

## Annual Reports and Related Documents::



## Issuer &amp; Securities

<b>Issuer/ Manager</b>	IPS SECUREX HOLDINGS LIMITED
<b>Securities</b>	IPS SECUREX HOLDINGS LIMITED - SG1BJ0000005 - 42N
<b>Stapled Security</b>	No

## Announcement Details

<b>Announcement Title</b>	Annual Reports and Related Documents
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<b>Submitted By (Co./ Ind. Name)</b>	Kelvin Lim Ching Song
<b>Designation</b>	Executive Director and Group Chief Executive Officer
<b>Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)</b>	Please refer to the attached.

## Additional Details

<b>Period Ended</b>	30/06/2016
<b>Attachments</b>	<p> <a href="#">IPS - Annual Report.pdf</a></p> <p> <a href="#">IPS - Circular.pdf</a></p> <p>Total size =4722K</p>

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**LOOKING AHEAD**  
TO CREATE A SAFER WORLD

2016 ANNUAL REPORT

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A pdf of the full Annual Report and further information about the Group and our businesses can be found online at our website: [www.ips-securex.com](http://www.ips-securex.com)

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	PROXY FORM

This annual report ("Annual Report") has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this Annual Report.

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

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



## CORPORATE PROFILE

### A leading one-stop security solutions provider with a significant and established regional market

IPS Securex Holdings Limited (“IPS Securex” or the “Company” and, together with its subsidiaries, the “Group”) was listed on the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) in 2014. The Group has established itself as one of Singapore’s leading providers of security products and integrated security solutions to commercial entities and government bodies and agencies in the Asia-Pacific.

Since 2000, the Group has been providing a diverse base of customers with security products and integrated security solutions which are deployed to address various security

requirements, including, checkpoint security, law enforcement and the protection and surveillance of buildings and critical infrastructure. The Group carries over 100 types of security products with distribution rights for certain of these products spanning the Asia-Pacific.

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

## CHAIRMAN'S STATEMENT



Given the recent spates of terrorist attacks, civil unrests and international disputes, the Group expects government agencies in the region to continue to spend on homeland security, which the Group believes will continue to propel demand for its security products and integrated security solutions.

### Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of IPS Securex Holdings Limited ("IPS Securex" or the "Company" and, together with its subsidiaries, the "Group") for the financial year ended 30 June ("FY") 2016 (the "Annual Report").

#### INCREASING SECURITY THREATS

Terrorist attacks continue to make headlines all over the world and we are also seeing increased incidence of civil and political unrests. In the Asia-Pacific, terrorism remains a constant threat, especially with regards to the Islamic State in Iraq and Syria ("ISIS") militant group.

Recent events remind us of the persistent security threats, which Southeast Asian societies face today. In August 2015, a bombing took place inside the Erawan Shrine at the Ratchaprasong intersection in Pathum Wan District, Bangkok, Thailand, killing twenty people and injuring 125. In January 2016, ISIS-inspired attacks in central Jakarta left four dead and over twenty injured. In May 2016, eight Bangladeshi men working in Singapore, who were planning to stage terror attacks back home in Bangladesh, were detained under the Internal Security Act ("ISA") in Singapore. In June 2016, the first successful ISIS assault in Malaysia occurred in the form of a grenade attack on a nightspot in Puchong, Selangor, leaving eight people injured. Further, a series of coordinated bomb

attacks across five provinces in Thailand in August 2016, left four dead and 34 injured.

The emergence of ISIS is illustrative of how resilient and evolved terrorism has become. Because of this, governments are forced to remain ever vigilant to ISIS-related developments and must be prepared to constantly enhance their counter-terrorism strategies, cross border co-operation, homeland security strategies and monitoring and control measures in response to the threats. In his recent National Day Rally speech, Singapore's Prime Minister Lee Hsien Loong shared that the Singapore authorities have been quietly acting against terrorist plots in Singapore. They have stepped-up patrols and increased the protection of major events and prominent premises due to these security threats.

On top of acts of terrorism, there are also sporadic incidences of unrests, such as, civil unrests and/or armed conflicts in certain Asian countries, as well as, internationally, disputes in the South China Sea and North Korea's nuclear programme, for example, which add on to security concerns.

#### SERVING SECURITY NEEDS

The increasing complexity of today's security threats requires comprehensive initiatives and security measures in the areas of deterrence, protection and vigilance from governments and communities. The Group is constantly



building up its portfolio of products and services so as to provide solutions that will help its customers in the Asia-Pacific to deal with the security threats mentioned above. In doing so, the Group is also positioning itself to be the go-to gateway for new security technologies for the Asia-Pacific and the Group believes that its track record thus far speaks for itself. For example, UnderSea Sensor Systems, Inc. (“USSI”) entered into a new HyperSpike Reseller Agreement with the Company’s wholly-owned subsidiary, IPS Securex Pte. Ltd., with effect from 1 February 2016 for another five-year period to market and sell USSI’s Hyperspike products, including its range of Hyperspike Acoustic Hailing Devices (“AHDs”), which includes China as a new market on an exclusive basis.

I am also happy to report that we have rolled out the first set of product trials for the Hyperwhistle, which is positioned to be the world’s smallest and loudest whistle, together with Wattre Corporation (“Wattre”) and United Tactical Systems LLC (“UTS”) and will look to complete its development and to co-manufacture it for sale in global markets. The Group is also in discussions with UTS on co-manufacturing their PepperBall product

components, including product assembly and servicing, and will keep shareholders of the Company (“Shareholders”) apprised once there are material developments.

The Group’s Maintenance and Leasing Business has also been steadily growing, due to the provision of after-sales services to customers so as to ensure a high level of performance for the security products and solutions they procure from the Group. It also allows the Group to provide critical feedback to its principals where necessary, and to better understand customers’ needs so as to address them.

### LOOKING AHEAD

It has been 15 years since the September 11 attacks and acts of terrorism are now increasingly prevalent, coming with little warning and in more unpredictable ways. As a result, governments around the world cannot help but place security as a top priority. According to Homeland Security Research Corp.<sup>1</sup>, the Asia-Pacific Homeland Security & Public Safety<sup>2</sup> market is forecasted to grow at a compounded annual growth rate of 10.7% throughout the 2015-2022 period.

Given the recent spates of terrorist attacks, civil unrests and international

disputes, the Group expects government agencies in the region to continue to spend on homeland security, which the Group believes will continue to propel demand for its security products and integrated security solutions. In addition, to help existing customers upgrade their security products and solutions to expand sales of existing products like HyperSpike AHDs and newer products such as Accipiter Radar and PepperBall, the Group is also looking to expand its business further afield in North Asia over the coming few years. The Group will continue to acquire and develop innovative security products and solutions to keep ahead of rapidly changing security challenges.

### IN APPRECIATION

On behalf of the Board, we would like to extend our gratitude to the management team and employees for their dedication and commitment in FY2016. Most importantly, we would like to express our sincere appreciation to our Shareholders for their continued support and trust in the Group. Last but not least, I look forward to a rewarding year ahead as we continue to work hard to deliver better returns and value to Shareholders as a one-stop premier security solutions provider in the Asia-Pacific.

1 Homeland Security Research Corp. is an international market and technology research firm specializing in the Homeland Security & Public Safety industry. Link: <http://homelandsecurityresearch.com>

2 Includes aviation, borders, maritime, and perimeter security, along with critical infrastructure security, land transportation security, cyber security, Chemical, Biological, Radiological and Nuclear Defense (“CBRNE Defense”) mitigation systems and police modernisation.

## GROUP CEO'S STATEMENT



### Dear Shareholders,

On behalf of the Board and management of the Group, I am pleased to present the Group's FY2016 business review.

On the whole, the Group recorded a slight increase in its net profit for FY2016 despite a decrease in revenue. The decrease in revenue was due to a decrease in the sales of Acoustic Hailing Systems to customers in Indochina<sup>1</sup> as well as the decrease in demand for security solutions products by customers in the Rest of Southeast Asia<sup>2</sup> and Singapore. This was partially offset by the increase in the sales of Acoustic Hailing Systems to customers in the Rest of Southeast Asia and the increase in demand for integrated security solutions in Indochina and Singapore.

Additionally, the Group also saw the delay in delivery for a purchase order amounting to a contract value of US\$2.42 million, which contributed to the lower revenue in FY2016 from the Group's Security Solutions Business.

On the whole, the Group believes that security will continue to be a primary concern for many countries in the

Asia-Pacific where its customers are. This trend will continue to bode well for both our Security Solutions and Maintenance and Leasing Businesses.

### BUSINESS HIGHLIGHTS

In April 2016, the Company completed the 100% acquisition ("Acquisition") of Yatai Security & Communications Pte. Ltd. ("Yatai") and Avac Systems Pte. Ltd. ("Avac"). The vendors of Yatai and Avac have been in the business of supplying and installing public address, communication and security systems to customers since 1984. As Yatai and Avac's businesses complement that of the Group's, the Company is confident that the Acquisition will bring about a boost to the Group's Security Solutions Business. In addition to security products, Yatai also distributes Bosch's hearing enhancement systems. According to the Code of Accessibility by the Building and Construction Authority of Singapore, hearing enhancement systems need to be provided in specified venues in Singapore for the hearing impaired. The Group sees an opportunity in this area of business as Singapore's aging population will impact the demand to improve healthcare and lifestyle related

infrastructure. With the Acquisition, the Group is now bigger and stronger as a whole.

To make room for growth and with the added manpower resources from Yatai and Avac, the Group relocated its office in May this year to 213 Henderson Road, #04-09, Henderson Industrial Park, Singapore 159553. The more centralised location of the Group's new office affords closer proximity to customers in Singapore, allowing for more time and efforts to be spent with them.

The Group has also been marketing game-changing products by Accipiter Radar Technologies Inc. ("Accipiter Radar"). Accipiter Radar's high-performance radar and sensor intelligence networks are engineered to monitor the environment and characterise the behaviour of targets such as small vessels, low flying aircraft, vehicles and birds, as well as distributed phenomenon such as weather, waves and snow/ice. This has applications towards domestic security, law enforcement, critical infrastructure protection, bird strike prevention and environmental protection.

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

<sup>2</sup> Includes China, Brunei, Hong Kong, Indonesia, Korea, Malaysia, Philippines, and Timor Leste

Accipiter Radar integrates off the shelf transceiver and computing technologies with military-grade, patented radar networks, antennas and information system technologies and can offer single and multi-radar systems that seamlessly mesh into real-time networks to cover wide areas and support several missions and remote users with built-in automation, alerting and target analytic capabilities<sup>3</sup>.

As the master distributor of the “PepperBall” brand of less-lethal countermeasure technology products (“PepperBall® products”) and services in the Asia-Pacific, the Group is also seeing greater interest in the region for PepperBall® products. PepperBall® products have been providing safer options to the Public Safety Market for over 15 years and have been proven effective by more than 5000 agencies, including the United States Border Patrol, Federal Bureau of Prisons, and the United States Immigration and Customs Enforcement<sup>4</sup>.

The Group’s new agreement for HyperSpike products including Acoustic Hailing Devices (“AHDs”) for five years with effect from 1 February 2016 now also sees the Group distributing to 15 geographical regions, 13 of which are on an exclusive basis. As the Group deepens its market penetration for the sale of HyperSpike products in the Asia-Pacific, it expects to see more orders for these products coming in progressively over the next few years.

### FUTURE OUTLOOK

According to the latest Global Terrorism Database, between the years 1970 to 2015, more than 150,000 cases of transnational and international terrorist incidents have been documented<sup>5</sup>. The continuous threat to our safety gives rise to the necessity for continuous vigilance through preventive security monitoring and control measures. With governments and organisations continually looking for security products and solutions and

upgrading existing security infrastructure, this will mean increasing opportunities for our businesses.

Looking forward, the Group will continue to market cutting edge security products and technologies to its customers in the Asia-Pacific through its strong network in the region. Despite a delay in certain orders in FY2016, the Group remains positive on the business outlook for the coming year.

### IN APPRECIATION

On behalf of the management, I would like to once again thank our staff for their commitment, drive and diligence in serving our customers and understanding their needs, as well as our customers, suppliers, shareholders and business associates for their continued support during the year.

<sup>3</sup> This information was extracted from the website of Accipiter Radar Technologies Inc. at <http://www.accipiterradar.com/page/home>

<sup>4</sup> This information was extracted from the website for PepperBall® products, which are developed, manufactured and distributed by United Tactical Systems, LLC. <http://www.pepperball.com>

<sup>5</sup> The Global Terrorism Database is an open-source database including information on terrorist events around the world from 1970 through 2015 (with additional annual updates planned for the future). Link: <http://www.start.umd.edu/gtd>





## BOARD OF DIRECTORS



**CHAN TIEN LOK**  
NON-EXECUTIVE CHAIRMAN

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

Chan Tien Lok has over 15 years of experience in the security products and solutions industry. He is currently the chairman of IPS Group Pte. Ltd. ("IPSG"), which was founded by him in 1986. He is responsible for the overall business development and strategic planning within IPSG.

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

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



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

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

Kelvin Lim Ching Song has more than 15 years of experience in the security products and solutions industry. He joined the Group in 2008 as division manager of the general security division in IPS Securex, and was promoted to senior vice president in 2012. In January 2013, he was appointed as the CEO of IPS Technologies Pte. Ltd. ("IPST"). In July 2013, he stepped down as CEO of IPST and was appointed as CEO of IPS Securex.

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

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



**ONG BENG CHYE**  
LEAD INDEPENDENT DIRECTOR

Ong Beng Chye is the Lead Independent Director of the Company and was appointed to the Board on 6 June 2014. He has more than 25 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Ong Beng Chye is currently a director of Appleton Global Private Limited, a business management and consultancy services firm. He is also serving as an independent director of other public listed companies in Singapore. He 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. Mr Ong obtained a Bachelor of Science (Honours) from City, University of London in 1990.



**ANTHONY ANG MENG HUAT**  
INDEPENDENT DIRECTOR

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

Anthony Ang Meng Huat currently serves as Singapore's Non-Resident Ambassador to the Republic of Tunisia. He is also currently an Executive Director of ARA Asset Management (Fortune) Limited ("Fortune Manager") – Manager of Fortune REIT, a wholly owned subsidiary of the ARA Group ("ARA"). From 2010 to 2015, Anthony Ang Meng Huat was the chief executive officer and executive director of Fortune Manager, which managed a portfolio of 17 retail properties in Hong Kong (with over 3.18 million square feet of retail space and assets under management of over HK\$35.2 billion, as at 30 June 2015). He was previously CEO of ARA Asia Dragon Limited – ARA's flagship private fund, and a Director of Am ARA REIT Managers Sdn Bhd – Manager of AmFirst REIT listed on Bursa Malaysia.

Before joining the ARA Group, Anthony Ang Meng Huat spent many years in international marketing, investment and manufacturing activities. He served 14 years at the Singapore Economic Development Board ("SEDB"), including six years in the USA as the regional director of SEDB's North American operations. On returning to Singapore, Anthony Ang Meng Huat held various senior positions with: Armstrong Industrial Corporation Limited (as its executive director and group general manager); Vertex Management Pte Ltd (as a senior vice president for venture capital investments); GIC Real Estate Pte Ltd (as an executive vice president with global responsibilities for administrative and corporate affairs) and Majulah Connection Limited (as founding executive director for its global networking and consulting activities).

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



**JOSEPH TAN PENG CHIN**  
INDEPENDENT DIRECTOR

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

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

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

## MANAGEMENT TEAM

### LEE YEOW KOON

CHIEF OPERATING OFFICER

Lee Yeow Koon is the Chief Operating Officer of the Group. He has more than 9 years of managerial experience in the security products and solutions industry and is responsible for overseeing and managing the day-to-day operations of the Group's business operations. He joined the Group in 2005 as service engineer for IPS Securex and was involved in the provision of maintenance support services to existing customers on the security products and integrated security solutions supplied by IPS Securex. Subsequently, he was a sales engineer in the sales department with responsibility for the sales development and account management of IPS Securex, and had also assisted the division manager in securing several key projects for the Company.

Lee Yeow Koon was promoted in 2011 to contract manager and was responsible for managing and reviewing the business contracts and agreements of IPS Securex and handling key customer accounts. Lee Yeow Koon then served as the General Manager – Operations of the Group from 2013 to September 2015, and was subsequently promoted to Chief Operating Officer of the Group.

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

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

### LEE SIEW HAN

FINANCIAL CONTROLLER

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

Lee Siew Han has more than 24 years of experience in accounting and finance-related matters. She has worked in the finance and administration department of IPSPG 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 IPSPG and its subsidiaries.

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

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

### LEE CHEA SIANG

OPERATIONS MANAGER

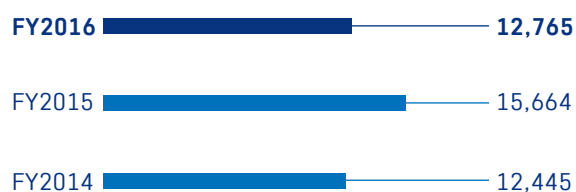
Lee Chea Siang is the Operations Manager of the Group. He joined the Group in 2005 and is responsible for the management of the project team and service team of IPS Securex. In particular, Lee Chea Siang oversees the project management for the Group's Homeland Security Products division. This includes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

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

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

# FINANCIAL HIGHLIGHTS

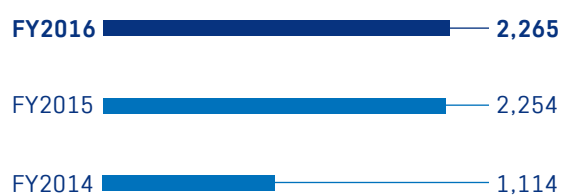
## REVENUE (S\$'000)



## GROSS PROFIT (S\$'000)



## PROFIT (S\$'000)



## CASH AND CASH EQUIVALENTS (S\$'000)



## NET ASSETS (S\$'000)



# FINANCIAL AND OPERATIONS REVIEW



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

## REVENUE

For the financial year ended 30 June ("FY") 2016, the Group's revenue decreased by approximately S\$2.9 million or 18.5% from S\$15.7 million in FY2015 to S\$12.8 million in FY2016.

Revenue from the Group's Security Solutions Business decreased by approximately S\$2.5 million or 24.6% from S\$10.1 million in FY2015 to S\$7.6 million in FY2016. This was mainly attributable to the decrease in the sale of Acoustic Hailing Systems to customers in Indochina<sup>1</sup> and decreased demand for security solutions products by customers in the Rest of Southeast Asia<sup>2</sup> and Singapore in aggregate of S\$8.3 million; and partially offset by an increase in the sale of Acoustic Hailing Systems to customers in the Rest of Southeast Asia, as well as the increase in demand for integrated security solutions in Singapore and Indochina in aggregate of S\$5.8 million.

As announced by the Company on 18 May 2016, the Group had received two purchase orders ("POs") for Acoustic Hailing Systems, with a total contract

value of US\$2.93 million, of which one PO amounting to a contract value of US\$510,000 had been recognized in FY2016, while the delivery for the other PO amounting to a contract value of US\$2.42 million had been delayed. This had also contributed to the lower revenue from the Security Solutions Business in FY2016.

Revenue from the Maintenance and Leasing Business decreased by approximately S\$404,000 or 7.3% from S\$5.5 million in FY2015 to S\$5.1 million in FY2016. This was mainly attributable to the absence in FY2016 of fees earned of S\$730,000 for the provision of ad-hoc maintenance support services to a customer in Singapore in FY2015, as well as, the absence in FY2016 of consultancy fees earned of S\$439,000 for the provision of security consultancy for the design of an airport security product in FY2015, partially offset by an increase in fees earned of S\$282,000 from the provision of maintenance support services to customers in the Rest of Southeast Asia, Singapore and Indochina, and partially offset by an increase in fees earned of S\$483,000 in FY2016 from the lease and maintenance contracts entered into with HDB in October 2014, for which the generation of lease income commenced in January 2015.

## COST OF SALES

Cost of sales decreased by approximately S\$2.5 million or 26.9% from S\$9.2 million in FY2015 to S\$6.7 million in FY2016. This was mainly due to the decrease in sale of security products to customers in the Rest of Southeast Asia and Singapore, and the continued amortization of the cost of several extended supply contracts that the Group had entered into in early 2015 over the duration of several maintenance support services contracts which were renewed with several public sector customers in Singapore and in the Rest of Southeast Asia, and with its dealers in the Rest of Southeast Asia and Indochina. This arrangement with the Group's supplier ensures its customers of the availability of maintenance support from its supplier over the duration of the maintenance support services contracts and ensures that this support would be rendered at a fixed cost to it.

## GROSS PROFIT

Gross profit decreased by approximately S\$426,000 or 6.6% from S\$6.5 million in FY2015 to S\$6.0 million in FY2016.

## OTHER OPERATING INCOME

Other operating income increased by approximately S\$1.4 million or 260.4% from S\$551,000 in FY2015 to S\$2.0 million in FY2016. This was mainly

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

<sup>2</sup> Includes China, Brunei, Hong Kong, Indonesia, Korea, Malaysia, Philippines, and Timor Leste

attributable to a credit note received from a supplier amounting to S\$1.5 million in relation to trade payables due to the supplier for a previous contract to supply security products and solutions to a customer, and partially offset by an absence in FY2016 of reversal of allowance for inventories obsolescence of S\$99,000 recorded in FY2015, from the sale of security products which were previously fully written down.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately S\$753,000 or 17.1% from S\$4.4 million in FY2015 to S\$5.1 million in FY2016. This was mainly due to the increase in directors' and employees' remuneration and benefit expense of S\$572,000, mainly as a result of annual salary increments and the increase in headcount arising from the acquisition of Yatai Security & Communications Pte. Ltd. ("Yatai") and Avac Systems Pte. Ltd. ("AVAC") (the "Acquisition"), and professional fees of S\$93,000 incurred in relation to the Acquisition.

### OTHER OPERATING EXPENSES

Other operating expenses increased by S\$228,000 from S\$22,000 in FY2015 to S\$251,000 in FY2016. This was mainly due to foreign exchange losses of S\$206,000 mainly due to the strengthening of the United States dollar in which the Group's purchases are denominated in against the Singapore dollar.

### FINANCE COSTS

Finance costs were at S\$37,000 in FY2015 and S\$40,000 in FY2016.

### INCOME TAX EXPENSE

Income tax expense remained relatively stable at S\$303,000 in FY2015 and S\$316,000 in FY2016.

### PROFIT FOR THE YEAR

Profit for the year remained relatively stable at S\$2.3 million in FY2015 and FY2016 respectively.

### FINANCIAL POSITION

Current assets decreased by approximately S\$1.5 million from S\$14.0 million as at 30 June 2015 to S\$12.5 million as at 30 June 2016. The decrease in current assets was primarily attributable to the decrease in trade receivables of S\$1.2 million due to lower sales made on credit terms from the Security Solutions Business

towards the end of the financial year which had remained outstanding as at 30 June 2016, in particular, arising from an instalment plan subsequent to year end with a customer in the Rest of Southeast Asia for repayment over five pre-agreed instalments commencing from August 2016 to September 2018 ("Instalment Plan"), a decrease in cash and cash equivalents of S\$855,000 mainly due to the payment of dividends of S\$1.2 million in respect of FY2015, and partially offset by the increase in other receivables of S\$418,000 mainly due to working capital loans provided to the main contractor for certain software development and maintenance projects amounting to S\$386,000.

Non-current assets increased by approximately S\$2.1 million from S\$6.1 million as at 30 June 2015 to S\$8.3 million as at 30 June 2016. The increase in non-current assets was primarily attributable to an increase in long term trade receivables of S\$2.4 million mainly due to the Instalment Plan and partially offset by the net decrease in plant and equipment of S\$213,000 primarily attributable to depreciation charges and disposals of plant and equipment.

Current liabilities decreased by approximately S\$997,000 from S\$7.8 million as at 30 June 2015 to S\$6.8 million as at 30 June 2016. The decrease in current liabilities was mainly attributable to a decrease in trade payables of approximately S\$1.8 million mainly due to credit note from a supplier amounting to S\$1.5 million in relation to trade payables due to the supplier for a previous contract to supply security products and solutions to a customer, and partially offset by an increase in other payables of approximately S\$824,000 mainly due to the amount owing to the vendors of Yatai and Avac ("Vendors") in relation to the Acquisition of S\$746,000 which were not due as at 30 June 2016 and office renovation expenses incurred in relation to the Group's relocation to its new office at 213 Henderson Road, #04-09, Henderson Industrial Park, Singapore 159553 ("New Office") and professional fees of S\$81,000 in aggregate.

Non-current liabilities increased by approximately S\$543,000 from S\$604,000 as at 30 June 2015 to S\$1.1 million as at 30 June 2016. This was due to the

increase in bank borrowings of S\$674,000 and deferred tax liabilities of S\$86,000 respectively, which was partially offset by a decrease in finance lease of S\$216,000.

The increase in capital and reserves from approximately \$11.8 million as at 30 June 2015 to \$12.9 million as at 30 June 2016 was mainly due to the profits from FY2016 of S\$2.3 million, which was partially offset by dividend payments amounting to approximately S\$1.2 million in respect of FY2015.

### CASH FLOWS

In FY2016, the Group's net cash from operating activities was approximately S\$1.5 million, which consisted mainly of operating cash flows before working capital changes of S\$1.8 million, net working capital outflow of S\$271,000, interest received of S\$71,000 and income tax paid of \$74,000.

The net working capital outflow arose mainly from an increase in other receivables of S\$212,000 mainly due to working capital loans provided to the main contractor for certain software development and maintenance projects amounting to S\$386,000, a decrease in trade payables of S\$632,000 mainly due to decrease in trade payables due to suppliers, a decrease in other payables in aggregate of S\$322,000, mainly due to amounts owing to the Vendors in relation to the Acquisition of S\$746,000 which were not due as at 30 June 2016, partially offset by a decrease in inventories of S\$828,000 mainly due to the decrease in purchase of parts and components, and partially offset by a decrease in trade receivables of S\$66,000 mainly due to receipt of payment from customers.

Net cash used in investing activities amounted to approximately S\$1.3 million in FY2016 mainly due to the Acquisition of S\$680,000 and renovation works and purchase of office equipment for the New Office in aggregate of S\$616,000.

Net cash used in financing activities amounted to approximately S\$1.0 million, mainly due to the payment of dividends amounting to S\$1.2 million in respect of FY2015, which was partially offset by a net increase in bank borrowings and finance lease of S\$220,000.

## SECURITY SOLUTIONS BUSINESS

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

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

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

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



## MAINTENANCE AND LEASING BUSINESS



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

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

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

## OUR DISTRIBUTION RIGHTS



- Offices
- IPS Distribution Rights

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

## AWARDS AND CERTIFICATIONS

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



## HOMELAND SECURITY PRODUCTS

### LEIDOS INC. ("LEIDOS")

is a leading scientific, engineering and technology company, providing technology products and services for security and defense, transportation, energy, the environment, critical infrastructure and healthcare<sup>1</sup>.



### LEIDOS VACIS IP6500

Full scan integrated cargo inspection system helps authorities inspect containers for nuclear materials, weapons, hazardous materials, contrabands, undeclared cargoes and other items of interests<sup>1</sup>.



### LEIDOS REVEAL CT-80DR+

The compact, lightweight **Leidos Reveal CT-80DR+** explosives detection system, designed for both networked and stand-alone screening operations, is ideal for airport, port, facility protection, and freight scanning operations requiring enhanced detection<sup>1</sup>.

<sup>1</sup> This information was extracted from the website of Leidos Inc. at <https://www.leidos.com>



#### ULTRA ELECTRONICS – UNDERSEA SENSOR SYSTEM, INC.

**(“USSI”)** is an innovative global supplier of highly intelligible, long range acoustic communication devices and mass notification systems. Being deployed world-wide, these products are used in diverse applications such as crowd control, mass notification, border/port security, law enforcement, maritime security, perimeter protection and more<sup>2</sup>.

Combining USSI’s unique and proprietary **HyperSpike** technology with the innovative Opti-Port equipment bay, the customizable **HS-18** is an ideal sound reinforcement solution. With an acoustic footprint of 2,000 metres, clear, intelligible and authoritative commands are broadcast to intended targets with industry leading clarity<sup>2</sup>.

#### UNITED TACTICAL SYSTEMS, LLC (“UTS”)

**PepperBall-branded products** are developed, manufactured and distributed by UTS, a privately-held company that provides less-lethal weapons for military, government, law enforcement, corrections, private security and consumer markets. UTS products, sold under the trademark and brand name “PepperBall”, have been proven safe and effective by more than 5,000 agencies including the United States Border Patrol and the United States Immigration and Customs Enforcement, as well as private entities, security services and bail enforcement agencies around the world. UTS also offers recreational shooting products within the consumer sporting goods market<sup>3</sup>.



<sup>2</sup> This information was extracted from the website of Ultra Electronics – Undersea Sensor System, Inc. at <http://www.ultra-ussi.com>

<sup>3</sup> This information was extracted from the website for PepperBall® products, which are developed, manufactured and distributed by United Tactical Systems, LLC, <http://www.pepperball.com>

# HOMELAND SECURITY PRODUCTS



## BIO-NEXUS RESEARCH PTE. LTD. (“BNR”)

is a company that engages in the research, design and development of a “mobile workflow engine” software platform which includes but is not limited to, a command and control solution with remote supervision capabilities, for military and civilian medical operations, aerospace and utility market tactical maintenance<sup>4</sup>.

The “mobile workflow engine” software platform is capable of interfacing with third party existing devices and any type of Enterprise Resource Planning (“ERP”) software or central servers. It can securely receive and send data at the point of contact or inquiry where critical data are immediately transferred and recorded at the receiving centre without losing any information, which enables faster decision-making and efficient workflow processing<sup>4</sup>.

## ACCIPITER RADAR TECHNOLOGIES INC. (“ACCIPITER RADAR”)

is a North American company that develops, sells and operates high performance radar and sensor information networks engineered to monitor the environment and to characterize the behaviour of targets such as small vessels, low flying aircrafts, vehicles and birds, as well as distributed phenomenon such as weather, waves, snow and ice<sup>5</sup>.

Accipiter Radar’s range of products and solutions are used in homeland security, law enforcement, critical infrastructure protection, bird strike prevention and environmental protection<sup>5</sup>.



<sup>4</sup> This information was extracted from the website of Bio-Nexus Research Pte. Ltd. at <http://www.bio-nexus.com>

<sup>5</sup> This information was extracted from the website of Accipiter Radar Technologies Inc. at <http://www.accipiterradar.com/page/home>

## GENERAL SECURITY PRODUCTS

### MOBOTIX AG (“MOBOTIX”)

is known as the leading pioneer in network camera technology and its concept has made high-resolution video systems cost efficient. MOBOTIX has been producing megapixel cameras exclusively for many years now and is regarded as the global market leader for high-resolution video systems<sup>1</sup>.

The modular design of the **M15D** system platform ensures maximum flexibility for the MOBOTIX thermographic camera. The **M15D-Thermal camera** comes standard with a thermal image sensor and a dummy module which is possible to use with any MOBOTIX sensor modules in the M15D-Thermal camera for identification. Camera software is then used to activate the dual image display on one of the two image sensors or both simultaneously<sup>1</sup>.

An elegant, ultra-compact and weatherproof Internet Transfer Protocol (“TCP/IP”) dome camera, the **Q25 Hemispheric camera** opens up a whole new range of application scenarios thanks to the 360-degree view for recording an entire room, widescreen panoramic images and simultaneous quad display in all four cardinal directions<sup>1</sup>.



### PRIMION TECHNOLOGY AG (“PRIMION”)

is a supplier of complete solutions in the areas of security systems, access control, time and attendance as well as security monitoring and surveillance. It develops and implements customised systems for companies that are straightforward and easy to use. Its intelligent security technology enables all forms of security management at the highest level<sup>2</sup>.

Primion is breaking new ground to renew the design front-end of its **T&A Terminals and Access Control Readers** with the combination of state-of-the-art technologies<sup>2</sup>.

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



<sup>1</sup> This information was extracted from the website of MOBOTIX AG at <https://www.mobotix.com>

<sup>2</sup> This information was extracted from the website of Primion Technology AG at <http://www.primion.de/en>

# INVESTOR RELATIONS

Investor Relations is a strategic management responsibility of the Company that integrates finance, corporate governance, compliance and communications with the aim to preserve shareholders' assets, enhance shareholders' value, deliver transparent and timely disclosures to all stakeholders, as well as, provide regular engagement and communication with the investment community. In addition, the Company believes that regular face-to-face communication is important. The Company pro-actively provides financial performance and business development updates to the investment community through one-to-one meetings, analysts briefings, conference calls, corporate day events and media interviews.

The Company places great emphasis on effective communication with its shareholders, where it endeavours to provide timely and adequate information to them, as well as, provide effective channels for shareholder communications. The Company also welcomes and encourages greater shareholder participation at the Annual General Meetings to direct questions regarding the Company and the Group to the Directors and management.

## FINANCIAL CALENDAR

13 January 2015	Non-Deal Roadshow
16 January 2015	Analyst Meeting
21 January 2015	Completion of Share Split
11 February 2015	Results Announcement for Half Year Ended 31 December 2014
11 February 2015	Notice of Books Closure Date and Dividend Payment Date
13 February 2015	One-on-one meeting with Asset Management Firm
15 April 2015	Invited Analysts to INTERPOL World 2015 Exhibition
5 May 2015	One-on-one meeting with Asset Management Firm
6 May 2015	Analyst, Institutional Sales and Asset Management Firm Meetings
18 May 2015	One-on-one meeting with Asset Management Firm
26 May 2015	Media Interview with The Edge Singapore
10 June 2015	One-on-one meeting with Asset Management Firm
11 June 2015	Analyst and Institutional Sales Meeting
2 July 2015	One-on-one meeting with Asset Management Firm
5 August 2015	Institutional Sales Meeting
20 August 2015	Results Announcement for Financial Year Ended 30 June 2015
21 August 2015	Non-Deal Roadshow
31 August 2015	Proposed Share Split of 1 Existing Share Into 3 Shares
9 September 2015	Institutional Sales Meeting
22 September 2015	Notice of Shares Split Books Closures Date
13 October 2015	One-on-one meeting with Asset Management Firm
30 October 2015	Annual General Meeting
12 November 2015	One-on-one meeting with Asset Management Firm
21 December 2015	Media Interview with The Edge Singapore
3 February 2016	Results Announcement for Half Year Ended 31 December 2015
5 February 2016	Analyst and Institutional Sales Group Meeting
23 February 2016	One-on-one meeting with Asset Management Firm
1 March 2016	One-on-one meeting with Asset Management Firm
4 March 2016	Analyst and Institutional Sales Group Meeting
23 March 2016	Conference Call with Foreign Asset Management Firm
19 April 2016	Non-Deal Roadshow
22 April 2016	One-on-one meeting with Asset Management Firm
11 August 2016	One-on-one meeting with Asset Management Firm
11 August 2016	Media Interview with The Business Times
22 August 2016	Results Announcement for Financial Year Ended 30 June 2016
1 September 2016	Media Interview with Shares Investment Editor
9 September 2016	One-on-one meeting with Asset Management Firm
28 October 2016	Annual General Meeting

# CORPORATE GOVERNANCE REPORT

IPS Securex Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) is committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2012 (the “**Code**”) to provide the structure through which the objectives of protection of the interests of the Company’s shareholders (“**Shareholders**”) and enhancement of long term Shareholders’ value are met.

The Board of Directors (the “**Board**” or “**Directors**”) confirms that the Company has adhered to the guidelines as set out in the Code for the financial year ended 30 June 2016 (“**FY2016**”). Where there are deviations from the Code, appropriate explanations are provided.

## (A) BOARD MATTERS

### The Board’s Conduct of its Affairs

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

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

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

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

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

The Company’s constitution (“**Constitution**”) provides for meetings for the Directors to be held by means of telephonic conference or other methods of simultaneous communication be it electronic or telegraphic means when necessary. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

# CORPORATE GOVERNANCE REPORT

The frequency of meetings and the attendance of each Director at each Board and Board Committee meeting for FY2016 are disclosed in the table reflected below:

Name	Board		Nominating Committee		Remuneration Committee		Audit Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Chan Tien Lok	3	3	1	1	1	1*	2	2*
Kelvin Lim Ching Song	3	3	1	–	1	–	2	2*
Ong Chin Hin <sup>(1)</sup>	3	2	1	–	1	–	2	1*
Ong Beng Chye	3	3	1	1	1	1	2	2
Anthony Ang Meng Huat	3	3	1	1	1	1	2	2
Joseph Tan Peng Chin	3	3	1	1	1	1	2	2

Notes:

\* By invitation

<sup>(1)</sup> Mr. Ong Chin Hin resigned from the Board on 6 November 2015.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

## BOARD COMPOSITION AND GUIDANCE

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

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

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

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

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

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

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



# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD MEMBERSHIP

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

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

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

### Nominating Committee

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

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

- Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;
- Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Group;
- Procuring that at least one-third of the Board shall comprise Independent Directors;
- Reviewing Board succession plans for Directors, in particular, the Executive Director and Group CEO;
- Determining whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting (“AGM”) of the Company, having regard to each Director’s contribution and performance, including the Independent Directors;
- Determining whether a Director is independent as guided by the Code and any other salient factors; and
- Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In identifying suitable candidates for the appointment of new Directors, the NC will consider all relevant channels to recruit any new candidates including referrals from business partners, use of the service of external advisors to facilitate a search and also consider candidates with the appropriate qualifications and working experience from internal or external sources. After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and

# CORPORATE GOVERNANCE REPORT

such other qualities and attributes that may be required by the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Group's business and affairs), his/her independence, his/her other board appointments and principal occupation and commitments outside of the Group, and any other factors as may be deemed relevant by the NC.

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

The Company's Constitution requires that all Directors retire at the first annual general meeting ("AGM") of the Company and one-third of the Board retire from office at every subsequent AGM. Accordingly, the NC has recommended that Ong Beng Chye and Joseph Tan Peng Chin be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendations.

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

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

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

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

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on pages 37 to 38 of this annual report.

## Board Performance

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

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

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

The Board is of the view that it has satisfactorily met its performance objectives for FY2016. No external facilitator was engaged in the evaluation.

# CORPORATE GOVERNANCE REPORT

## ACCESS TO INFORMATION

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

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

The Company Secretary attends all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings and assists the Chairman in ensuring good information flows within the Board and its Board Committees and between Management and the Non-Executive Director and Independent Directors, and that Board procedures are followed and reviewed in accordance with the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, Companies Act, Chapter 50 of Singapore and the Catalist Rules, so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

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

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

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

#### Remuneration Committee

Joseph Tan Peng Chin (Chairman)

Ong Beng Chye

Anthony Ang Meng Huat

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

- To review and recommend to the Board for endorsement, the service contracts and remuneration packages of the Executive Director and key Management personnel;
- To review the appropriateness of compensation for the Non-Executive Director, taking into account factors such as his effort, time spent and responsibilities including but not limited to, his Directors' fees, allowances, share options and performance shares;

# CORPORATE GOVERNANCE REPORT

- Overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;
- Reviewing and administering the award of performance shares and/or share options to Directors and employees under the employee performance share plan and/or employee share option scheme adopted by the Company;
- Carrying out other duties as may be agreed by the RC and the Board, subject always to any conditions that may be imposed upon the RC by the Board from time to time.

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

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

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2016.

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

## Level and Mix of Remuneration

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

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

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

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and key Management personnel with those of Shareholders by linking rewards to corporate and individual performance, as well as to commensurate with the roles and responsibilities of each Director. The RC reviews the remuneration received by the Executive Director and Group CEO against the financial performance of the Group. The Executive Director and Group CEO reviews the remuneration of key Management personnel against the staff remuneration guidelines to ensure that their remuneration packages are in line and commensurate with their respective job scope and responsibilities. The RC is satisfied that the performance conditions for the Executive Director and Group CEO and key Management personnel for FY2016 were met.

# CORPORATE GOVERNANCE REPORT

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

<b>NPBT</b>	<b>Performance Bonus</b>
NPBT above S\$400,000 and up to S\$800,000	5.0% of the NPBT
NPBT more than S\$800,000	10.0% of the NPBT

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## DISCLOSURE ON REMUNERATION

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

A breakdown showing the level and mix of remuneration of Directors and top five (5) key Management personnel of the Group (who are not Directors or the Group CEO) for FY2016 is set out below:

Name of Director	Salary	Bonus	Directors' fees	Allowances and Other Benefits	Total
	%	%	%	%	%
<u>Above S\$500,000</u>					
Kelvin Lim Ching Song	60	36	–	4	100
<u>Below S\$250,000</u>					
Chan Tien Lok	–	–	100	–	100
Ong Chin Hin <sup>(1)</sup>	–	–	100	–	100
Ong Beng Chye	–	–	100	–	100
Joseph Tan Peng Chin	–	–	100	–	100
Anthony Ang Meng Huat	–	–	100	–	100

Note:

<sup>(1)</sup> Ong Chin Hin resigned from the Board on 6 November 2015.

Key Management Personnel	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
<u>Below S\$250,000</u>				
Lee Yeow Koon	67	16	17	100
Lee Siew Han	64	24	12	100
Lee Chea Siang	69	14	17	100
Koh Tian Siang	67	14	19	100
Ng Chin Leng	75	7	18	100

For FY2016, the aggregate total remuneration paid to the top five (5) Management personnel (who are not Directors or the Group CEO) amounted to S\$668,826.

There were no terminations, retirement or post-employment benefits granted to Directors and key Management personnel other than the standard contractual notice period termination payment in lieu of service for FY2016.

The Company does not have any employee who is an immediate family member of a Director or the Group CEO whose remuneration in FY2016 exceeded S\$50,000.

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

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

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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

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

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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



# CORPORATE GOVERNANCE REPORT

## Enterprise Risk Management

The Board is committed to ensuring that the Group has an effective and practical enterprise risk management (“ERM”) framework in place to safeguard Shareholders’ interests, and the sustainability of the Company as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. As such, the Board has commissioned BDO LLP (“IA”) to facilitate the implementation of the ERM framework for the Group. The purpose of this exercise is to make recommendations on the processes to monitor key risks to the Group and to propose a reporting process by which the Audit Committee is kept updated on how on-going and new risks are being addressed by Management.

The Board relies on Management to monitor the day-to-day operations of the Group while subjecting key corporate decisions to Board approval. The Group’s performance is monitored closely by the Board and any significant matters that may have an impact on its operating results are required to be brought to the immediate attention of the Board.

The Board and Management have also taken a strict stance towards avoiding any risks that might result in the Company and/or the Group breaching any relevant laws and/or regulations and risks that could adversely affect the reputation of the Company and/or the Group. Active efforts are also in place to manage risks, such as engaging third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be conducted regularly to assess the on-going compliance with the established controls to address key risk areas, where applicable.

The Company is continually reviewing and improving the business and operational activities of the Group to take into account the risk management perspective. This includes reviewing Management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions.

## Risk assessment and monitoring

Based on the ERM framework, the nature and extent of the risks to the Group will be assessed regularly by key Management personnel. A set of risk registers to document risks arising from this ERM exercise has also been established to document all key risks and the corresponding countermeasures and will be updated whenever new risks emerge or when there are applicable changes in the business environment.

## Risk Reporting

### *Periodic Risk Reports*

Periodic risk reports will be prepared by the Financial Controller, to highlight any emerging risks or high risk issues to the Audit Committee on a timely basis. In addition, any new risks of significance will be assessed using prescribed risk templates and reported to the Audit Committee.

### *Annual Risk Reports*

On an annual basis, a risk refresher will be performed within the Group to understand if there are any changes to the existing top risks identified and if there are any risks that require more detailed assessment. An annual risk report with the updated top risks of the Group will be compiled by the Financial Controller and submitted to the Audit Committee.

# CORPORATE GOVERNANCE REPORT

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

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

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

- (a) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2016 give a true and fair view in all material aspects, of the Group's operations and finances; and
- (b) The Group's internal control and risk management systems are operating effectively in all material aspects given its current business environment.

## AUDIT COMMITTEE

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

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

### Audit Committee

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

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

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

- review the periodic consolidated financial statements of the Group and results announcements before submission to the Board for approval, focusing on, in particular, the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by the external auditors, and compliance with financial reporting standards, the Catalist Rules and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of the Group and results announcements;
- review, with the EA and IA, their audit plans, scope of work, evaluation of the adequacy of internal controls and risk management systems, audit reports, management letters on internal controls and Management's response, where applicable;

# CORPORATE GOVERNANCE REPORT

- at least annually, review and report to the Board, the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks prior to the incorporation of such results in the annual report;
- review the independence and objectivity of the EA;
- review and discuss with the EA, and commission and review the findings of internal investigations relating to any suspected fraud or irregularity, or failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and solicit for Management's response;
- monitor and review the implementation of the EA's and IA's recommendations concurred with Management in relation to the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks;
- review the co-operation given by Management to the EA and IA, where applicable;
- make recommendations to the Board on proposals to Shareholders for the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the EA;
- make recommendations to the Board on proposals for the appointment, re-appointment, removal, remuneration and terms of engagement of the IA;
- review any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules (if any);
- review potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- review and recommend foreign exchange hedging policies, if any, to the Board for approval;
- review the policy and arrangements by which staff or any other person may, in confidence, raise concerns about possible improprieties on matters of business operations, financial reporting or any other matters and to ensure that arrangements are in place for the independent investigation of such matter and for appropriate follow-up;
- investigate any matters within its terms of reference; and
- undertake generally such other functions and duties as may be requested by the Board or required by statute or the Catalist Rules and by such amendments made thereto from time to time.

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

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

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

The AC has met with the EA and the IA without the presence of Management as and when necessary to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the EA for FY2016.

For FY2016, the fees that are charged to the Group by the EA for audit services were approximately S\$137,000. There were no non-audit fees payable to the EA for FY2016.

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

# CORPORATE GOVERNANCE REPORT

## WHISTLE BLOWING POLICY

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

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

As of the date of this annual report, there were no reports received through the whistle blowing mechanism.

## INTERNAL AUDIT

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

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

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

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

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

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS

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

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

# CORPORATE GOVERNANCE REPORT

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices contained in the annual report or circulars sent to all Shareholders. These notices are also advertised in a national newspaper as may be required in accordance with the Company's Constitution. All Shareholders are entitled to attend and participate in the general meetings. If any Shareholders are unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate Shareholders of the Company who are "relevant intermediaries" as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore, are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings.

## COMMUNICATION WITH SHAREHOLDERS

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

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

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

- Annual report prepared and issued to all Shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required including those under the Companies Act, Chapter 50 of Singapore, Catalyst Rules and Singapore Financial Reporting Standards;
- Periodic announcements containing a summary of the financial information and affairs of the Group for the relevant period; and
- Press releases on major developments of the Group;
- Notices of explanatory memoranda for AGMs and extraordinary general meetings ("EGMs"). Notices of AGMs and EGMs are also advertised in a national newspaper; and
- The Company's website at <http://www.ips-securex.com/> at which Shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group.

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

To enable Shareholders to contact the Company easily, the contact details of the IR personnel are set out in the corporate information page of the annual report as well as on the Company's website. The IR personnel have procedures in place for responding to investors' queries as soon as applicable. We provide financial performance and business development updates to the investment community through one-to-one meetings, analysts briefings, conference calls, corporate day events and media interviews.

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

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

For FY2016, the Board has recommended a final ordinary cash dividend (the "Final Dividend") of S\$0.0025 per Share for the financial year ended 30 June 2016 which is subject to the Shareholders' approval at the forthcoming AGM of the Company.

# CORPORATE GOVERNANCE REPORT

## CONDUCT OF SHAREHOLDER MEETINGS

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

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

Each item of special business included in the notice of the general meetings will be accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution together with the respective percentages.

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

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

## (E) CORPORATE SOCIAL RESPONSIBILITY

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

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

## (F) DEALING IN COMPANY'S SECURITIES

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

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

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

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

# CORPORATE GOVERNANCE REPORT

Directors and staff are also required to adhere to the provisions of the Securities and Futures Act (Chapter 289) of Singapore, Companies Act, Chapter 50 of Singapore, the Catalist Rules and any other relevant regulations with regards to their securities transactions. They are expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

## (G) INTERESTED PERSON TRANSACTIONS

### Rule 907 of the Catalist Rules

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

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

The AC has reviewed the following significant transactions entered into by the Company with its interested persons for FY2016 in accordance with its existing procedures:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
IPS Group Pte. Ltd. ("IPSG")	Provision of group services by IPSG (such as human resources and administrative services), as well as rental payable to IPSG for office and storage premises S\$154,587	Nil

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

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

## (H) MATERIAL CONTRACTS AND LOANS

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

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

# CORPORATE GOVERNANCE REPORT

## (I) USE OF PROCEEDS FROM PLACEMENT

The Company undertook a share placement exercise (the "Placement") whereby 6,000,000 new ordinary shares were allotted and issued to Mr Goh Khoon Lim at a subscription price of S\$0.42 per share on 14 October 2014. As at the date of this annual report, the net proceeds from the Placement of approximately S\$2.5 million (the "Net Proceeds") have been utilised as follows:-

No	Planned Usage	Allocation of Net Proceeds (S\$'000)	Reallocation of the use of Net Proceeds (S\$'000)	Net Proceeds utilised (S\$'000)	Balance of Net Proceeds (S\$'000)
1.	To develop the new Secured Virtual Healthcare Systems <sup>(1)</sup> and Solution business as well as for capital expenditure on service centre facilities relating to the Hyperspike AHD <sup>(1)</sup> business	1,689	(1,689)	-	-
2.	Working capital	800	1,689	(1,500)	989
	<b>Net Proceeds</b>	<b>2,489</b>	<b>-</b>	<b>(1,500)</b>	<b>989</b>

Note:

<sup>(1)</sup> As defined in the Company's announcement dated 26 September 2014.

## (J) NON-SPONSOR FEES

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

Pursuant to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees payable to the Company's sponsor, United Overseas Bank Limited, for FY2016.

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

Name of Director	Academic/Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Chan Tien Lok	<ul style="list-style-type: none"> <li>Cambridge General Certificate of Education Ordinary Level certificate</li> </ul>	Non-Executive Chairman	Chairman of the Board and Member of the Nominating Committee	10 October 2013	30 October 2015	Nil	Nil
Kelvin Lim Ching Song	<ul style="list-style-type: none"> <li>Diploma in Marketing and Public Relations from Thames Business School</li> <li>Diploma in Marketing and Public Relations from Thames Business School</li> <li>Certificate in Office Skills from Institute of Technical Education</li> </ul>	Executive Director and Group Chief Executive Officer	Board Member	10 October 2013	30 October 2015	Nil	Nil



# CORPORATE GOVERNANCE REPORT

Name of Director	Academic/Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Ong Beng Chye	<ul style="list-style-type: none"> <li>Bachelor of Science with Honours from The City University, United Kingdom</li> <li>Fellow of the Institute of Chartered Accountants in England and Wales</li> <li>Chartered Financial Analyst</li> <li>Non-practising member of the Institute of Singapore Chartered Accountants</li> </ul>	Lead Independent Director	Board Member, Chairman of the Audit Committee, Member of Remuneration Committee and Nominating Committee	6 June 2014	30 October 2014	<ul style="list-style-type: none"> <li>Geo Energy Resources Limited</li> <li>Hafary Holdings Limited</li> <li>Kitchen Culture Holdings Ltd</li> <li>Heatec Jietong Holdings Ltd.</li> <li>Loyz Energy Limited</li> </ul>	Nil
Joseph Tan Peng Chin	<ul style="list-style-type: none"> <li>Bachelor of Laws (Hons) from the National University of Singapore</li> <li>Member of the Law Society of Singapore and the Singapore Academy of Law</li> </ul>	Independent Director	Board Member, Chairman of the Remuneration Committee and Member of the Nominating Committee and Audit Committee	6 June 2014	30 October 2014	<ul style="list-style-type: none"> <li>OM Holdings Limited</li> </ul>	<ul style="list-style-type: none"> <li>Armstrong Industrial Corporation Limited</li> </ul>
Anthony Ang Meng Huat	<ul style="list-style-type: none"> <li>Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University</li> <li>Master of Business Administration from the European Institution of Business Administration (INSEAD)</li> <li>Fellow of the Chartered Management Institute (United Kingdom)</li> </ul>	Independent Director	Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	26 January 2015	30 October 2015	<ul style="list-style-type: none"> <li>ARA Asset Management (Fortune) Limited</li> <li>Europtronic Group Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Armstrong Industrial Corporation Limited</li> </ul>

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 90 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 DIRECTORS

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

Chan Tien Lok  
 Kelvin Lim Ching Song  
 Ong Beng Chye  
 Joseph Tan Peng Chin  
 Anthony Ang Meng Huat

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

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Directors and company in which interests are held	Shareholdings registered in name of Directors			Shareholdings in which Directors are deemed to have an interest		
	At beginning of year <sup>(1)</sup>	At end of year	At 21 July 2016	At beginning of year	At end of year	At 21 July 2016
<u>The Company</u> (Ordinary shares)						
Chan Tien Lok	–	–	–	275,520,000	248,820,000	248,820,000
Kelvin Lim Ching Song	59,955,000	59,955,000	59,955,000	–	–	–
Ong Beng Chye	600,000	300,000	300,000	–	–	–
Joseph Tan Peng Chin	600,000	600,000	600,000	–	–	–

# DIRECTORS' STATEMENT

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

Name of Directors and company in which interests are held	Shareholdings registered in name of Directors			Shareholdings in which Directors are deemed to have an interest		
	At beginning of year	At end of year	At 21 July 2016	At beginning of year	At end of year	At 21 July 2016
Ultimate holding company – IPS Technologies Pte. Ltd. (Ordinary shares)						
Chan Tien Lok	2,080,000	2,080,000	2,080,000	–	–	–

<sup>(1)</sup> On 31 August 2015, the Company announced a proposed share split of every one (1) existing share held by shareholders into three (3) shares in the capital of the Company ("Share Split"). For the purpose of this Directors' Statement, the shareholdings interests of the directors and companies in which their shareholding interests in the Company have been prepared on the assumption that the Share Split had been completed on 1 July 2015.

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

## 4 SHARE OPTIONS AND SHARE-BASED INCENTIVE

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

- (i) The PSP and the ESOS are administered by the committee whose members are Joseph Tan Peng Chin, Anthony Ang Meng Huat and Ong Beng Chye (the "Committee").
- (ii) Both the PSP and the ESOS will continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing on the date of the PSP and the ESOS were adopted by the Company in general meeting. However, the PSP and the ESOS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities that may then be required.
- (iii) The total number of new shares which may be issued or shares which may be delivered pursuant to awards granted under the PSP or options granted under the ESOS, when added to the total number of new shares issued and issuable in respect of:
  - a. all awards granted under the PSP;
  - b. all options granted under the ESOS; and
  - c. all shares, options, or awards granted under such share-based incentive schemes of the Company then in force, shall not exceed 15.0% of the issued capital of the Company (including treasury shares) on that day preceding the relevant date of award.
- (iv) The PSP awards participants fully paid shares free of charge, upon the participant achieving prescribed performance targets which will be set by the Committee depending on each individual participant's job scope and responsibilities.

# DIRECTORS' STATEMENT

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

- (v) The options under the ESOS may have exercise prices that are, at the Committee's discretion, which may be at market price or discount to the market price. The options which are at market price may be exercised after the first anniversary of the date of grant of the option while the options exercisable at a discount to the market price may only be exercised after the second anniversary from the date of grant of the option. The options granted under the ESOS will expire upon the tenth anniversary of the date of grant of the option.
- (vi) During the year, no awards and options have been granted by the Company or its subsidiary corporations during the financial year.
- (vii) There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.
- (viii) There were no unissued shares of the Company or of its subsidiary corporations under options as at the end of the financial year.

## 5 AUDIT COMMITTEE

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

- a) The audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls and management response;
- b) The adequacy and effectiveness of the Group's internal controls addressing financial, operational and compliance risks prior to the incorporation of such results in the annual report;
- c) The Group's financial and operating results and accounting policies;
- d) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- e) The half-yearly and annual announcements as well as the related press releases on the results and financial positions of the Company and the Group;
- f) The findings of internal investigations relating to any suspected fraud or irregularity, or failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;
- g) The co-operation and assistance given by the management to the Group's external and internal auditors;
- h) Interested person transactions falling within the scope of Chapter 9 of the Listing Manual, Section 8: Rules of Catalist of the Singapore Securities Trading Limited and other relevant statutory requirements and any potential conflicts of interests; and
- i) The re-appointment of the external and internal auditors of the Group.

# DIRECTORS' STATEMENT

## 5 AUDIT COMMITTEE (CONTINUED)

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

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

## 6 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

.....  
Chan Tien Lok  
Director

.....  
Kelvin Lim Ching Song  
Director

4 October 2016

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IPS Securex Holdings Limited (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 90.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

## BASIS FOR QUALIFIED OPINION

As described in Note 3(ii)(c) to the financial statements, as at 30 June 2016, included in the Group's trade receivables is an amount of \$5,383,725 due from a customer that has been past due at the year end. As described in Note 3(ii)(c), management has evaluated various factors, including the receipt of the first instalment of \$724,658 subsequent to year end as agreed in the instalment plan signed between the Group and the customer and is of the opinion that the remaining trade receivable balance will be recoverable. We were unable to obtain sufficient appropriate audit evidence over the customer's ability to repay the remaining trade receivables of \$4,659,067. Hence, we are unable to determine the effect of any adjustment that may be required in relation to the recoverability of the remaining balance.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte and Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

4 October 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Group		Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	3,914,031	4,768,941	1,105,336	2,479,364
Trade receivables	7	6,874,261	8,054,844	–	–
Other receivables	8	934,431	516,276	3,073,389	2,187,541
Loan to a subsidiary corporation	9	–	–	4,261,400	4,149,654
Inventories	11	751,615	675,721	–	–
Total current assets		<b>12,474,338</b>	14,015,782	<b>8,440,125</b>	8,816,559
<b>Non-current assets</b>					
Long-term trade receivables	7	3,690,529	1,340,342	–	–
Plant and equipment	12	4,590,913	4,803,771	–	–
Investment in subsidiary corporations	13	–	–	4,866,199	3,000,199
Total non-current assets		<b>8,281,442</b>	6,144,113	<b>4,866,199</b>	3,000,199
<b>Total assets</b>		<b>20,755,780</b>	20,159,895	<b>13,306,324</b>	11,816,758
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Borrowings	14	556,712	800,000	356,712	–
Trade payables	15	3,579,508	5,409,799	–	–
Other payables	16	2,062,204	1,238,660	1,266,885	506,017
Finance lease	17	216,389	211,027	–	–
Income tax payable		340,009	92,509	–	–
Total current liabilities		<b>6,754,822</b>	7,751,995	<b>1,623,597</b>	506,017
<b>Non-current liabilities</b>					
Borrowings	14	674,087	–	674,087	–
Finance lease	17	73,327	289,716	–	–
Deferred tax liability	18	400,170	314,526	–	–
Total non-current liabilities		<b>1,147,584</b>	604,242	<b>674,087</b>	–
<b>Capital and reserves</b>					
Share capital	19	9,405,906	9,405,906	9,405,906	9,405,906
Reserves	20	(589,999)	(589,999)	210,000	210,000
Accumulated profits		4,037,467	2,987,751	1,392,734	1,694,835
Total equity		<b>12,853,374</b>	11,803,658	<b>11,008,640</b>	11,310,741
<b>Total liabilities and equity</b>		<b>20,755,780</b>	20,159,895	<b>13,306,324</b>	11,816,758

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2016

	Note	Group	
		2016	2015
		\$	\$
<b>Revenue</b>	21	<b>12,764,924</b>	15,664,280
Cost of sales		<u>(6,730,071)</u>	<u>(9,203,439)</u>
<b>Gross profit</b>		<b>6,034,853</b>	6,460,841
Other operating income	22	<b>1,986,445</b>	551,151
Administrative expenses		<b>(5,149,270)</b>	(4,395,909)
Other operating expenses		<b>(250,521)</b>	(22,127)
Finance costs	23	<u>(40,502)</u>	<u>(36,585)</u>
<b>Profit before income tax</b>	24	<b>2,581,005</b>	2,557,371
Income tax expense	25	<u>(316,289)</u>	<u>(303,280)</u>
<b>Profit for the year, representing total comprehensive income for the year</b>		<b><u>2,264,716</u></b>	<u>2,254,091</u>
Basic and diluted earnings per share (cents)	27	<u><b>0.47</b></u>	<u>0.47</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2016

	← Reserves →			Accumulated profits	Total
	Share capital	Merger reserve	Other reserve		
	\$	\$ (Note 2)	\$ (Note 20)	\$	\$
<b>Group</b>					
<b>Balance at 1 July 2014</b>	<b>6,888,165</b>	<b>(799,999)</b>	<b>210,000</b>	<b>1,948,660</b>	<b>8,246,826</b>
<u>Transactions with owners, recognised directly in equity</u>					
Issuance of ordinary shares pursuant to the placement, net of placement expenses capitalised (Note 19)	2,517,741	–	–	–	2,517,741
Dividends (Note 26)	–	–	–	(1,215,000)	(1,215,000)
Total	2,517,741	–	–	(1,215,000)	1,302,741
Profit for the year, representing total comprehensive income for the year	–	–	–	2,254,091	2,254,091
<b>Balance at 30 June 2015</b>	<b>9,405,906</b>	<b>(799,999)</b>	<b>210,000</b>	<b>2,987,751</b>	<b>11,803,658</b>
<u>Transactions with owners, recognised directly in equity</u>					
Dividends (Note 26)	–	–	–	(1,215,000)	(1,215,000)
Profit for the year, representing total comprehensive income for the year	–	–	–	2,264,716	2,264,716
<b>Balance at 30 June 2016</b>	<b>9,405,906</b>	<b>(799,999)</b>	<b>210,000</b>	<b>4,037,467</b>	<b>12,853,374</b>
		Share capital	Other reserve	Accumulated (losses) profits	Total
		\$	\$ (Note 20)	\$	\$
<b>Company</b>					
<b>Balance at 30 June 2014</b>		<b>6,888,165</b>	<b>210,000</b>	<b>(373,969)</b>	<b>6,724,196</b>
<u>Transactions with owners, recognised directly in equity</u>					
Issuance of ordinary shares pursuant to the placement, net of placement expenses capitalised (Note 19)		2,517,741 <sup>(1)</sup>	–	–	2,517,741
Dividends (Note 26)		–	–	(1,215,000)	(1,215,000)
Total		2,517,741	–	(1,215,000)	1,302,741
Profit for the year, representing total comprehensive income for the year		–	–	3,283,804	3,283,804
<b>Balance at 30 June 2015</b>		<b>9,405,906</b>	<b>210,000</b>	<b>1,694,835</b>	<b>11,310,741</b>
<u>Transactions with owners, recognised directly in equity</u>					
Dividends (Note 26)		–	–	(1,215,000)	(1,215,000)
Profit for the year, representing total comprehensive income for the year		–	–	912,899	912,899
<b>Balance at 30 June 2016</b>		<b>9,405,906</b>	<b>210,000</b>	<b>1,392,734</b>	<b>11,008,640</b>

<sup>(1)</sup> The Company undertook a share placement exercise whereby 6,000,000 new ordinary shares were issued and allocated to Mr Goh Khoon Lim on 14 October 2014 at a subscription price of \$0.42 per share.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2016

	Group	
	2016	2015
	\$	\$
<b>Operating activities</b>		
Profit before income tax	2,581,005	2,557,371
Adjustments for:		
Interest income	(119,128)	(35,823)
Finance costs	40,502	36,585
Depreciation of plant and equipment	893,123	613,111
Loss on disposal of plant and equipment	8,941	-
Inventories written off	1,944	126
Allowance (Reversal of allowance) for inventory obsolescence	12,342	(98,887)
Credit note from a supplier	(1,515,961)	-
Net foreign exchange gain	(25,191)	(170,714)
Negative goodwill arising from acquisition of subsidiary corporations (Note 30)	(125,382)	-
Operating cash flows before working capital changes	1,752,195	2,901,769
Trade receivables	65,918	(2,724,253)
Other receivables	(211,736)	280,083
Inventories	828,186	(81,480)
Trade payables	(631,735)	1,969,002
Other payables	(321,749)	(709,333)
Cash generated from operations	1,481,079	1,635,788
Income tax paid	(73,731)	(363,815)
Interest received	71,207	4,823
Net cash from operating activities	1,478,555	1,276,796
<b>Investing activities</b>		
Purchase of plant and equipment <sup>(a)</sup>	(615,974)	(3,044,276)
Acquisition of subsidiary corporations (Note 30)	(680,464)	-
Net cash used in investing activities	(1,296,438)	(3,044,276)

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED 30 JUNE 2016

	Group	
	2016	2015
	\$	\$
<b>Financing activities</b>		
Proceeds from issuance of shares, net of issuance costs	–	2,517,741
Dividends paid	<b>(1,215,000)</b>	(1,215,000)
Interest paid	<b>(42,004)</b>	(34,956)
Proceeds from bank borrowings	<b>1,119,600</b>	950,000
Repayments of bank borrowings	<b>(688,801)</b>	(150,000)
Repayments of finance lease	<b>(211,027)</b>	(137,808)
Net cash (used in) from financing activities	<b>(1,037,232)</b>	1,929,977
Net (decrease) increase in cash and cash equivalents	<b>(855,115)</b>	162,497
Cash and cash equivalents at beginning of the year	<b>4,768,941</b>	4,531,440
Effect of exchange rates changes on the balance of cash held in foreign currencies	<b>205</b>	75,004
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<b>3,914,031</b>	4,768,941
Cash and cash equivalents in the Group's cash flow statements comprise the following:		
Cash at bank and on hand	<b>3,914,031</b>	3,268,941
Fixed deposits	–	1,500,000
	<b>3,914,031</b>	4,768,941

<sup>(a)</sup> In 2016, the Group acquired plant and equipment with an aggregate cost of \$615,974 (2015: \$3,682,827) of which \$Nil (2015: \$638,551) was acquired by way of finance lease. Cash payments of \$615,974 were made in 2016 to purchase office equipment and undertake renovation for the Group's relocation to its new office at 213 Henderson Road, #04-09, Singapore 159553 ("New Office") (2015: \$3,044,276 were made to purchase equipment relating mainly to the Group's Alert Alarm Systems.)

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 1 GENERAL

The Company (Registration No. 201327639H) is incorporated in Singapore with its principal place of business and registered office at 213 Henderson Road, #04-09, Singapore 159553. The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 June 2014. The financial statements are expressed in Singapore dollars.

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2016 were authorised for issue by the Board of Directors on 4 October 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ADOPTION OF NEW AND REVISED STANDARDS** – On 1 July 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- FRS 109 *Financial Instruments*<sup>3</sup>
- FRS 115 *Revenue from Contracts with Customers*<sup>3</sup>
- FRS 116 *Leases*<sup>4</sup>
- Amendments to FRS 115 *Clarifications to Revenue from Contracts with Customers*<sup>3</sup>
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*<sup>1</sup>
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*<sup>2</sup>
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*<sup>1</sup>
- Improvements to Financial Reporting Standards (November 2014)<sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after 1 January 2016, with early application permitted.

<sup>2</sup> Applies prospectively to annual periods beginning on or after 1 January 2017, with early application permitted.

<sup>3</sup> Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

<sup>4</sup> Applies to annual periods beginning on or after 1 January 2019, with early application permitted for entities that apply FRS 115 at or before the date of initial application of FRS 116.

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

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

### **FRS 109 Financial Instruments**

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key requirements of FRS 109 that are relevant to the Group and Company:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL").
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

FRS 109 applies to annual periods beginning on or after 1 January 2018, with early application permitted.

Management anticipates that the initial application of FRS 109 will result in additional disclosures to be made with respect to judgement and estimates made around expected credit losses and the Group's credit risk management activities. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

FRS 115 will take effect from the financial year beginning on or after 1 January 2018 with retrospective application required. Under this transition method, an entity shall apply this Standard retrospectively only to contracts that are not completed at the date of initial adoption. Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial adoption.

### FRS 116 Leases

FRS 116 was issued in June 2016 and it will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management is currently evaluating the potential impact of the application of FRS 116 on the financial statements of the Group and of the Company in the period of initial adoption.

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

The amendments have been made to the following:

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

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



# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Management is currently evaluating the potential impact of the application of these amendments to FRS 7 on the financial statements of the Group and of the Company in the period of initial adoption.

### Amendments to FRS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

FRS 27 requires an entity to account for its investments in subsidiaries, joint ventures and associates either at cost or in accordance with FRS 39 (or FRS 109 when effective). The amendments allow an additional option for an entity to account for these investees in its separate financial statements using the equity method as described in FRS 28.

The accounting option must be applied by category of investments.

Management is currently evaluating the potential impact of the application of these amendments to FRS 27 on the financial statements of the Group and of the Company in the period of initial adoption.

**BASIS OF COMBINATION** – In 2014, the Group underwent a restructuring exercise as part of its preparation for the listing of the Company on the SGX-ST. The financial statements incorporate the financial statements of the Company and its subsidiary corporations and had been prepared using the principles of merger accounting and on the assumption that the re-organisation of entities under common control has been effected as at the beginning of the earliest period presented in these financial statements.

Where necessary, adjustments are made to the financial statements of the group entities to bring their accounting policies in line with those used by other members of the Group.

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### Effective interest method

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

### **Financial assets**

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

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

### Trade and other receivables

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

### Impairment of financial assets

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

### Derecognition of financial assets

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Trade and other payables

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

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

### Derecognition of financial liabilities

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

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

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

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

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

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

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

Construction-in-progress relates to the construction of equipment, office systems and setting up of computer network. Depreciation of these assets commences when the assets are ready for their intended use.

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**GOODWILL** – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired net of liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### The Group as lessee

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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 to customers and dealers is recognised when all the following conditions are satisfied:

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Rendering of services

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

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

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

### Rental income

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

### Interest income

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

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

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

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

### (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 operating leases

The Group has entered into contracts for the supply of, installation and maintenance arrangement for alert alarm systems. Upon expiry of the contracts, the Group is responsible for dismantling of the alarm systems and the Group will retain ownership of the alarm systems. At the inception of the agreements, management has assessed whether substantially all risks and rewards have been transferred to the lessee in accordance with FRS 17 *Leases* and concluded that this arrangement should be accounted for as an operating lease (Note 29).

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

### (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) Allowance for inventories

The Group's inventories are valued at the lower of 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 and also considers the nature and use of such inventory items. The Group then estimates the amount of allowance for inventories required. The carrying amount of inventory is disclosed in Note 11 to the financial statements.

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

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

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

In addition, the valuation of construction contracts can be subject to uncertainty in respect of variation works and estimation of future costs. The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 10 to the financial statements. The contract revenue recognised as revenue amounted to \$2,207,030 (2015: \$1,524,966).

#### (c) Recoverability of trade receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Judgement is required in assessing the ultimate realisation of these receivables, including the past collection history of each customer, individual customer's credit quality, on-going dealings with them, the status of the projects handled by the customers and where required, negotiation of instalment plans or partial settlement agreements with customers. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and doubtful debt expenses in the period in which such estimate has been changed.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

#### (c) Recoverability of trade receivables (Continued)

In particular, for receivables that are past due but not impaired and that are long outstanding, the Group reviews them closely to assess if there is any objective evidence of impairment, such as observable data indicating that there have been significant changes in the customer's payment ability or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the customer operates in.

As at 30 June 2016, with regards to trade receivables due from a customer (a dealer of the Group) amounting to \$5,383,725 (current balance of \$1,889,425 and non-current balance of \$3,494,300) which was overdue and for which an instalment plan was subsequently arranged, the management have exercised significant judgement and critically evaluated that no allowance for doubtful debts is required and is confident of the full recoverability of these receivables after taking into consideration, amongst other factors:

- the on-going working relationship and background of the customer and the customer's end-customer, including the status of the project that the parties are involved in;
- the on-going and open communications between the parties involved and the management on the settlement of these receivables;
- the Group and the customer had agreed upon and had signed an instalment plan agreement subsequent to the year end for instalments to be paid from August 2016 to September 2018;
- the receipt of \$724,658 for the first instalment subsequent to year end as agreed in the instalment payment schedule; and
- the commitment of the customer to make payment according to the instalment payment schedule.

Should the above assessment be inappropriate, adjustments may have to be made to reflect the impairment on the said balance and this amount could differ significantly from the amounts at which they are currently recorded in the statement of financial position. This may also have an impact on the Group's and Company's ability to meet bank covenant requirements for credit facilities granted by financial institutions and any liquidity considerations that might arise.

Further information on credit risk management and the carrying amount of the trade receivables is disclosed in Note 4c(i) and Note 7 to the financial statements respectively.

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

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

As disclosed in Note 2, the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period, taking into account any significant changes in the expected level of usage and any technological developments that could impact the economic useful lives of these assets and therefore depreciation charges could be revised. The carrying amount of the Group's plant and equipment is disclosed in Note 12 to the financial statements.

#### (e) Fair value of net assets acquired in business combinations

The Group accounts for business combinations using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their fair values. As part of this process, it is also necessary to identify and recognise certain assets and liabilities which are not included in the acquiree's statement of financial position. Significant judgement is required in determining whether the intangibles have indefinite or finite useful lives and in determining the useful lives for finite intangibles if any. The judgements made in the context of the purchase price allocation can impact the Group's future results of operations. Accordingly, the Group obtains assistance from independent valuation specialists and makes certain assumptions and estimates to determine the valuation of the identified net assets for the acquisition. These assumptions and estimates involve inherent uncertainties and the application of judgements. The valuations are based on information available at the acquisition date. Details are provided in Note 30 to the financial statements.

#### (f) Impairment of investments in subsidiary corporations

The Company evaluates its investments in subsidiary corporations amounting to \$4,866,199 (2015: \$3,000,199) as disclosed in Note 13 to determine whether there are any indications that these investments may be impaired. In performing its evaluation, the management considers the economic outlooks relating to the entities as well as current financial performance and prospective financial information of the respective entities. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss, if any. No indication of impairment was identified as at 30 June 2016 and 2015.

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

### (a) Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>Financial assets</u>				
Loans and receivables (including cash and cash equivalents)	<u>15,079,999</u>	<u>14,421,881</u>	<u>8,428,590</u>	<u>8,798,498</u>
<u>Financial liabilities</u>				
Amortised cost	<u>7,043,040</u>	<u>7,636,515</u>	<u>2,297,684</u>	<u>506,017</u>

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

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

#### (i) Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables.

The Group in managing its credit risk, assesses and takes into consideration the nature of each customer, and in turn takes deliberate actions in minimizing its credit risk. These actions includes, requesting advance payments from customers, performance of credit risk assessment for customers and regular monitoring of customers' financial standing. Where assessed to be required, credit risk management also includes, having management actively monitoring and managing the on-going working relationship, the status of the project the customer is involved in, and where necessary, working with customers on payment arrangements, taking also into consideration any commercial leverage that the Group may have over the customer, including evaluating fulfillment of future orders or services.

As at year end, the Group has concentration of credit risk on 3 (2015: 5) customers, which accounted for 75.7% (2015: 94.5%) of the total trade receivables. Of this, one customer accounts for 67% of the 75.7% (2015: 61% of the 94.5%).

In respect of the above customer, management has evaluated and is confident of the collections by taking into consideration the factors as disclosed in Note 3(ii)(c) to the financial statements.

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 dollars against the United States dollars.

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



# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

#### (ii) Foreign currency risk management (Continued)

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
United States dollars	<u>3,336,144</u>	<u>5,834,248</u>	<u>11,615,945</u>	<u>9,421,042</u>	<u>-</u>	<u>-</u>	<u>983,892</u>	<u>983,634</u>

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

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

#### Group

	<u>2016</u>	<u>2015</u>
Profit or loss	<u>\$ 827,980</u>	<u>\$ 358,679</u>

#### Company

	<u>2016</u>	<u>2015</u>
Profit or loss	<u>\$ 98,389</u>	<u>\$ 98,363</u>

#### (iii) Interest rate risk management

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

#### (iv) Liquidity risk management

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

#### Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	%	\$	\$	\$	\$
<u>Group</u>					
<b>2016</b>					
Non-interest bearing	–	5,522,525	–	–	5,522,525
Finance lease liability (fixed rate)	2.50	221,160	73,711	(5,155)	289,716
Variable interest rate instruments	3.48	576,778	698,383	(44,362)	1,230,799
Total		<u>6,320,463</u>	<u>772,094</u>	<u>(49,517)</u>	<u>7,043,040</u>
<b>2015</b>					
Non-interest bearing	–	6,152,088	–	–	6,152,088
Finance lease liability (fixed rate)	2.50	221,160	294,871	(15,288)	500,743
Variable interest rate instruments	2.76	822,707	–	(22,707)	800,000
Fixed interest rate instruments	3.03	189,424	–	(5,740)	183,684
Total		<u>7,385,379</u>	<u>294,871</u>	<u>(43,735)</u>	<u>7,636,515</u>
<u>Company</u>					
<b>2016</b>					
Non-interest bearing	–	1,266,885	–	–	1,266,885
Variable interest rate instruments	3.58	369,963	699,127	(38,291)	1,030,799
Total		<u>1,636,848</u>	<u>699,127</u>	<u>(38,291)</u>	<u>2,297,684</u>
<b>2015</b>					
Non-interest bearing	–	506,017	–	–	506,017

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

#### (iv) Liquidity risk management (Continued)

##### Non-derivative financial assets

All the financial assets of the Group and the Company in 2016 and 2015 are repayable on demand or due within 1 year from the end of the reporting period and interest-free except for fixed deposits for which the effective interest rate is disclosed in Note 6 to the financial statements and long-term trade receivables as disclosed in Note 7 to the financial statements.

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

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

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

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

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group comprises only of issued capital, reserves and accumulated profits. The Group's overall strategy remains unchanged from 2015.

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

The Company is a subsidiary corporation of IPS Technologies Pte. Ltd. ("IPST") incorporated in Singapore which is also the Company's ultimate holding company. The ultimate controlling party is Mr Chan Tien Lok whose interest in the Company is held through his shareholdings in IPST.

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

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

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

	2016	2015
	\$	\$
<u>Related parties</u>		
Perfex International Pte. Ltd. and IPS-Eurotec Pte. Ltd.:		
Sales	–	(1,050)
IPS Group Pte. Ltd.:		
Other income	(53,000)	(60,600)
Accounting and administrative services	77,832	81,600
IT service support fee	2,776	–
Rental expense	59,279	64,529
Warehouse rental	14,700	16,800
IPS-Lintec Group Pte. Ltd.:		
Warehouse operation services	19,740	22,560
Powersource International Pte. Ltd.:		
Purchases	–	350
IPS Realty Pte. Ltd.:		
Rental expense	54,000	–
Recharge of utilities	1,422	–

### Compensation of directors and key management personnel

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

	Group	
	2016	2015
	\$	\$
Short-term employee benefits	1,434,793	1,173,755
Post-employment benefits	71,502	50,755
Total compensation	1,506,295	1,224,510

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash on hand	8,699	6,592	346	–
Cash at bank	3,905,332	3,262,349	1,104,990	979,364
Fixed deposits	–	1,500,000	–	1,500,000
Cash and cash equivalents in the statement of cash flows	<b>3,914,031</b>	<b>4,768,941</b>	<b>1,105,336</b>	<b>2,479,364</b>

In 2015, the fixed deposits bore an average interest of 0.93% per annum with a tenure of approximately 3 months.

## 7 TRADE RECEIVABLES

	Group	
	2016	2015
	\$	\$
Trade receivables due from third parties	10,211,032	9,129,565
Accrued revenue	253,290	230,546
	<b>10,464,322</b>	<b>9,360,111</b>
Amount due from contract customers (Note 10)	100,468	35,075
	<b>10,564,790</b>	<b>9,395,186</b>
Analysed as:		
Current	6,874,261	8,054,844
Non-current	3,690,529	1,340,342
	<b>10,564,790</b>	<b>9,395,186</b>

The credit period on sale of goods and rendering of services are on 30 to 90 days (2015: 30 to 90 days) terms. No interest is charged on the outstanding balance. The trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition except for the long term trade receivables amounting to \$196,229 (net of early repayment of \$1,251,607) (2015: \$1,340,342) which is due by six pre-agreed instalments commencing from July 2016 to March 2019. Long-term trade receivables are discounted based on expected cost of borrowing and carried at amortised cost as at the end of the reporting period.

Subsequent to year-end, arising from another instalment plan with another debtor which is due by five pre-agreed instalments commencing from August 2016 to September 2018, the amounts due after twelve-month period have been classified as non-current.

Management estimates that the carrying amount of long term trade receivables approximate its fair value as the effective interest rate approximates to the market rate.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience and as described in Note 3(ii)(c). Management has assessed that there is no allowance for doubtful debts required, in respect of trade receivables which are not past due as well as trade receivables which are past due but not impaired.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 7 TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2016	2015
	\$	\$
Not past due and not impaired	<b>3,182,150</b>	8,494,681
Past due but not impaired <sup>(i)</sup>	<b>7,282,172</b>	865,430
Total trade receivables, net	<b>10,464,322</b>	9,360,111

	Group	
	2016	2015
	\$	\$
(i) Aging of receivables that are past due but not impaired:		
<3 months	<b>341,401</b>	319,733
3 months to 6 months	<b>1,218,526</b>	545,697
6 months to 12 months	<b>5,619,973</b>	–
>12 months	<b>102,272</b>	–
	<b>7,282,172</b>	865,430

## 8 OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Other receivables due from:				
Third parties <sup>(1)</sup>	<b>398,244</b>	22,542	<b>7,114</b>	1,300
Immediate holding company (Note 5)	<b>632</b>	–	–	–
Subsidiary corporation (Note 5)	–	–	<b>3,012,840</b>	2,167,680
	<b>398,876</b>	22,542	<b>3,019,954</b>	2,168,980
Deposits	<b>302,770</b>	270,287	<b>41,900</b>	500
Deferred expenditure <sup>(2)</sup>	<b>141,396</b>	131,033	–	–
Prepayments	<b>91,389</b>	92,414	<b>11,535</b>	18,061
	<b>934,431</b>	516,276	<b>3,073,389</b>	2,187,541

<sup>(1)</sup> Included in other receivables due from third parties is an amount of \$386,120 (including interest of \$40,431), which is repayable within six months, failing which, a default interest of 2% will be chargeable. This amount has been received subsequent to year end.

<sup>(2)</sup> Deferred expenditure pertains to prepaid subcontract costs incurred for maintenance projects.

The remaining other receivables due from third parties as at year end are within their cash collection cycles and are not past due.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 9 LOAN TO A SUBSIDIARY CORPORATION

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

## 10 CONTRACT WORK-IN-PROGRESS

	Group	
	2016	2015
	\$	\$
Contracts work-in-progress at the end of the reporting period:		
Amount due from contract customers included in trade receivables (Note 7)	<b>100,468</b>	35,075
Cumulative contract cost incurred and cumulative attributable profit recognised to date	<b>1,638,347</b>	480,770
Less: Cumulative progress billings	<b>(1,537,879)</b>	(445,695)
Net	<b>100,468</b>	35,075
Retention monies held by customers for contract work (unbilled)	<b>128,717</b>	53,490

At 30 June 2016, retention monies held by customers for contract work of \$128,717 (2015: \$53,490) was included in trade receivables.

These amounts have been classified as current as they are expected to be realised in the Group's normal operating cycle.

## 11 INVENTORIES

	Group	
	2016	2015
	\$	\$
Inventories, net of allowance for inventory obsolescence	<b>705,727</b>	618,098
Work-in-progress	<b>45,888</b>	57,623
	<b>751,615</b>	675,721

Movement in the allowance for inventory obsolescence:

	Group	
	2016	2015
	\$	\$
Balance at beginning of the year	-	98,887
Allowance <sup>(1)</sup> (Reversal of allowance) during the year <sup>(2)</sup>	<b>12,342</b>	(98,887)
Balance at end of the year	<b>12,342</b>	-

<sup>(1)</sup> In 2016, allowance was made to bring the inventory to its net realisable value and amount has been charged to profit or loss for the year in "other operating expenses".

<sup>(2)</sup> In 2015, reversal of allowance was due to sale of goods to third party above costs.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 12 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction -in-progress	Total
	\$	\$	\$	\$	\$	\$	\$
<u>Group</u>							
Cost:							
At 1 July 2014	104,493	22,421	33,578	62,707	1,529,636	517,929	2,270,764
Additions	31,216	2,500	702	120,649	-	3,527,760	3,682,827
Transfer	58,095	-	-	-	3,968,023	(4,026,118)	-
Disposals	-	(336)	(247)	-	-	-	(583)
At 30 June 2015	193,804	24,585	34,033	183,356	5,497,659	19,571	5,953,008
Acquired on acquisition of subsidiary corporations (Note 30)	7,698	-	-	111,994	-	33,375	153,067
Additions	194,340	389,263	-	31,583	-	788	615,974
Transfer <sup>(1)</sup>	-	33,375	-	-	-	(52,946)	(19,571)
Disposals	(4,139)	(23,245)	(1,180)	-	-	-	(28,564)
At 30 June 2016	391,703	423,978	32,853	326,933	5,497,659	788	6,673,914

<sup>(1)</sup> During the year, the Group transferred equipment items with carrying amount of \$19,571 (2015: \$Nil) from plant and equipment to inventories (Note 11) as these equipment items were previously classified under construction-in-progress. Management intends to sell these equipment items as inventories.

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction -in-progress	Total
	\$	\$	\$	\$	\$	\$	\$
<u>Group</u>							
Accumulated depreciation:							
At 1 July 2014	39,599	9,371	18,795	53,587	415,357	-	536,709
Depreciation for the year	56,005	3,560	6,208	23,438	523,900	-	613,111
Disposals	-	(336)	(247)	-	-	-	(583)
At 30 June 2015	95,604	12,595	24,756	77,025	939,257	-	1,149,237
Acquired on acquisition of subsidiary corporations (Note 30)	5,515	-	-	54,749	-	-	60,264
Depreciation for the year	75,976	16,838	6,054	35,798	758,457	-	893,123
Disposals	(4,139)	(14,418)	(1,066)	-	-	-	(19,623)
At 30 June 2016	172,956	15,015	29,744	167,572	1,697,714	-	2,083,001
Carrying amount:							
At 30 June 2016	218,747	408,963	3,109	159,361	3,799,945	788	4,590,913
At 30 June 2015	98,200	11,990	9,277	106,331	4,558,402	19,571	4,803,771

As at 30 June 2016, plant and equipment of the Group with carrying amount of \$501,718 (2015: \$592,940) are under finance lease arrangements as disclosed in Note 17 to the financial statements. These assets are held as collateral.



# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 13 INVESTMENT IN SUBSIDIARY CORPORATIONS

	Company	
	2016	2015
	\$	\$
Unquoted equity shares, at cost	<u>4,866,199</u>	<u>3,000,199</u>

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

Name of subsidiary corporation	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2016	2015	
		%	%	
IPS Securex Pte. Ltd. <sup>(a)</sup>	Singapore	100	100	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.
IPS Securex (B) Sdn Bhd <sup>(b)</sup>	Brunei	100	100	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.
Yatai Security & Communications Pte. Ltd. <sup>(a) (c)</sup>	Singapore	100	–	Distribution, installation and commissioning of security equipment and provision of maintenance support.
Avac Systems Pte. Ltd. <sup>(a) (c)</sup>	Singapore	100	–	Distribution, installation and commissioning of security equipment and provision of maintenance support.

<sup>(a)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(b)</sup> Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

<sup>(c)</sup> Newly acquired in 2016 (Note 30).

## 14 BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>Secured – at amortised cost</u>				
Bank loans	1,230,799	800,000	1,030,799	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(556,712)</u>	<u>(800,000)</u>	<u>(356,712)</u>	–
Amount due for settlement after 12 months	<u>674,087</u>	–	<u>674,087</u>	–

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 14 BORROWINGS (CONTINUED)

The Group's bank borrowing consists of:

- a) A remaining loan amount of \$200,000 (2015: \$800,000). Repayments commenced on April 2015 and will continue until October 2016 but subject to payment on demand by the bank. The loan is secured against the corporate guarantee given by the Company. The loan bears effective interest rates from 2.7% to 3.2% (2015: 2.37% to 3.15%) per annum.
- b) A remaining loan amount of \$1,030,799 (2015: \$Nil) pertaining to a new term loan taken in 2016. Repayments commenced on April 2016 and will continue until March 2019. The loan is secured against the corporate guarantee given by a subsidiary corporation. The loan bears effective interest rates of 3.58% (2015: Nil%) per annum.

At 30 June 2016, the Group had available \$11,475,800 (2015: \$6,825,165) of undrawn committed loan and trade borrowing facilities in respect of which all conditions precedent had been met.

## 15 TRADE PAYABLES

	Group	
	2016	2015
	\$	\$
Third parties	<u>3,579,508</u>	<u>5,409,799</u>

Trade payables are normally settled within 90 days (2015: 90 days) terms. No interest is charged on the trade payables except those under trade financing.

In 2015, trade payables under trade financing amounting to \$183,684, with interest charged at 3.03% per annum, were repayable within one year. The trade financing facilities were secured by corporate guarantee given by the Company.

## 16 OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Other payables:				
Third parties	338,477	160,430	38,764	34,109
Deposits	6,509	-	21,629	-
Subsidiary corporation (Note 5)	-	-	89,227	86,634
Purchase consideration (Note 30)	746,400	-	746,400	-
Related parties (Note 5)	10,948	-	10,520	-
Accruals <sup>(a)</sup>	840,683	765,543	360,345	385,274
Advance from customers	119,187	312,687	-	-
	<u>2,062,204</u>	<u>1,238,660</u>	<u>1,266,885</u>	<u>506,017</u>

<sup>(a)</sup> The Group accrued \$553,127 (2015: \$525,541) in relation to employee-related expenses. The Company accrued \$292,346 (2015: \$309,350) in relation to employee-related expenses.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 17 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	\$	\$	\$	\$
Amounts payable under finance leases:				
Within one year	221,160	221,160	216,389	211,027
In the second to fifth years inclusive	73,711	294,871	73,327	289,716
	294,871	516,031	289,716	500,743
Less: future finance charges	(5,155)	(15,288)	–	–
Present value of lease obligations	<u>289,716</u>	<u>500,743</u>	<u>289,716</u>	<u>500,743</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(216,389)</u>	<u>(211,027)</u>
Amount due for settlement after 12 months			<u>73,327</u>	<u>289,716</u>

The average lease term is 3 years. For the year ended 30 June 2016, the average effective borrowing rate was 2.5% (2015: 2.5%) per annum.

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

## 18 DEFERRED TAX LIABILITY

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

	Group
	\$
At 1 July 2014	103,756
Charge to profit or loss for the year (Note 25)	<u>210,770</u>
At 30 June 2015	314,526
Charge to profit or loss for the year (Note 25)	<u>85,644</u>
At 30 June 2016	<u>400,170</u>

The deferred tax liabilities arise from the accelerated tax depreciation of plant and equipment.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 18 DEFERRED TAX LIABILITY (CONTINUED)

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

	Group	
	2016	2015
	\$	\$
Deferred tax liability	<u>400,170</u>	<u>314,526</u>

## 19 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning of the year	162,000,000	75,000,000	9,405,906	6,888,165
Issuance of shares pursuant to Share Placement, net of placement expenses capitalised <sup>(1)</sup>	–	6,000,000	–	2,517,741
Additional shares from Share Split	<u>324,000,000<sup>(3)</sup></u>	<u>81,000,000<sup>(2)</sup></u>	–	–
At end of the year	<u>486,000,000</u>	<u>162,000,000</u>	<u>9,405,906</u>	<u>9,405,906</u>

<sup>(1)</sup> In 2015, the Company undertook a share placement exercise (the "Share Placement") whereby 6,000,000 new ordinary shares were allotted and issued to Mr Goh Khoon Lim on 14 October 2014 at a subscription price of \$0.42 per share, which resulted to a net proceed of \$2,517,741 after deducting share issuance expenses of \$2,259.

<sup>(2)</sup> On 5 December 2014, the Company announced a proposed share split of every one (1) existing share held by shareholders of the Company into two (2) shares (the "Share Split 1") which resulted in the Company having a share capital of 162,000,000 shares, the listing of which had commenced with effect from 9.00 a.m. on 22 January 2015.

<sup>(3)</sup> On 31 August 2015, the Company announced a proposed share split of every one (1) existing share held by shareholders of the Company into three (3) shares (the "Share Split 2") which resulted in the Company having a share capital of 486,000,000 shares, the listing of which had commenced with effect from 9.00 a.m. on 2 October 2015. For comparative purposes, the weighted average number of shares for 2016 and 2015 has been adjusted for the Share Split (Note 27).

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

## 20 OTHER RESERVE

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 21 REVENUE

	Group	
	2016	2015
	\$	\$
Sales of goods	5,437,109	6,028,687
Rendering of services	5,847,049	8,637,981
Rental income	1,480,766	997,612
	<b>12,764,924</b>	<b>15,664,280</b>

## 22 OTHER OPERATING INCOME

	Group	
	2016	2015
	\$	\$
Government grants and subsidies	77,869	67,929
Interest income	119,128	35,823
Reversal of allowance for inventory obsolescence	–	98,887
Charges to related party – IPS Group Pte. Ltd. (Note 5)	53,000	60,600
Negative goodwill arising on acquisition of subsidiary corporations (Note 30)	125,382	–
Credit note from a supplier <sup>(1)</sup>	1,515,961	–
Net foreign exchange gain	–	268,970
Others	95,105	18,942
	<b>1,986,445</b>	<b>551,151</b>

<sup>(1)</sup> Credit note received, which is irrevocable, is in relation to trade payables due to a supplier for a previous contract to supply security products.

## 23 FINANCE COSTS

	Group	
	2016	2015
	\$	\$
Interest expense		
Trade financing	5,387	13,646
Hire purchase	10,133	9,632
Term loans	24,982	13,307
	<b>40,502</b>	<b>36,585</b>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 24 PROFIT BEFORE INCOME TAX

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

	Group	
	2016	2015
	\$	\$
Directors' remuneration		
– of the Company	874,925	822,282
– of subsidiary corporations	59,903	2,000
Total directors' remuneration	<b>934,828</b>	824,282
Employee benefits expense (inclusive of directors' remuneration):		
– Defined contribution plans	365,062	287,647
– Salaries and related expenses	3,271,552	2,731,517
Total employee benefits expense	<b>3,636,614</b>	3,019,164
Audit fees paid to auditors of the Company	137,000	122,000
Depreciation of plant and equipment <sup>(1)</sup>	893,123	613,111
Loss on disposal of plant and equipment	8,941	–
Inventories written off	1,944	126
Allowance (Reversal of allowance) for inventory obsolescence	12,342	(98,887)
Inventories recognised as an expenses in cost of sales	4,373,072	8,712,956
Net foreign exchange loss (gain)	206,157	(268,970)
Government grants and subsidies	(77,869)	(67,929)
Negative goodwill arising on acquisition of subsidiary corporations <sup>(2)</sup> (Note 30)	(125,382)	–
Credit note from a supplier	<b>(1,515,961)</b>	–

<sup>(1)</sup> Included in cost of sales and administrative expenses.

<sup>(2)</sup> Included in other operating income.

## 25 INCOME TAX EXPENSE

	Group	
	2016	2015
	\$	\$
Current tax expense	230,465	143,938
Under (Over) provision for current tax of prior years	180	(51,428)
Deferred tax expense (Note 18)	85,644	210,770
	<b>316,289</b>	303,280

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 25 INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2016	2015
	\$	\$
Profit before income tax	<b>2,581,005</b>	2,557,371
Income tax expense calculated at 17% (2015: 17%)	<b>438,771</b>	434,753
Effect of expenses that are not deductible	<b>88,211</b>	88,189
Effect of income that are not taxable	<b>(10,992)</b>	(13)
Effect of tax exemptions	<b>(130,422)</b>	(114,350)
Group relief <sup>(1)</sup>	<b>(63,553)</b>	(57,940)
Under (Over) provision of tax in prior years	<b>180</b>	(51,428)
Others	<b>(5,906)</b>	4,069
Tax expense for the year	<b>316,289</b>	303,280

<sup>(1)</sup> In 2016, \$373,840 (2015: \$340,822) of loss was transferred from the Company to its subsidiary corporation under the Group Relief scheme. This resulted in tax expense for the year to be reduced by \$63,553 (2015: \$57,940).

## 26 DIVIDENDS

In 2015, the Company declared and paid an interim tax exempt (one-tier) dividend of \$0.0075 per ordinary share amounting to a total of \$1,215,000 for the financial year ended 30 June 2015. The Company also declared and paid a final tax exempt (one-tier) dividend of \$0.0025 per ordinary share amounting to a total of \$1,215,000 for the financial year ended 30 June 2015.

Subsequent to the financial year ended 30 June 2016, the Company proposed a final tax exempt (one-tier) dividend of \$0.0025 per ordinary share amounting to a total of \$1,215,000 for the financial year ended 30 June 2016.

The proposed dividend is subject to shareholders' approval during the forthcoming Annual General Meeting on 28 October 2016 and has not been included as a liability.

## 27 EARNINGS PER SHARE

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

	2016	2015
Earnings per ordinary share ("EPS")		
Profit attributable to owners of the Company (\$)	<b>2,264,716</b>	2,254,091
Weighted average number of ordinary shares after adjusting for share split <sup>(1)</sup>	<b>486,000,000</b>	475,643,835
EPS – Basic and diluted (cents) after adjusting for the share split <sup>(1)</sup>	<b>0.47</b>	0.47

The basic and diluted earnings per share are the same for 2016 and 2015 as there were no potentially dilutive instruments as at 30 June 2016 and 30 June 2015.

<sup>(1)</sup> For comparative purposes, the weighted average number of ordinary shares for 2016 and 2015 has been adjusted for Share Splits 1 and 2 respectively (Note 19). Weighted average number of ordinary shares after Share Splits 1 and 2 may not be a product of the weighted average number of ordinary shares before the Share Split 1 and the Share Split 2 ratio due to rounding.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 28 SEGMENT INFORMATION

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

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

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

- (i) Security solutions business including sales of goods and contract for provision of integrated security solutions projects; and
- (ii) Maintenance and leasing business including service, maintenance and rental income.

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

### Segment revenues and results

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

	Revenue		Net profit	
	2016	2015	2016	2015
	\$	\$	\$	\$
Security solutions business <sup>(1)</sup>	7,644,139	10,139,701	3,355,324	3,326,144
Maintenance and leasing business <sup>(2)</sup>	5,120,785	5,524,579	2,679,529	3,134,571
	<b>12,764,924</b>	<b>15,664,280</b>	<b>6,034,853</b>	<b>6,460,715</b>
Other operating income			1,986,445	551,151
Administrative expenses			(5,149,270)	(4,395,909)
Other operating expenses			(250,521)	(22,001)
Finance costs			(40,502)	(36,585)
Profit before income tax			2,581,005	2,557,371
Income tax expense			(316,289)	(303,280)
Profit for the year			<b>2,264,716</b>	<b>2,254,091</b>

<sup>(1)</sup> Included sales to related parties of \$Nil (2015: \$430).

<sup>(2)</sup> Included sales to related parties of \$Nil (2015: \$620).

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



# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 28 SEGMENT INFORMATION (CONTINUED)

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

### Segment assets

	2016	2015
	\$	\$
Security solutions business	10,567,565	8,744,129
Maintenance and leasing business	4,903,524	6,252,602
Total segment assets	15,471,089	14,996,731
Unallocated assets	5,284,691	5,163,164
Total consolidated assets	<u>20,755,780</u>	<u>20,159,895</u>

### Segment liabilities

	2016	2015
	\$	\$
Security solutions business	3,584,892	4,741,782
Maintenance and leasing business	512,852	1,558,631
Total segment liabilities	4,097,744	6,300,413
Unallocated liabilities	3,804,662	2,055,824
Total consolidated liabilities	<u>7,902,406</u>	<u>8,356,237</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. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Segment liabilities include all operating liabilities and consist primarily of trade payable, accruals and other payables.

### Other segment information

	2016	2015
	\$	\$
Depreciation:		
Maintenance and leasing business	758,457	523,900
Unallocated	134,666	89,211
	<u>893,123</u>	<u>613,111</u>
Additions to plant and equipment:		
Maintenance and leasing business	-	3,527,760
Unallocated	615,974	155,067
	<u>615,974</u>	<u>3,682,827</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 28 SEGMENT INFORMATION (CONTINUED)

### Geographical information

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

	Revenue		Non-current assets	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore	6,080,606	6,017,609	4,590,913	4,803,771
Indochina <sup>(1)</sup>	486,913	2,626,099	–	–
Rest of Southeast Asia <sup>(2)</sup>	6,197,405	7,020,572	3,690,529	1,340,342
Total	<u>12,764,924</u>	<u>15,664,280</u>	<u>8,281,442</u>	<u>6,144,113</u>

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

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

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

### Information about major customers

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

	2016	2015
	\$	\$
<u>Security solutions business</u>		
Customer A	–	5,387,600
Customer B	–	2,218,121
Customer C	<u>3,815,834</u>	<u>–</u>
<u>Maintenance and leasing business</u>		
Customer D	<u>1,480,766</u>	997,612
Customer E	<u>2,107,658</u>	<u>2,733,557</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 29 OPERATING LEASE ARRANGEMENTS

### The Group as lessor

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

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	<b>1,480,788</b>	1,480,788
In the second to fifth year inclusive	<b>5,264,412</b>	5,618,400
More than five years	<b>770,077</b>	1,896,877
	<b><u>7,515,277</u></b>	<b><u>8,996,065</u></b>

### The Group as lessee

The Group has operating lease payments for rental of office premises and warehouses from IPS Realty Pte. Ltd. (a related party) and two copiers.

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	<b>224,820</b>	8,820
In the second to fifth year inclusive	<b>181,845</b>	28,665
	<b><u>406,665</u></b>	<b><u>37,485</u></b>

Leases are negotiated for an average term of two years and rentals are fixed for duration of the lease.

## 30 ACQUISITION OF SUBSIDIARY CORPORATIONS

On 1 April 2016, the Group acquired 100% of the issued share capital of Yatai Security & Communications Pte. Ltd. ("Yatai") and Avac Systems Pte. Ltd. ("Avac") for consideration of \$1,866,000.

The acquisitions of Yatai and Avac are accounted for by the acquisition method of accounting and fair value of assets and liabilities have been disclosed below.

The Group has acquired Yatai and Avac to complement and further boost its existing security business; to establish its market presence and expand its market share in Singapore and potentially derive synergies within the Group.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 30 ACQUISITION OF SUBSIDIARY CORPORATIONS (CONTINUED)

### Assets acquired and liabilities assumed at the date of acquisition

#### Yatai Security & Communications Pte. Ltd.

	<u>1 April 2016</u>
	\$
<b>Current assets</b>	
Cash and cash equivalents	257,376
Trade and other receivables	1,170,912
Inventories	898,795
<b>Non-current assets</b>	
Plant and equipment	64,017
<b>Current liabilities</b>	
Trade and other payables	(716,968)
Income tax payable	(90,586)
Assets acquired net of liabilities assumed	<u>1,583,546</u>

#### Avac Systems Pte. Ltd.

	<u>1 April 2016</u>
	\$
<b>Current assets</b>	
Cash and cash equivalents	181,760
Trade and other receivables	216,104
<b>Non-current assets</b>	
Plant and equipment	28,786
<b>Current liabilities</b>	
Trade and other payables	(18,814)
Assets acquired net of liabilities assumed	<u>407,836</u>

The receivables acquired (which principally comprised trade receivables) in those acquisitions with a fair value of \$1,387,016 has gross contractual amounts of \$1,387,016. The best estimate at acquisition date of the contractual cash flows not expected to be collected was \$Nil.

Acquisition-related costs amounting to \$95,000, have been excluded from the consideration paid and have been recognised as an expense in the period, within 'Administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

The results of Yatai and Avac acquired in 2016 were included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

## 30 ACQUISITION OF SUBSIDIARY CORPORATIONS (CONTINUED)

### Goodwill arising on acquisition of subsidiary corporations

	<u>Total</u>
	\$
Total consideration	1,866,000
Less: fair value of Yatai's identifiable net assets acquired	(1,583,546)
Less: fair value of Avac's identifiable net assets acquired	(407,836)
Negative goodwill arising on acquisition (Note 22)	<u>(125,382)</u>

Purchase consideration was negotiated and agreed based on the financials of Yatai and Avac as at 31 October 2015. Subsequent to October 2015 and up to 31 March 2016, Yatai and Avac's performance had improved. There was no change to the purchase consideration agreed between the previous owner and the Group, resulting in a negative goodwill.

### Net cash outflow on acquisition of subsidiary corporations

	<u>Total</u>
	\$
Consideration paid in cash <sup>(1)</sup>	1,119,600
Less: Yatai's cash and cash equivalent balances acquired	(257,376)
Less: Avac's cash and cash equivalent balances acquired	(181,760)
	<u>680,464</u>

<sup>(1)</sup> Of the total cash consideration of \$1,866,000, \$746,400 of consideration remains unpaid as at June 30, 2016 and is included in accruals in Note 16 to the financial statements.

### Impact of acquisition on the results of the Group

Included in the profit for the year 2016 is a profit of \$95,026 attributable to the subsidiary corporations acquired. Revenue for the period contributed by the subsidiary corporations from the acquisition date up to the financial year end amounted to \$927,998 after eliminating for intercompany sales.

Had the business combination been effected at 1 July 2015, the revenue and the profit of the Group for 2016 would have been approximately \$15,453,564 and \$2,638,984 respectively.

## 31 EVENTS AFTER THE REPORTING PERIOD

Subsequent to financial year ended 30 June 2016, the Directors propose to seek Shareholders' approval for the proposed adoption of the Share Buyback Mandate to enable the Company to purchase or otherwise to acquire its issued shares.

# STATISTICS OF SHAREHOLDINGS

AS AT 23 SEPTEMBER 2016

Issued and fully paid-up Capital	-	S\$9,720,000
Class of Shares	-	Ordinary shares
No. of Shares	-	486,000,000
Voting Rights	-	One vote per share

As at 23 September 2016, the Company does not have any treasury shares.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
100 – 1,000	7	1.38	4,800	0.00
1,001 – 10,000	102	20.04	741,000	0.15
10,001 – 1,000,000	376	73.87	47,780,600	9.83
1,000,001 AND ABOVE	24	4.71	437,473,600	90.02
<b>TOTAL</b>	<b>509</b>	<b>100.00</b>	<b>486,000,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IPS TECHNOLOGIES PTE. LTD.	248,820,000	51.20
2	KELVIN LIM CHING SONG	59,955,000	12.34
3	GOH KHOON LIM	36,000,000	7.41
4	HSBC (SINGAPORE) NOMINEES PTE LTD	13,808,000	2.84
5	OCBC SECURITIES PRIVATE LIMITED	11,840,100	2.44
6	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	11,801,300	2.43
7	KGI FRASER SECURITIES PTE. LTD.	9,910,300	2.04
8	ONG CHIN HIN	9,065,900	1.87
9	RAFFLES NOMINEES (PTE) LIMITED	3,613,600	0.74
10	DB NOMINEES (SINGAPORE) PTE LTD	3,555,900	0.73
11	CITIBANK NOMINEES SINGAPORE PTE LTD	3,248,700	0.67
12	LOW SOW KUAN	3,175,700	0.65
13	PAUL YIP BOON TIONG	3,100,000	0.64
14	LOW SAU CHAN	2,700,000	0.56
15	LEE SIEW HAN	2,633,700	0.54
16	LIM KOK LENG	2,600,000	0.53
17	SIM YONG MUI	2,073,000	0.43
18	TAN SOK HOON (CHEN SHUFEN)	1,854,700	0.38
19	ANGELA G TAN	1,418,400	0.29
20	DBS NOMINEES (PRIVATE) LIMITED	1,367,700	0.28
	<b>TOTAL</b>	<b>432,542,000</b>	<b>89.01</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 23 SEPTEMBER 2016

## SUBSTANTIAL SHAREHOLDERS AS AT 23 SEPTEMBER 2016

(As recorded in the Register of Substantial Shareholders)

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

Notes:

- (1) Chan Tien Lok is deemed to be interested in the shares of the Company held by IPS Technologies Pte. Ltd. ("IPST") by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore as he owns 65.0% of the shareholding in IPST.
- (2) Tan Suan Yap is deemed to be interested in (i) 248,820,000 shares of the Company held by IPST by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore as he owns 35.0% of the shareholdings in IPST and (ii) 360,000 shares held by his spouse, Wen Nanfei by virtue of Section 7 of the Companies Act, Chapter 50.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 23 September 2016, 28.80% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual – Section B: Rules of Catalist of the SGX-ST which requires 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of IPS Securex Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) will be held at Raffles Marina, Chartroom, 2nd Floor, 10 Tuas West Drive, Singapore 638404 on Friday, 28 October 2016 at 11.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final dividend (tax exempt one-tier) of S\$0.0025 per ordinary share in respect of the financial year ended 30 June 2016. (2015: S\$0.0025) **(Resolution 2)**
3. To approve the payment of Directors’ fees of S\$245,216 for the financial year ending 30 June 2017. (2016: S\$317,036) **(Resolution 3)**
4. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 of the Constitution of the Company:
 

Mr. Ong Beng Chye	<b>(Resolution 4)</b>
Mr. Joseph Tan Peng Chin	<b>(Resolution 5)</b>

[See Explanatory Note (i)]
5. To re-appoint Messrs Deloitte & Touche LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may be properly transacted at an AGM.

## AS SPECIAL BUSINESS

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

### 7. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) and Rule 806 of the Listing Manual of the SGX-ST Section B: Rules of Catalyst (“**Catalist Rules**”), the Directors of the Company be authorised and empowered to:

- (a)
  - (i) allot and issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

(the “**Share Issue Mandate**”)



# NOTICE OF ANNUAL GENERAL MEETING

**PROVIDED ALWAYS** that:

- (1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50.0%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

**(Resolution 7)**

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

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

[See Explanatory Note (iii)]

**(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

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

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

[See Explanatory Note (iv)]

**(Resolution 9)**

## 10. Proposed Adoption of the Share Buyback Mandate

That:

(a) for the purposes of Section 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding the Prescribed Limit (as defined hereinafter), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined hereinafter), whether by way of:

- (i) on-market purchases, transacted on the SGX-ST through the SGX-ST’s trading system (“**Market Purchase**”); and/or
- (ii) off-market purchases pursuant to an equal access scheme in accordance with Section 76C of the Companies Act and the Catalist Rules (“**Off-Market Purchase**”),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buyback Mandate**”);

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next AGM is held or required by law to be held;
- (ii) the date on which the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; and
- (iii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by shareholders of the Company in a general meeting;

# NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

“**Prescribed Limit**” means 10.0% of the total number of issued Shares (excluding treasury shares) as at the date of passing of this Resolution, unless the Company has effected a reduction of the Shares in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period;

“**Relevant Period**” means the period commencing from the date on which this Resolution authorising the Share Buyback Mandate is passed, and expiring on the date the next AGM is or is required by law to be held, whichever is the earlier;

“**Average Closing Price**”, in the case of a Market Purchase, means the average of the closing market prices of the Shares over the last five Market Days on which transactions in the Shares were recorded preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period, or in case of an Off-Market Purchase, means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Average Closing Price of the Shares; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (v)]

**(Resolution 10)**

By Order of the Board

Shirley Tan Sey Liy  
Company Secretary  
Singapore, 12 October 2016

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

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

Mr. Joseph Tan Peng Chin will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

- (ii) Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares), of which up to fifty per centum (50.0%) may be issued other than on a *pro rata* basis to existing shareholders of the Company for such purposes as they consider would be in the interest of the Company.

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

- (iii) Resolution 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the exercise of share options granted or to be granted under the IPS Securex ESOS provided that the aggregate additional Shares to be allotted and issued pursuant to the IPS Securex ESOS and IPS Securex PSP do not exceed in total (for the entire duration of the IPS Securex ESOS and IPS Securex PSP) fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time.
- (iv) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the vesting of share awards under the IPS Securex PSP provided that the aggregate additional Shares to be allotted and issued pursuant to the IPS Securex PSP and IPS Securex ESOS do not exceed in total (for the entire duration of the IPS Securex PSP and IPS Securex ESOS) fifteen per centum (15.0%) of the total number of issued Shares (excluding treasury shares) from time to time.
- (v) Resolution 10 is to adopt the Share Buyback Mandate to allow the Company to purchase or otherwise acquire its Shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use internal resources and/or external borrowings to finance the purchase or acquisition of Shares pursuant to the Share Buyback Mandate. The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Buyback Mandate on the Group and the Company will depend on, amongst others, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

For illustration purposes only, the financial effects of the purchase or acquisition of 48,600,000 Shares by the Company pursuant to the Share Buyback Mandate on 23 September 2016 (the "**Latest Practicable Date**") on the audited financial statements of the Group and the Company for the financial year ended 30 June 2016 on the basis of the assumptions set out in Paragraph 2.7 of the Letter to Shareholders dated 12 October 2016 accompanying this Notice of AGM are set out in Paragraph 2.7.4 of the Letter to Shareholders dated 12 October 2016 accompanying this Notice of AGM.

Further details of the Share Buyback Mandate are set out in the Letter to Shareholders dated 12 October 2016.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. A member of the Company who is not a Relevant Intermediary (as defined below) entitled to attend and vote at this AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. Where such member appoints two proxies, the proportion of his shareholding which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.
2. A member of the Company who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number and class of shares to which each proxy has been appointed shall be specified in the proxy form.
3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 213 Henderson Road #04-09 Singapore 159553 not less than 48 hours before the AGM.
5. A Depositor's name must appear on the Depositor Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

## "Relevant Intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## Personal Data Privacy

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

# IPS SECUREX HOLDINGS LIMITED

(Company Registration No. 201327639H)

(Incorporated In the Republic of Singapore on 10 October 2013)

## ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this form)

### IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) NRIC/Passport No. Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being \*a member/members of IPS SECUREX HOLDINGS LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held at Raffles Marina, Chartroom, 2nd Floor, 10 Tuas West Drive, Singapore 638404 on Friday, 28 October 2016 at 11.00 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
<b>Ordinary Businesses</b>			
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2016		
2	Declaration of final dividend (tax exempt one-tier)		
3	Approval of Directors' fees amounting to S\$245,216 for the financial year ending 30 June 2017		
4	Re-election of Mr. Ong Beng Chye as a Director		
5	Re-election of Mr. Joseph Tan Peng Chin as a Director		
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
<b>Special Businesses</b>			
7	Authority to allot and issue new shares		
8	Authority to issue shares pursuant to exercise of options under the IPS Securex Employee Share Option Scheme		
9	Authority to issue shares under the IPS Securex Performance Share Plan		
10	Proposed adoption of the Share Buyback Mandate		

\* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

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

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\*Delete where inapplicable

**IMPORTANT:** Please read notes overleaf



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a Relevant Intermediary (as defined below) entitled to attend and vote at this AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. Where such member appoints two proxies, the proportion of his shareholding which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.
3. A member of the Company who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number and class of shares to which each proxy has been appointed shall be specified in the proxy form.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 213 Henderson Road #04-09 Singapore 159553 not less than 48 hours before the time appointed for the AGM.
5. A Depositor's name must appear on the Depositor Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

**"Relevant Intermediary" means:**

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 October 2016.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

**CHAN TIEN LOK**

(Non-Executive Chairman)

**KELVIN LIM CHING SONG**

(Executive Director and Group Chief Executive Officer)

**ONG BENG CHYE**

(Lead Independent Director)

**ANTHONY ANG MENG HUAT**

(Independent Director)

**JOSEPH TAN PENG CHIN**

(Independent Director)

## AUDIT COMMITTEE

**ONG BENG CHYE**

(Chairman)

**ANTHONY ANG MENG HUAT**

**JOSEPH TAN PENG CHIN**

## NOMINATING COMMITTEE

**ANTHONY ANG MENG HUAT**

(Chairman)

**CHAN TIEN LOK**

**ONG BENG CHYE**

**JOSEPH TAN PENG CHIN**

## REMUNERATION COMMITTEE

**JOSEPH TAN PENG CHIN**

(Chairman)

**ANTHONY ANG MENG HUAT**

**ONG BENG CHYE**

## COMPANY SECRETARY

**SHIRLEY TAN SEY LIY (ACIS)**

## REGISTERED OFFICE

213 Henderson Road

#04-09 Henderson Industrial Park

Singapore 159553

## COMPANY REGISTRATION NUMBER:

201327639H

## AUDITORS

**DELOITTE & TOUCHE LLP**

6 Shenton Way

OUE Downtown 2 #33-00

Singapore 068809

Partner-in-charge:

**HOE CHI-HSIEN**

(A member of the Institute of Singapore  
Chartered Accountants)

Date of Appointment: 30 October 2015

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

**BOARDROOM CORPORATE & ADVISORY SERVICES  
PTE. LTD.**

50 Raffles Place

Singapore Land Tower #32-01

Singapore 048623

## PRINCIPAL BANKERS

**UNITED OVERSEAS BANK LIMITED**

80 Raffles Place

UOB Plaza

Singapore 048624

**OVERSEA-CHINESE BANKING CORPORATION LIMITED**

65 Chulia Street

OCBC Centre #09-00

Singapore 049513

**MALAYAN BANKING BERHAD**

2 Battery Road

Maybank Tower

Singapore 049907

**DBS BANK LTD.**

12 Marina Boulevard, Level 46

DBS Asia Central @ MBFC Tower 3

Singapore 018982

## INVESTOR RELATIONS

**COGENT COMMUNICATIONS PTE LTD**

51 Goldhill Plaza, #22-05

Singapore 308900

Tel: (65) 6704-9288

Email: [staff@cogentcomms.com](mailto:staff@cogentcomms.com)



**IPS SECUREX HOLDINGS LIMITED**

(Company Registration No. 201327639H)

(Incorporated in the Republic of Singapore on 10 October 2013)

213 Henderson Road,  
#04-09 Henderson Industrial Park,  
Singapore 159553

T: +(65) 6863 4385

F: +(65) 6863 6270

[www.ips-securex.com](http://www.ips-securex.com)

**LETTER DATED 12 OCTOBER 2016**

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of IPS Securex Holdings Limited (the "**Company**"), you should immediately forward this Letter to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Your attention is drawn to page 98 of this annual report in respect of actions to be taken if you wish to attend and vote at the AGM (as defined herein).

This Letter has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Letter.

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

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



**IPS SECUREX HOLDINGS LIMITED**

(Company Registration Number: 201327639H)

(Incorporated in the Republic of Singapore on 10 October 2013)

**LETTER TO SHAREHOLDERS**

**IN RELATION TO**

**THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE**

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	26 October 2016 at 11.00 a.m.
Date and time of Annual General Meeting	:	28 October 2016 at 11.00 a.m.
Place of Annual General Meeting	:	Raffles Marina Chartroom, 2 <sup>nd</sup> Floor 10 Tuas West Drive Singapore 638404

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## DEFINITIONS

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In this Letter, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“AGM” or “Annual General Meeting”	:	The annual general meeting of the Company to be held on 28 October 2016, notice of which is set out on page 93 of this annual report
“Associates”	:	Shall bear the meaning assigned to it by the Catalist Rules
“Catalist Rules”	:	The Listing Manual of the SGX-ST, Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
“Company”	:	IPS Securex Holdings Limited
“Constitution”	:	The constitution of the Company, as may be amended, modified or supplemented from time to time
“Directors”	:	The directors of the Company as at the date of this Letter
“EPS”	:	Earnings per Share
“FY”	:	The financial year ended or ending on 30 June (as the case may be)
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	23 September 2016, being the latest practicable date prior to the printing of this Letter
“Letter”	:	This letter to Shareholders dated 12 October 2016
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“NTA”	:	Net tangible assets attributable to Shareholders of the Company
“Registrar”	:	Shall bear the meaning assigned to it by the Companies Act
“Relevant Period”	:	The period commencing from the date on which the ordinary resolution authorising the Share Buyback Mandate is passed, and expiring on the date the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier

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## DEFINITIONS

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“Securities Account”	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The proposed mandate to enable the Company to purchase or otherwise acquire its issued Shares, the terms of which are set out in this Letter
“Shareholders”	:	The registered holders of the Shares except where the registered holder is CDP, the term “ <b>Shareholders</b> ” 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
“SIC”	:	The Securities Industry Council
“Substantial Shareholder”	:	A person who holds, directly or indirectly, 5.0% or more of the issued voting Shares of the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent.”	:	Percentage or per centum

The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “subsidiary” shall have the meaning ascribed to it under Section 5 of the Companies Act.

The term “treasury share” shall have the meaning ascribed to it under Section 4(1) of the Companies Act.

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, where applicable, include corporations.



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## DEFINITIONS

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The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any reference in this Letter 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, Securities and Futures Act, Catalist Rules or any statutory modification thereof and not otherwise defined in this Letter shall have the same meaning assigned to it under the Companies Act, Securities and Futures Act, Catalist Rules or any statutory modification thereof, as the case may be.

Any reference to a time of a day and date in this Letter shall be a reference to Singapore time and date unless otherwise stated.

Any discrepancies in the figures in this Letter between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Letter may not be an arithmetic aggregate of the figures that precede them.

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## LETTER TO SHAREHOLDERS

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### IPS SECUREX HOLDINGS LIMITED

(Company Registration Number: 201327639H)  
(Incorporated in the Republic of Singapore on 10 October 2013)

**Directors:**

Chan Tien Lok (Non-Executive Chairman)  
Kelvin Lim Ching Song (Executive Director and  
Chief Executive Officer)  
Ong Beng Chye (Lead Independent Director)  
Anthony Ang Meng Huat (Independent Director)  
Joseph Tan Peng Chin (Independent Director)

**Registered Office:**

213 Henderson Road  
#04-09  
Henderson Industrial Park  
Singapore 159553

12 October 2016

**To: The Shareholders of IPS Securex Holdings Limited**

Dear Sir/Madam,

**THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE****1. INTRODUCTION**

- 1.1 The Directors propose to seek Shareholders' approval for the proposed adoption of the Share Buyback Mandate.
- 1.2 The purpose of this Letter is to provide Shareholders with the relevant information, and to seek the approval of Shareholders, in relation to the proposed adoption of the Share Buyback Mandate.

**2. THE SHARE BUYBACK MANDATE****2.1 The Share Buyback Mandate**

- 2.1.1 Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by the Companies Act, the Constitution and the Catalist Rules and such other laws and regulations as may, for the time being, be applicable.
- 2.1.2 It is a requirement of the Companies Act that before a company purchases or acquires its own shares, its constitution must expressly permit the company to purchase or otherwise acquire its own shares. Regulation 10(B) of the Constitution provides that the Company may, subject to and in accordance with the Companies Act, purchase or otherwise acquire its issued Shares on such terms and in such manner as the Company may from time to time think fit.

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## LETTER TO SHAREHOLDERS

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- 2.1.3 Rule 866 of the Catalist Rules provides that an issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in a general meeting. Accordingly, approval is being sought from the Shareholders at the AGM for the proposed adoption of the Share Buyback Mandate. An ordinary resolution will be proposed, pursuant to which the Share Buyback Mandate will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares according to the terms of the Share Buyback Mandate.
- 2.1.4 If approved by the Shareholders at the AGM, the authority conferred by the Share Buyback Mandate will take effect from the date of the AGM and continue in force until the date on which the next AGM is held or as required by law to be held, whichever is earlier, unless prior thereto, purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate have been carried out to the full extent mandated, or the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting.

### 2.2 Rationale for the Share Buyback Mandate

- 2.2.1 The rationale for the Company to adopt the Share Buyback Mandate is as follows:
- (a) The Share Buyback Mandate will provide the Company with greater flexibility in managing its capital structure. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account the growth and expansion plans of the Group, the Share Buyback Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.
  - (b) In managing its business, the Group strives to increase Shareholders' value by improving, amongst others, the return on equity of the Group. In addition to growth and expansion of the business, purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate may be considered as one of the ways through which the return on equity of the Group may be enhanced.
  - (c) The Share Buyback Mandate will enable the Directors to utilise the Shares which are purchased or acquired thereunder and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, or for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons, which may be less dilutive than if new Shares were issued for this purpose.
- 2.2.2 The Company will only purchase or acquire Shares pursuant to the Share Buyback Mandate if it is beneficial to the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full limit as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

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## LETTER TO SHAREHOLDERS

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### 2.3 Authority and Limits of the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate, if approved at the AGM, are summarised below:

#### 2.3.1 *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate shall not exceed 10.0% of the total number of issued Shares as at the date on which the resolution authorising the Share Buyback Mandate is passed, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the issued share capital of the Company shall be taken to be the amount of the issued share capital of the Company as altered. Any Shares which are held as treasury shares shall be disregarded for the purposes of computing the 10.0% limit.

**For illustrative purposes only**, based on 486,000,000 issued Shares as at the Latest Practicable Date, and assuming that there will be no changes in the number of Shares on or prior to the AGM, the purchase or acquisition by the Company pursuant to the Share Buyback Mandate of up to the maximum limit of 10.0% of its issued Shares will result in the purchase or acquisition of up to 48,600,000 Shares.

#### 2.3.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM at which the Share Buyback Mandate is approved ("**Approval Date**"), up to the earliest of:

- (a) the date on which the next AGM is held or is required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting.

The Share Buyback Mandate may be renewed at each subsequent AGM or other general meetings of the Company.

#### 2.3.3 *Manner of Purchases or Acquisitions of Shares*

Purchases or acquisitions of Shares under the Share Buyback Mandate may be made by way of:

- (a) on-market purchases, transacted on the SGX-ST through the SGX-ST's trading system ("**Market Purchase**"); and/or

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## LETTER TO SHAREHOLDERS

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- (b) off-market purchases pursuant to an equal access scheme in accordance with Section 76C of the Companies Act and the Catalist Rules (“**Off-Market Purchase**”).

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Catalist Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any Off-Market Purchases.

Under the Companies Act, an Off-Market Purchase must satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded:
  - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
  - (ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
  - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, Rule 870 of the Catalist Rules provides that, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the Share Buyback;
- (d) the consequences, if any, of the Share Buyback that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buyback, if made, could affect the listing of the Company's equity securities on the SGX-ST;

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## LETTER TO SHAREHOLDERS

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- (f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

### 2.3.4 **Maximum Purchase Price**

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105.0% of the Average Closing Price (as defined hereinafter) of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Average Closing Price (as defined hereinafter) of the Shares,

in each case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes, “**Average Closing Price**”, in the case of a Market Purchase, means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period, or in the case of an Off-Market Purchase, means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4 **Status of Purchased Shares under the Share Buyback Mandate**

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

At the time of each Share Buyback, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

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## LETTER TO SHAREHOLDERS

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### 2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

#### 2.5.1 *Maximum Holdings*

The aggregate number of Shares held as treasury shares cannot at any time exceed 10.0% of the total number of issued Shares.

In the event that the number of treasury shares held by the Company exceeds 10.0% of the total number of Shares, the Company shall dispose of or cancel such excess treasury shares within six (6) months of the day on which such contravention occurs, or such further period as the Registrar may allow.

#### 2.5.2 *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

#### 2.5.3 *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

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## LETTER TO SHAREHOLDERS

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In addition, under Rule 704(31) of the Catalist Rules, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares held by it stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

### 2.6 Source of Funds for Share Buyback

2.6.1 Pursuant to Section 76F of the Companies Act, any purchase or acquisition of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a director or chief executive officer of the company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, the Company is solvent if at the date of the payment, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if –
  - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release of Shares (as the case may be), become less than the value of its liabilities (including contingent liabilities).



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## LETTER TO SHAREHOLDERS

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- 2.6.2 The Company will use internal resources and/or external borrowings to finance the purchase or acquisition of Shares pursuant to the Share Buyback Mandate. The Directors will only make purchases or acquisitions of Shares under the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, the working capital requirements of the Group, availability of financial resources, the Group's ability to service its debts and other obligations, the expansion and investment plans of the Group, as well as, taking into consideration the prevailing market conditions.

### 2.7 Financial Effects

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Buyback Mandate on the Group and the Company will depend on, amongst others, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for FY2016, are based on the following principal assumptions:

- (a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 July 2015 for the purpose of computing the financial effects on the EPS;
- (b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 30 June 2016 for the purpose of computing the financial effects on Shareholders' equity, NTA per Share and gearing of the Group and the Company; and
- (c) the transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate have been assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

#### 2.7.1 *Purchase or Acquisition out of Profits and/or Capital*

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends out of profits by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends out of profits by the Company will not be reduced but the shareholders' equity of the Company will be reduced by such amounts.

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## LETTER TO SHAREHOLDERS

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### 2.7.2 *Number of Shares Acquired or Purchased*

**For illustrative purposes only**, on the basis of 486,000,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date, and assuming no change in the number of Shares on or prior to the Approval Date, the purchase or acquisition by the Company of 10.0% of its issued Shares (excluding treasury shares) will result in the purchase or acquisition of 48,600,000 Shares.

### 2.7.3 *Maximum Price Paid for Shares Acquired or Purchased*

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 48,600,000 Shares at the Maximum Price of S\$0.156 per Share (being the price equivalent to 5.0% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 48,600,000 Shares is S\$7,581,600.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 48,600,000 Shares at the Maximum Price of S\$0.179 per Share (being the price equivalent to 20.0% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 48,600,000 Shares is S\$8,699,400.

### 2.7.4 *Illustrative Financial Effects*

**For illustrative purposes only**, and on the basis of the assumptions set out above, the financial effects of the: (i) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and held as treasury shares; and (ii) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and cancelled; on the audited financial statements of the Group and the Company for FY2016 are set out in the sections below.

Save as set out in Paragraph 2.7.1 above, the financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of profits are similar to that of purchases made out of capital. Therefore, only the financial effects of the acquisition of the Shares pursuant to the Share Buyback Mandate by way of purchases made out of capital are set out in this Letter.

## LETTER TO SHAREHOLDERS

### Scenario 1(A)

Market Purchases of 48,600,000 Shares out of capital and held as treasury shares

As at 30 June 2016	Group		Company	
	Before the Share Buyback S\$	After the Share Buyback S\$	Before the Share Buyback S\$	After the Share Buyback S\$
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Shareholders' equity <sup>(1)</sup>	12,853,374	5,271,774	11,008,640	3,427,040
NTA	12,853,374	5,271,774	11,008,640	3,427,040
Current assets <sup>(2)</sup>	12,474,338	11,369,002	8,440,125	7,334,789
Current liabilities <sup>(2)</sup>	6,754,822	13,231,086	1,623,597	8,099,861
Working capital	5,719,516	(1,862,084)	6,816,528	(765,072)
Total borrowings <sup>(2)</sup>	1,520,515	7,996,779	1,030,799	7,507,063
Cash and cash equivalents <sup>(2)</sup>	3,914,031	2,808,695	1,105,336	–
Net profit <sup>(3)</sup>	2,264,716	2,264,716	912,899	912,899
Number of Shares excluding treasury shares	486,000,000	437,400,000 <sup>(4)</sup>	486,000,000	437,400,000 <sup>(4)</sup>
Number of treasury shares	–	48,600,000	–	48,600,000

### Financial Ratios

NTA per Share (cents)	2.64	1.21	2.27	0.78
Basic EPS (cents) <sup>(5)</sup>	0.47	0.52	0.19	0.21
Gearing (%) <sup>(6)</sup>	11.8	151.7	9.4	219.1

### Notes:

- (1) Shareholders' equity is defined as equity attributable to Shareholders.
- (2) Assuming the Share Buyback will be funded by cash and cash equivalents of the Company only, with the balance funded by short-term borrowings secured by the Company.
- (3) Net profit is defined as the net profit attributable to Shareholders.
- (4) Number of Shares excludes 48,600,000 Shares that have been assumed to be held as treasury shares and assumes no change in the number of Shares on or prior to the Approval Date.
- (5) EPS has been computed based on FY2016 net profit attributable to Shareholders divided by the number of Shares (excluding treasury shares) in issue.
- (6) Gearing equals total borrowings divided by Shareholders' equity.

## LETTER TO SHAREHOLDERS

### Scenario 1(B)

*Off-Market Purchases of 48,600,000 Shares out of capital and held as treasury shares*

As at 30 June 2016	Group		Company	
	Before the Share Buyback S\$	After the Share Buyback S\$	Before the Share Buyback S\$	After the Share Buyback S\$
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Shareholders' equity <sup>(1)</sup>	12,853,374	4,153,974	11,008,640	2,309,240
NTA	12,853,374	4,153,974	11,008,640	2,309,240
Current assets <sup>(2)</sup>	12,474,338	11,369,002	8,440,125	7,334,789
Current liabilities <sup>(2)</sup>	6,754,822	14,348,886	1,623,597	9,217,661
Working capital	5,719,516	(2,979,884)	6,816,528	(1,882,872)
Total borrowings <sup>(2)</sup>	1,520,515	9,114,579	1,030,799	8,624,863
Cash and cash equivalents <sup>(2)</sup>	3,914,031	2,808,695	1,105,336	–
Net profit <sup>(3)</sup>	2,264,716	2,264,716	912,899	912,899
Number of Shares excluding treasury shares	486,000,000	437,400,000 <sup>(4)</sup>	486,000,000	437,400,000 <sup>(4)</sup>
Number of treasury shares	–	48,600,000	–	48,600,000
<b>Financial Ratios</b>				
NTA per Share (cents)	2.64	0.95	2.27	0.53
Basic EPS (cents) <sup>(5)</sup>	0.47	0.52	0.19	0.21
Gearing (%) <sup>(6)</sup>	11.8	219.4	9.4	373.5

#### Notes:

- (1) Shareholders' equity is defined as equity attributable to Shareholders.
- (2) Assuming the Share Buyback will be funded by cash and cash equivalents of the Company only, with the balance funded by short-term borrowings secured by the Company.
- (3) Net profit is defined as the net profit attributable to Shareholders.
- (4) Number of Shares excludes 48,600,000 Shares that have been assumed to be held as treasury shares and assumes no change in the number of Shares on or prior to the Approval Date.
- (5) EPS has been computed based on FY2016 net profit attributable to Shareholders divided by the number of Shares (excluding treasury shares) in issue.
- (6) Gearing equals total borrowings divided by Shareholders' equity.

## LETTER TO SHAREHOLDERS

### Scenario 2(A)

*Market Purchases of 48,600,000 Shares out of capital and cancelled*

As at 30 June 2016	Group		Company	
	Before the Share Buyback S\$	After the Share Buyback S\$	Before the Share Buyback S\$	After the Share Buyback S\$
Share capital	9,405,906	1,824,306	9,405,906	1,824,306
Shareholders' equity <sup>(1)</sup>	12,853,374	5,271,774	11,008,640	3,427,040
NTA	12,853,374	5,271,774	11,008,640	3,427,040
Current assets <sup>(2)</sup>	12,474,338	11,369,002	8,440,125	7,334,789
Current liabilities <sup>(2)</sup>	6,754,822	13,231,086	1,623,597	8,099,861
Working capital	5,719,516	(1,862,084)	6,816,528	(765,072)
Total borrowings <sup>(2)</sup>	1,520,515	7,996,779	1,030,799	7,507,063
Cash and cash equivalents <sup>(2)</sup>	3,914,031	2,808,695	1,105,336	–
Net profit <sup>(3)</sup>	2,264,716	2,264,716	912,899	912,899
Number of Shares excluding treasury shares	486,000,000	437,400,000 <sup>(4)</sup>	486,000,000	437,400,000 <sup>(4)</sup>
Number of treasury shares	–	–	–	–
<b>Financial Ratios</b>				
NTA per Share (cents)	2.64	1.21	2.27	0.78
Basic EPS (cents) <sup>(5)</sup>	0.47	0.52	0.19	0.21
Gearing (%) <sup>(6)</sup>	11.8	151.7	9.4	219.1

**Notes:**

- (1) Shareholders' equity is defined as equity attributable to Shareholders.
- (2) Assuming the Share Buyback will be funded by cash and cash equivalents of the Company only, with the balance funded by short-term borrowings secured by the Company.
- (3) Net profit is defined as the net profit attributable to Shareholders.
- (4) Number of Shares excludes 48,600,000 Shares that have been assumed to be cancelled and assumes no change in the number of Shares on or prior to the Approval Date.
- (5) EPS has been computed based on FY2016 net profit attributable to Shareholders divided by the number of Shares (excluding treasury shares) in issue.
- (6) Gearing equals total borrowings divided by Shareholders' equity.

## LETTER TO SHAREHOLDERS

### Scenario 2(B)

*Off-Market Purchases of 48,600,000 Shares out of capital and cancelled*

As at 30 June 2016	Group		Company	
	Before the Share Buyback S\$	After the Share Buyback S\$	Before the Share Buyback S\$	After the Share Buyback S\$
Share capital	9,405,906	706,506	9,405,906	706,506
Shareholders' equity <sup>(1)</sup>	12,853,374	4,153,974	11,008,640	2,309,240
NTA	12,853,374	4,153,974	11,008,640	2,309,240
Current assets <sup>(2)</sup>	12,474,338	11,369,002	8,440,125	7,334,789
Current liabilities <sup>(2)</sup>	6,754,822	14,348,886	1,623,597	9,217,661
Working capital	5,719,516	(2,979,884)	6,816,528	(1,882,872)
Total borrowings <sup>(2)</sup>	1,520,515	9,114,579	1,030,799	8,624,863
Cash and cash equivalents <sup>(2)</sup>	3,914,031	2,808,695	1,105,336	–
Net profit <sup>(3)</sup>	2,264,716	2,264,716	912,899	912,899
Number of Shares excluding treasury shares	486,000,000	437,400,000 <sup>(4)</sup>	486,000,000	437,400,000 <sup>(4)</sup>
Number of treasury shares	–	–	–	–
<b>Financial Ratios</b>				
NTA per Share (cents)	2.64	0.95	2.27	0.53
Basic EPS (cents) <sup>(5)</sup>	0.47	0.52	0.19	0.21
Gearing (%) <sup>(6)</sup>	11.8	219.4	9.4	373.5

**Notes:**

- (1) Shareholders' equity is defined as equity attributable to Shareholders.
- (2) Assuming the Share Buyback will be funded by cash and cash equivalents of the Company only, with the balance funded by short-term borrowings secured by the Company.
- (3) Net profit is defined as the net profit attributable to Shareholders.
- (4) Number of Shares excludes 48,600,000 Shares that have been assumed to be cancelled and assumes no change in the number of Shares on or prior to the Approval Date.
- (5) EPS has been computed based on FY2016 net profit attributable to Shareholders divided by the number of Shares (excluding treasury shares) in issue.
- (6) Gearing equals total borrowings divided by Shareholders' equity.

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## LETTER TO SHAREHOLDERS

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**Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the historical audited financial statements of the Group and the Company for FY2016, and is not necessarily representative of future financial performance.**

Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10.0% of the issued Shares (excluding treasury shares), the Company may not necessarily purchase or acquire or be able to purchase or acquire 10.0% of the issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares purchased or acquired, or hold all or part of the Shares purchased or acquired as treasury shares.

### 2.8 Listing Rules

2.8.1 Rule 871 of the Catalist Rules specifies that an issuer must announce all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8D of the Catalist Rules) must include the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares after the purchase and the number of treasury shares held after the purchase.

2.8.2 The Catalist Rules does not expressly prohibit an issuer from purchasing or acquiring its own shares during any particular time or times. However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision of the Directors until such time as the price-sensitive information has been publicly announced or disseminated in accordance with the requirements of the Catalist Rules.

2.8.3 In particular, in line with the best practices guide on dealings in securities under Rule 1204(19) of the Catalist Rules, the Company will not purchase or acquire any Shares pursuant to the Share Buyback Mandate during the period commencing one month before the announcement of the Company’s half year and full year financial statements (if not required to announce quarterly financial statements), or two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full year financial statements (if required to announce quarterly financial statements), as the case may be.

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## LETTER TO SHAREHOLDERS

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2.8.4 The Catalist Rules requires an issuer to ensure that at least 10.0% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 28.8% of the Shares are held by the public. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake Share Buybacks up to the full 10.0% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

For the purpose of this section, “**public**” under the Catalist Rules is defined as persons other than:

- (a) directors, chief executive officer, substantial shareholders or controlling shareholders of the issuer or its subsidiary companies; and
- (b) associates of the persons in paragraph (a) above.

### 2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

#### 2.9.1 *Obligation to make a take-over offer*

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

#### 2.9.2 *Persons Acting in Concert*

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, amongst others, be presumed to be acting in concert:

- (a) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;



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## LETTER TO SHAREHOLDERS

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- (b) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the aforementioned companies, any company whose associated companies include any of the aforementioned companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforementioned companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20.0% but not more than 50.0% of the voting rights of the first-mentioned company;
- (c) a company with any of its pension funds and employee share schemes;
- (d) 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;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) 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;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the aforementioned, and any person who has provided financial assistance (other than a bank in its ordinary course of business) to any of the aforementioned for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 2.9.3 ***Effect of Rule 14 and Appendix 2 of the Take-over Code***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and persons acting in concert with them would increase to 30.0% or more, or in the event that such Directors and persons acting in concert with them hold between 30.0% and 50.0% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1.0% in any

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period of six (6) months. The Directors and their concert parties will be exempted from the requirement to make a take-over offer subject to certain conditions as set out in the Take-over Code, including:

- (a) the inclusion in the circular to Shareholders on the resolution to authorise the Share Buyback Mandate, advice to the effect that by voting for the resolution to authorise the Share Buyback Mandate, Shareholders are waiving their right to a take-over offer at the required price from Directors and parties acting in concert with them who, as a result of the Company purchasing or acquiring its Shares, would increase their voting rights to 30.0% or more, or, if they together hold between 30.0% and 50.0% of the Company's voting rights, would increase their voting rights by more than 1.0% in any period of six (6) months; and the names of such Directors and persons acting in concert with them, their voting rights at the time of the resolution and after Share Buybacks pursuant to the Share Buyback Mandate; and
- (b) the submission to the SIC by each of the Directors of an executed form as prescribed by the SIC within seven (7) days of the passing of the resolution to authorise the Share Buyback Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Shareholder in the Company would increase to 30.0% or more, or, if such Shareholder holds between 30.0% and 50.0% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1.0% in any period of six (6) months. Such a Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

**Shareholders are advised to consult their professional advisers and/or SIC at the earliest opportunity as to whether an obligation to make a take-over offer under the Take-over Code would arise by reason of any Share Buyback by the Company.**

## LETTER TO SHAREHOLDERS

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Chan Tien Lok <sup>(2)</sup>	–	–	248,820,000	51.2
Kelvin Lim Ching Song	59,955,000	12.3	–	–
Ong Beng Chye	300,000	0.1	–	–
Joseph Tan Peng Chin	600,000	0.1	–	–
Anthony Ang Meng Huat	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>				
IPS Technologies Pte. Ltd.	248,820,000	51.2	–	–
Tan Suan Yap <sup>(3)</sup>	–	–	249,180,000	51.3
Goh Khoon Lim	36,000,000	7.4	–	–

**Notes:**

- (1) The percentages in shareholdings are calculated based on the Company's issued share capital of 486,000,000 Shares as at the Latest Practicable Date.
- (2) Chan Tien Lok is deemed interested in the Shares held by IPS Technologies Pte. Ltd. ("IPST") by virtue of Section 4 of the Securities and Futures Act, as he holds 65.0% of the issued shares in IPST.
- (3) Tan Suan Yap is deemed interested in (i) 248,820,000 Shares held by IPST by virtue of Section 4 of the Securities and Futures Act, as he owns 35.0% of the issued shares in IPST; and (ii) 360,000 Shares held by his spouse, Wen Nanfei, by virtue of Section 7 of the Companies Act.

**For illustrative purposes only**, assuming that the Company undertakes Share Buybacks up to the full 10.0% limit mandated under the Share Buyback Mandate by purchasing or acquiring 48,600,000 Shares ("**Full Share Purchase**") and there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders, the increase in shareholdings of each of the Directors and Substantial Shareholders after the Full Share Purchase will be as follows:

	Voting Rights in the Company (%)	
	Before Share Buyback <sup>(1)</sup>	After Share Buyback <sup>(2)</sup>
<b>Directors</b>		
Chan Tien Lok <sup>(3)</sup>	51.2	56.9
Kelvin Lim Ching Song	12.3	13.7
Ong Beng Chye	0.1	0.1
Joseph Tan Peng Chin	0.1	0.1
Anthony Ang Meng Huat	–	–

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## LETTER TO SHAREHOLDERS

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	Voting Rights in the Company (%)	
	Before Share Buyback <sup>(1)</sup>	After Share Buyback <sup>(2)</sup>
<b>Substantial Shareholders (other than Directors)</b>		
IPS Technologies Pte. Ltd.	51.2	56.9
Tan Suan Yap <sup>(4)</sup>	51.3	57.0
Goh Khoon Lim	7.4	8.2

**Notes:**

- (1) The percentages in shareholdings are calculated based on the Company's issued share capital of 486,000,000 Shares as at the Latest Practicable Date.
- (2) The percentages in shareholdings are calculated based on 437,400,000 Shares, assuming the Full Share Purchase has been exercised.
- (3) Chan Tien Lok is deemed interested in the Shares held by IPST by virtue of Section 4 of the Securities and Futures Act, as he holds 65.0% of the issued shares in IPST.
- (4) Tan Suan Yap is deemed interested in (i) 248,820,000 Shares held by IPST by virtue of Section 4 of the Securities and Futures Act, as he owns 35.0% of the issued shares in IPST; and (ii) 360,000 Shares held by his spouse, Wen Nanfei, by virtue of Section 7 of the Companies Act.

Based on the interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date, purchases or acquisition of Shares by the Company pursuant to the Share Buyback Mandate will not result in any Director or Substantial Shareholder incurring an obligation to make a mandatory take-over offer under Rule 14 of the Take-over Code.

Save as disclosed above, the Directors confirm that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert with them such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate.

Save as disclosed above, none of the Directors and Substantial Shareholders has any interest, whether directly or indirectly, in the Share Buyback Mandate.

#### 4. SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not purchased any Shares within the 12 months preceding the Latest Practicable Date as the Company does not have an existing share buyback mandate.

#### 5. ACTION TO BE TAKEN BY SHAREHOLDERS

The AGM, notice of which is set out on page 93 of this annual report, will be held at Raffles Marina, Chartroom, 2<sup>nd</sup> Floor, 10 Tuas West Drive, Singapore 638404, on 28 October 2016 at 11.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification the ordinary resolution authorising the adoption of the Share Buyback Mandate as set out in the Notice of AGM. Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the proxy form attached to the Notice of AGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 213 Henderson Road, #04-09, Singapore 159553, not later than 48 hours

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## LETTER TO SHAREHOLDERS

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before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes in place of the proxy if he finds that he is able to do so. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the AGM.

### 6. DIRECTORS' RECOMMENDATION

The Directors, having carefully considered, amongst others, the terms and rationale of the Share Buyback Mandate, are of the opinion that the proposed adoption of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed adoption of the Share Buyback Mandate to be proposed at the AGM.

### 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buyback Mandate, the Shares, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter 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 Letter in its proper form and context.

### 8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 213 Henderson Road, #04-09, Henderson Industrial Park, Singapore 159553, during normal business hours from the date of this Letter up to and including the date of the AGM:

- (a) the Constitution; and
- (b) the annual report of the Company for FY2016.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**IPS SECUREX HOLDINGS LIMITED**

**Kelvin Lim Ching Song**  
Executive Director and Chief Executive Officer

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