorandum and Articles of Association of the Company, the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within 10 Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot the Shares in respect of which such Option has been exercised by the Participant and within five Market Days from the date of such allotment, despatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

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- 12.3 The Company shall, if necessary, as soon as practicable after the exercise of an Option, apply for the listing and quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.
- 12.4 Shares which are allotted on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of CDP to the credit of the securities account of the Participant maintained with CDP, the Participant's securities sub-account with a CDP Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 12.5 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.
- 12.6 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

13. MODIFICATIONS TO THE ESOS

- 13.1 Any or all the provisions of the ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:
- (i) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which, in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) of the total number of Shares which would fall to be allotted upon exercise in full of all outstanding Options;
 - (ii) any modification or alteration which would be to the advantage of Participants under the ESOS shall be subject to the prior approval of the Shareholders in general meeting; and
 - (iii) no modification or alteration shall be made without the prior approval of the Sponsor or (if required) any other stock exchange on which the Shares are quoted and listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(i), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

- 13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the Sponsor) amend or alter the ESOS in any way to the extent necessary to cause the ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body.

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13.3 Written notice of any modification or alteration made in accordance with this Rule 13 shall be given to all Participants.

14. DURATION OF THE ESOS

14.1 The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years, commencing on the date on which the ESOS is adopted by the Company in general meeting. Subject to compliance with any applicable laws and regulations in Singapore, the ESOS may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

14.2 The ESOS may be terminated at any time by the Committee or by ordinary resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the ESOS is so terminated, no further Options shall be offered by the Company hereunder.

14.3 The termination, discontinuance or expiry of the ESOS shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

15. TAKE-OVER AND WINDING UP OF THE COMPANY

15.1 In the event of a take-over offer being made for the Company, Participants holding Options as yet unexercised (including Participants holding Options which are then not exercisable pursuant to the provisions of Rules 11.1 and 11.2) shall, notwithstanding Rules 11 and 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part during the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (i) the expiry of six months thereafter, unless prior to the expiry of such six month period, at the recommendation of the offeror and with the approvals of the Committee and the Sponsor, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (ii) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void, provided always that;

- (a) if, during such period, the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void; and

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- (b) the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11.3, remain exercisable until the expiry of the Option Period.
- 15.2 If, under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another corporation or corporations, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rules 11.1 and 11.2) shall, notwithstanding Rules 11 and 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, provided always that the date of exercise of any Option shall be before the expiry of the relevant Option Period.
- 15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 15.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provision of this Rule 15.4) and thereupon, each Participant (or his personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the shares in respect of which the notice is given whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.
- 15.5 If, in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 If the events stipulated in this Rule 15 should occur, to the extent that an Option is not exercised within the respective periods referred to herein in this Rule 15, it shall lapse and become null and void.

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16. ADMINISTRATION OF THE ESOS

- 16.1 The ESOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred upon it by the Board.
- 16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the ESOS) as it may consider necessary, desirable or expedient for it to administer and give effect to the ESOS.
- 16.3 Any decision of the Committee, made pursuant to any Rule of the ESOS (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Rules of the ESOS or any rule, regulation or procedure thereunder or as to any rights under the ESOS).
- 16.4 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Options to be granted to him.

17. NOTICES

- 17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.
- 17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

18. TERMS OF EMPLOYMENT UNAFFECTED

- 18.1 The ESOS or any Option shall not form part of any contract of employment between the Company or any Subsidiary (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the ESOS or any right which he may have to participate in it or any Option which he may hold and the ESOS or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 18.2 The ESOS shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against the Company or any Subsidiary.

19. TAXES

- 19.1 All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the ESOS shall be borne by that Participant.

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20. COSTS AND EXPENSES OF THE ESOS

- 20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.
- 20.2 Save for such costs and expenses expressly provided in the Rules to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the ESOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

21. CONDITION OF OPTION

- 21.1 Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to the constitutive documents of the Company or any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country.

22. DISCLAIMER OF LIABILITY

- 22.1 Notwithstanding any provisions herein contained and subject to the Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the ESOS, including but not limited to the Company's delay in allotting and issuing the Shares or in applying for or procuring the listing of the Shares on Catalist (or any other relevant stock exchange).

23. DISCLOSURE IN ANNUAL REPORT

- 23.1 The Company shall make the following disclosure in its annual report:
- 23.1.1 The names of the members of the Committee;
- 23.1.2 The information required in the table below for the following Participants (which for the avoidance of doubt, shall include Participants who have exercised all their Options in any particular financial year):
- (i) participants who are Directors of the Company;
 - (ii) participants who are Controlling Shareholders of the Company and their Associates; and
 - (iii) Participants, other than those in (i) and (ii) above, who receive 5.0% or more of the total number of Options available under the scheme.

APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the ESOS to end of financial year under review	Aggregate Options exercised since commencement of the ESOS to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
---------------------	----------------------------------------------------------------------	------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------	------------------------------------------------------------------------

23.1.3 In respect of Options granted to directors and employees of the parent company and its subsidiaries:

- (i) the names of and number and terms of Options granted to each director or employee of the parent company and its subsidiaries who receives 5.0% or more of the total number of Options available to all directors and employees of the parent company and its subsidiaries under the scheme, during the financial year under review; and
- (ii) the aggregate number of Options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the scheme to the end of the financial year under review.

23.1.4 The number and proportion of Options granted at the following discounts to average market value of the Shares in the financial year under review:

- (i) Options granted at up to 10.0% discount; and
- (ii) Options granted at between 10.0% but not more than 20.0% discount.

Provided that if any of the above requirements is not applicable, an appropriate negative statement must be included.

24. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the ESOS shall abstain from voting on any Shareholders' resolution relating to the ESOS.

25. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

26. GOVERNING LAW

The ESOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the ESOS, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

SCHEDULE A

IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the IPS Securex Employee Share Option Scheme (the “**ESOS**”), you have been nominated to participate in the ESOS by the Committee (the “**Committee**”) appointed by the Board of Directors of IPS Securex Holdings Ltd. (the “**Company**”) to administer the ESOS. Terms as defined in the Rules of the ESOS shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option (the “**Option**”), to subscribe for and be allotted _____ Shares at the price of S\$_____ per Share.
3. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
4. The Option shall be subject to the terms of the ESOS, a copy of which is available for inspection at the business address of the Company.
5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully,
For and on behalf of
IPS Securex Holdings Limited

Name:
Designation:

**APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE
OPTION SCHEME**

SCHEDULE B

IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee,
IPS Securex Holdings Limited
71 Tech Park Crescent
Singapore 638072

Closing Date for Acceptance of Offer	:	_____
Number of Shares Offered	:	_____
Exercise Price for each Share	:	S\$ _____
Total Amount Payable	:	S\$ _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and ESOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at S\$ _____ per Share. I enclose cash for S\$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of S\$1.00 from my salary in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of Shares in the Company or Options to subscribe for such Shares.

I further acknowledge and confirm that you have not made any representation to induce me to accept the offer in respect of the said Option and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

**APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE
OPTION SCHEME**

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

Note:

* Delete where inapplicable

**APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE
OPTION SCHEME**

SCHEDULE C

IPS SECUREX EMPLOYEE SHARE OPTION SCHEME

EXERCISE NOTICE

Total number of ordinary shares (the “ Shares ”) offered at S\$_____ per Share (the “ Exercise Price ”) under the ESOS on _____ (Date of Grant)	:	
Number of Shares previously allotted thereunder	:	
Outstanding balance of Shares to be allotted thereunder	:	
Number of Shares now to be subscribed	:	

To: The Committee,
IPS Securex Holdings Limited
71 Tech Park Crescent
Singapore 638072

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for _____ Shares in IPS Securex Holdings Limited (the “**Company**”) at S\$_____ per Share.
2. I enclose a *cheque/cashiers order/banker’s draft/postal order no. _____ for S\$_____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the IPS Securex Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited (“**CDP**”) for credit of my *securities account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

**APPENDIX G – RULES OF THE IPS SECUREX EMPLOYEE SHARE
OPTION SCHEME**

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No : _____

*Direct Securities Account No. : _____

OR

*Sub Account No. : _____

Name of Depository Agent : _____

OR

*CPF Investment Account No. : _____

Name of Agent Bank : _____

Signature : _____

Date : _____

Note:

* Delete where inapplicable

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APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for the Placement Shares at the Placement Price for each Placement Share subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 PLACEMENT SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF PLACEMENT SHARES WILL BE REJECTED.**
2. Your application for the Placement Shares may only be made by way of printed **BLUE** Placement Shares Application Forms or such other forms of application as the Sponsor, Issue Manager and Placement Agent deem appropriate.

YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE PLACEMENT SHARES.

3. **You (not being an approved nominee company) are allowed to submit only one application in your own name for the Placement Shares.**

If you, being other than an approved nominee company, have submitted an application for the Placement Shares in your own name, you should not submit any other application for the Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Sponsor, Issue Manager and Placement Agent.

Joint and multiple applications for the Placement Shares may be rejected at the discretion of our Company and the Sponsor, Issue Manager and Placement Agent. If you submit or procure submissions of multiple share applications for the Placement Shares, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Sponsor, Issue Manager and Placement Agent.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application may be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application may be rejected.
8. **If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Sponsor, Issue Manager and Placement Agent reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance or remittances which are not honoured upon their first presentation. Our Company and the Sponsor, Issue Manager and Placement Agent further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company and the Sponsor, Issue Manager and Placement Agent reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Sponsor, Issue Manager and Placement Agent with regards hereto will be entertained. In deciding the basis of allotment, which shall be at the discretion of our Company and the Sponsor, Issue Manager and Placement Agent, due consideration will be given to the desirability of allotting the Placement Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares and this basis of allotment of the Placement Shares shall be made public as soon as practicable through a SGXNET announcement to be posted on the internet at the SGX-ST's website at <http://www.sgx.com> and through an advertisement in a local English newspaper.
11. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Placement Shares allotted to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue or transfer of the Placement Shares allotted to you.

12. In the event that a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the Placement Shares and:

- (i) where the Placement Shares have not been issued to the applicants, we shall either:
 - (a) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document; or
 - (b) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (c) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we shall, within seven days from the date of lodgement of the supplementary or replacement offer document, pay to the applicants all monies which they have paid on account of their applications for the Placement Shares without interest or any share of revenue or other benefit arising therefrom at the applicants' own risk, and the applicants shall not have any claim whatsoever against our Company and the Sponsor, Issue Manager and Placement Agent; or
- (ii) where the Placement Shares have been issued to the applicants but trading has not commenced, we shall either:
 - (a) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Placement Shares which they do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document; or

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (b) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Placement Shares which they do not wish to retain title in; or
- (c) treat the issue of the Placement Shares as void, in which case the issue shall be deemed void and we shall, within seven days from the date of lodgement of the supplementary or replacement offer document, pay to the applicants all monies which they have paid on account of their applications for the Placement Shares without interest or any share of revenue or other benefit arising therefrom at the applicants' own risk, and the applicants shall not have any claim whatsoever against our Company and the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (i)(a) or (b) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we shall, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Placement Shares, without interest or any share of revenue or other benefit arising therefrom, at his own risk and he shall not have any claim against our Company or the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (ii)(a) or (b) above to return the Placement Shares issued to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Placement Shares, to us, whereupon we shall, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Placement Shares, without interest or any share of revenue or other benefit arising therefrom at his own risk, and the issue of those Placement Shares shall be deemed to be void and he will not have any claim against our Company or the Sponsor, Issue Manager and Placement Agent.

- 13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Placement Shares allotted to you pursuant to your application, to us, the Sponsor, Issue Manager and Placement Agent and any other parties so authorised by the foregoing persons.
- 14. Any reference to "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Placement Shares by way of an Application Form or such other forms of application as the Sponsor, Issue Manager and Placement Agent may deem appropriate.
- 15. By completing and delivering an Application Form or such other forms of application as the Sponsor, Issue Manager and Placement Agent may deem appropriate in accordance with the provisions of this Offer Document, you:
 - (i) irrevocably offer, agree and undertake to subscribe for the number of Placement Shares specified in your application (or such smaller number for which the application is accepted) at the Placement Price for each Placement Share and agree that you will

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

accept such Placement Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Offer Document, the Application Forms and the Memorandum and Articles of Association of our Company;

- (ii) agree that the aggregate Placement Price for the Placement Shares applied for is due and payable to our Company upon application;
 - (iii) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Sponsor, Issue Manager and Placement Agent in determining whether to accept your application and/or whether to allot any Placement Shares to you; and
 - (iv) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and neither our Company nor the Sponsor, Issue Manager and Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications for the Placement Shares will be conditional upon, *inter alia*, our Company being satisfied that:
- (i) the Placement Shares have been issued;
 - (ii) permission has been granted by the SGX-ST for the listing and quotation of all our existing issued Shares and the Placement Shares, the Performance Shares and the Option Shares on Catalist;
 - (iii) the Management and Sponsorship Agreement referred to in the section entitled “**Management and Placement Arrangements**” of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
 - (iv) the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority has not served a stop order (“**Stop Order**”) which directs that no or no further Placement Shares to which this Offer Document relates be allotted.
17. In the event that a Stop Order in respect of the Placement Shares is served by the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority, and:
- (i) in the case where the Placement Shares have not been issued to the applicants, the applications of the Placement Shares pursuant to the Placement shall be deemed to have been withdrawn and cancelled and our Company shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or
 - (ii) in the case where the Placement Shares have been issued to the applicants, the issue of the Placement Shares pursuant to the Placement shall be deemed to be void and our Company shall, within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the Placement Shares.

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Such monies paid in respect of your application will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us or the Sponsor, Issue Manager and Placement Agent. This shall not apply where only an interim Stop Order has been served.

18. In the event that an interim Stop Order in respect of the Placement Shares is served by the Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority, no Placement Shares shall be issued to you during the time when the interim Stop Order is in force.
19. The Authority, the SGX-ST (acting as agent on behalf of the Authority) or other competent authority is not able to serve a Stop Order in respect of the Placement Shares if the Placement Shares have been issued, listed for quotation on a securities exchange and trading in the Placement Shares has commenced.
20. We will not hold any application in reserve.
21. We will not allot, issue or sell Shares on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.
22. Additional terms and conditions for applications using Application Forms are set out on pages H-6 to H-9 of this Offer Document.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in Appendix H – “**Terms, Conditions and Procedures for Application and Acceptance**” of this Offer Document, as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Placement Shares must be made using the **BLUE** Application Forms accompanying and forming part of this Offer Document or such other forms of application as the Sponsor, Issue Manager and Placement Agent may deem appropriate for the Placement Shares.

We draw your attention to the detailed instructions contained in the Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company and the Sponsor, Issue Manager and Placement Agent reserve the right to reject any application which do not conform strictly to the instructions set out in the Application Form and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper forms of remittance or remittances which was not honoured upon their first presentation.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are a non-individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your memorandum and articles of association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your memorandum and articles of association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer Office. Our Company and the Sponsor, Issue Manager and Placement Agent reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (i) You must complete Sections A and B and sign on page 1 of the Application Form.
 - (ii) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (iii) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.

6. You may apply and make payment for the Placement Shares using cash only. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Placement Shares applied for, in the form of a **BANKER’S DRAFT** or **CASHIER’S ORDER** drawn on a bank in Singapore, made out in favour of “**IPS SECUREX SHARE ISSUE ACCOUNT**” crossed “**A/C PAYEE ONLY**”, and with your name and address written clearly on the reverse side. **Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED.** We will reject remittances bearing “**NOT TRANSFERABLE**” or “**NON TRANSFERABLE**” crossings. The completed and

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

signed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **IPS SECUREX HOLDINGS LIMITED c/o Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623**, to arrive by **12.00 noon on 26 June 2014 or such other time as our Company may, in consultation with the Sponsor, Issue Manager and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement or receipt will be issued by our Company or the Sponsor, Issue Manager and Placement Agent for applications and application monies received.

7. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Placement is cancelled by us following the termination of the Management and Sponsorship Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within five Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of a Stop Order by the Authority, the SGX-ST (acting as an agent on behalf of the Authority) or other competent authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the Stop Order.
8. Capitalised terms used in the Application Form and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
9. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement, and if, in any such event, our Company and/or the Sponsor, Issue Manager and Placement Agent does not receive your Application Form, you shall have no claim whatsoever against our Company, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement for the Placement Shares applied for or for any compensation, loss or damage.
10. By completing and delivering the Application Form, you agree that:
 - (i) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 26 June 2014** or such other time or date as our Company may, in consultation with the Sponsor, Issue Manager and Placement Agent, decide:

APPENDIX H – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (a) your application is irrevocable; and
- (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
- (ii) neither our Company, the Sponsor, Issue Manager and Placement Agent nor any other party involved in the Placement shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
- (iii) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (iv) in respect of the Placement Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
- (v) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (vi) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Sponsor, Issue Manager and Placement Agent or any other person involved in the Placement shall have any liability for any information not so contained;
- (vii) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Sponsor, Issue Manager and Placement Agent or other authorised operators; and
- (viii) you irrevocably offer, agree and undertake to subscribe for the number of Placement Shares applied for as stated in the Application Form or any smaller number of such Placement Shares that may be allotted to you in respect of your application. In the event that our Company decides to allot a smaller number of Placement Shares or not to allot any Placement Shares to you, you agree to accept such decision as final.

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IPS SECUREX HOLDINGS LIMITED

71 Tech Park Crescent
Singapore 638072
<http://www.ips-securex.com/>
Tel: + (65) 6863 4385
Fax: + (65) 6863 6270