Annual Reports and Related Documents::

Issuer & Securities

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

Announcement Details

Announcement Title	Annual Reports and Related Documents
Date & Time of Broadcast	11-Oct-2018 18:59:16
Status	New
Report Type	Annual Report
Announcement Reference	SG181011OTHRKK1D
Submitted By (Co./ Ind. Name)	Kelvin Lim Ching Song
Designation	Executive Director and Group Chief Executive Officer
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please refer to the attached.

Additional Details

Period Ended	30/06/2018

Attachments	IPS - Annual Report.pdf IPS - Letter to Shareholder.pdf Total size =9725K

IPS SECUREX™

STAYING AHEAD OF CHALLENGES

ANNUAL REPORT 2018

CONTENTS

Get more information online

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

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.

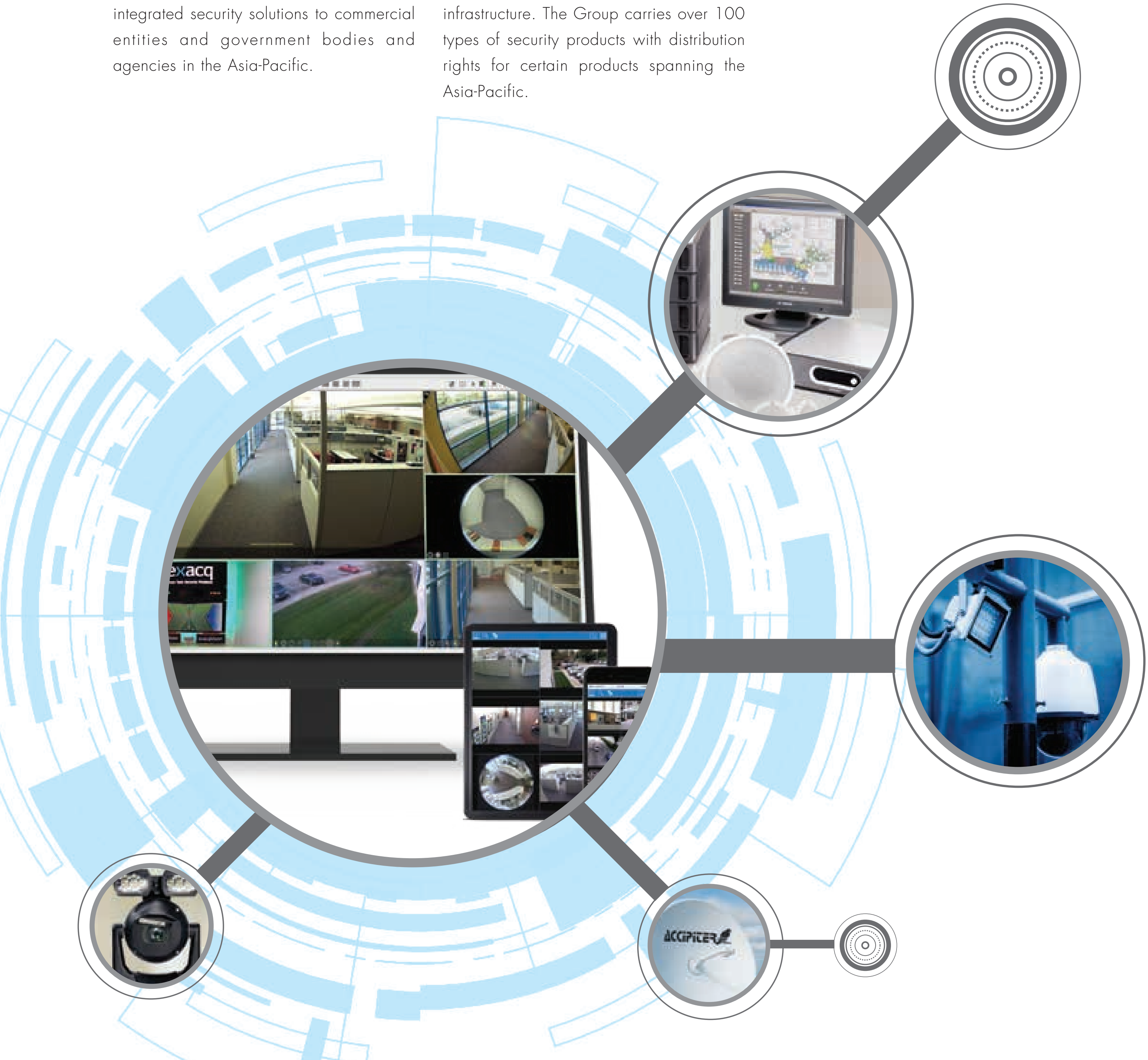
CORPORATE PROFILE

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

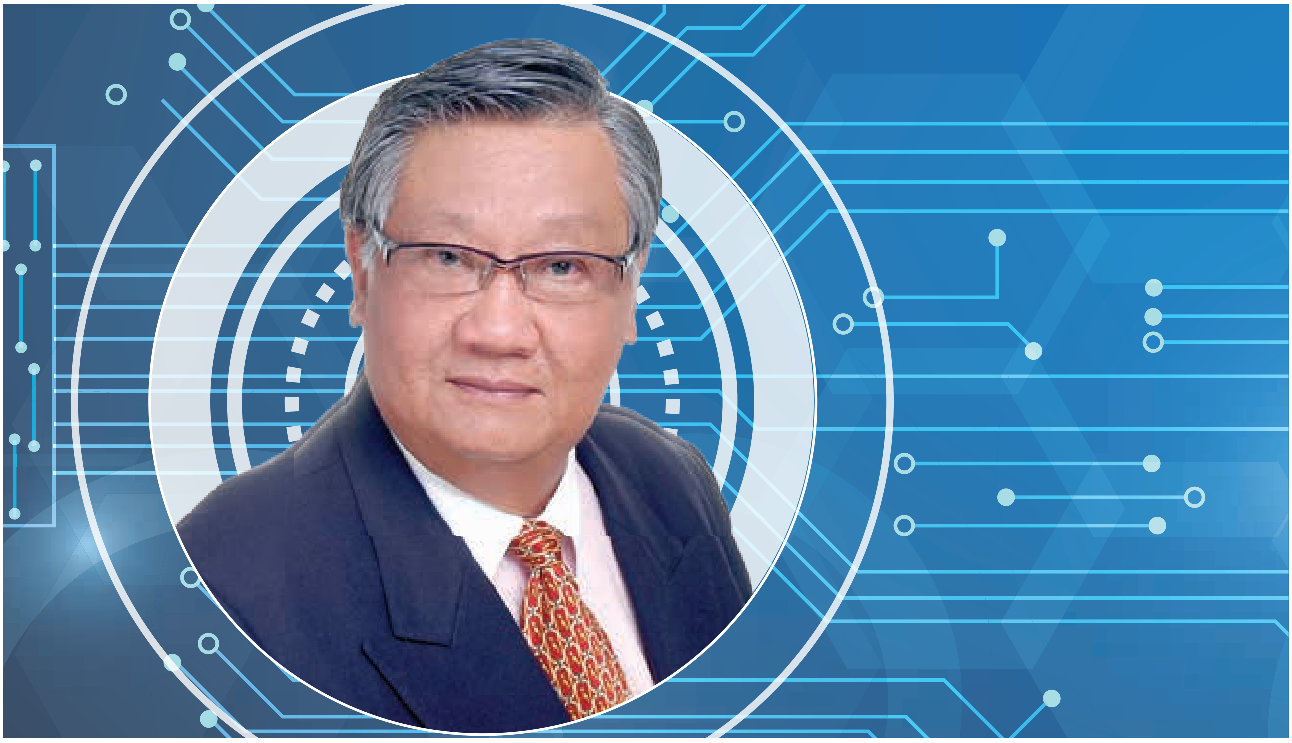
IPS Securex Holdings Limited ("IPS Securex" or the "Company" and, together with its subsidiaries, the "Group") was listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2014. The Group has established itself as one of Singapore's leading providers of security products 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 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



DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board" or the "Directors") of IPS Securex Holdings Limited ("IPS Securex" or the "Company" and, together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the financial year ended 30 June ("FY") 2018 (the "Annual Report").

CHALLENGING TIMES CONTINUE

We continue to live in an unsafe world. Terrorism and political unrest continue to bring challenges for governments all around the world. According to Aon's 2018 Risk Maps for Political Risk, Terrorism and Political Violence report, 40% of countries are exposed to terrorism and sabotage risk, 60% to civil unrest risk, and 33% to insurrection, war or coup risk in 2018. Political violence risks are increasing on a global basis due to geopolitical tensions, a weakening of liberal democratic governance and the repercussion of such conflicts around the globe.[1]

In Southeast Asia, despite a lack of large-scale Islamic State ("IS") attacks, the jihadist movement and its allies continue to remain a sustained threat. Within Southeast Asia, the jihadist groups have long been active in Indonesia and the Philippines in particular, but the declaration of an IS 'caliphate' in Syria and Iraq led to the rebranding of existing extremist groups and the formation of new networks. The IS is seen to be producing more directed propaganda content aimed at Asia-based militants and affiliates with messages meant to inspire and motivate individuals to mount attacks using crude and improvised weapons. The shift in modus operandi recently towards lone wolf attacks utilising everyday objects highlights an evolving peril that organisations and governments must address.[1]

Singapore is safe and secure but we cannot rest on our laurels. Singapore has been identified as a prime target by IS and they have released propaganda on several occasions to encourage attacks on the city. This has led to Singapore's risk rating being raised from "negligible" in 2017 to its current "low" level. Though no terrorist attacks have been recorded in Singapore over the past 12 months, several arrests of alleged extremists and foiled terror plots have occurred in recent years. Steps to counter terrorism have also been taken by the Singapore government, including the recent passing of amendments to the Public Order Bill and the new Infrastructure Protection Act, all aimed to reduce the effectiveness of any potential terrorist attack.[2]

With these persistent threats, continued security concerns, civil unrests and/or armed conflicts in the Asia-Pacific region, security will continue to be an imminent and major issue that governments need to constantly monitor.

INTEGRATION BEYOND NEEDS

Gone are the days where one security product or solution can be used to resolve one particular issue. With the world adopting technological advancements such as Artificial Intelligence, Internet-of-Things and drones, security products and solutions are expected to be multi-functional and help to tackle issues like lack of manpower and ensure that casualties are reduced.

We see ourselves as taking a leadership role in preparedness. We are honoured to be able to partner globally renowned companies and, most recently, Al Seer Marine Technologies from Al Seer Marine Supplies & Equipment Co. LLC, Wavelength Solutions DWC-LLC and Tyco Security Solutions from Johnson Controls to distribute and integrate their security solutions and products in order to provide up-to-date security solutions and products to better cater to the wider range of our customers' needs.

OUTLOOK

The Global Terrorism Database shows that more than 180,000 cases of transnational and international terrorist incidents have taken place from 1970 to 2017.[3] Though attacks around the world have dropped from about 17,000 in 2014 to about 11,000 and the number of fatalities fell by almost half in 2017, the total number of attacks last year was still considerably higher than in the 1990s and 2000s.[4]

Therefore we believe that security will continue to remain as one of the top priorities for governments all over the world as they need to be watchful against impending dangers. IPS Securex will continue to seek out leading-edge security products and solutions to value-add its current portfolio so as to meet and cater to the ever-changing needs and demands of current and future customers. To further increase our market share in the security industry, we will continue to be on the lookout for merger and acquisition opportunities that can provide greater synergy with our current businesses.

SUSTAINABILITY REPORTING

In accordance with the requirements of the SGX-ST Listing Manual Section B: Rules of Catalist, the Group will also publish its Sustainability Report for the first time, together with this Annual Report, referring to the Global Reporting Initiative ("GRI") Standards 2016.

Please refer to pages 19 to 28 of this Annual Report for our Sustainability Report and it will also be publicly accessible through IPS Securex's website as well as on SGXNet.

ACKNOWLEDGEMENT

On behalf of the Board, we would like to express our gratitude to our management team and staff for their commitment and dedication in building up IPS Securex to future-ready. We would also like to thank shareholders for their strong support despite our challenging business environment. As IPS Securex continues its progress forward, we will strive to expand our market share and generate better returns to shareholders.

CHAN TIEN LOK
NON-EXECUTIVE CHAIRMAN

1 Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Link: http://www.aon.com/2018-political-risk-terrorism-and-political-violence-maps/2018-Risk-Maps-04-10-18.pdf

2 Insurance Business Asia. Link: https://www.insurancebusinessmag.com/asia/news/regional-news/political-risk-and-terrorism-on-the-rise-as-volatility-worsens--aon-97719.aspx

3 The Global Terrorism Database is an open-sourced database including information on terrorist events around the world from 1970 through 2017 (with additional annual updates planned for the future). Link: http://www.start.umd.edu/gtd/

4 This was extracted from Quartz website: https://qz.com/1346205/the-global-terrorism-database-shows-attacks-are-becoming-less-frequent-and-deadly/

GROUP CEO'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the management of the Group, I am pleased to present the Group's FY2018 business review.

The political environment in which the Group's customers operate in continues to remain unstable as political changes in certain governments in the Asian market have caused delays to Homeland Security projects which are subject to internal reviews. As a result, this has had some effect on the Group in terms of certain contract purchase orders and new tenders being delayed which explained for the decrease in Group turnover. Purchase orders received experienced a slowdown year-on-year, and this naturally affected the Group's Security Solutions Business.

In FY2018, the revenue for the Security Solutions Business decreased. This was attributed to the absence of the sale of Acoustic Hailing Systems to a customer in the Rest of Southeast Asia[1] which was previously secured in the nine-month period ended 31 March 2017 ("9M2017"). The decrease in revenue was partially offset by the increase in demand for security solutions products by customers in the Rest of Southeast Asia and Indochina[2], as well as the increase in demand for integrated security solutions in Singapore.

Despite the instability caused by changes in the political environment, our Group has no doubt that security is still a major concern and challenge, not only for countries in the Asia-Pacific region, but across the world.

BUSINESS HIGHLIGHTS

I am happy to report that our Maintenance and Leasing Business continues its steady growth track. The revenue for the Maintenance and Leasing business has grown to more than 50% of revenue in FY2018 from 29.3% of revenue in FY2013 since IPS Securex was listed on Catalist in June 2014. This has helped to provide a recurrent income base for the Group to offset project-based income, which tends to be lumpy. This is in line with the Group's strategic plans to grow its business and build on its customer base, so as to develop a sustainable business. We will continue to introduce new security solutions to the broader Asia-Pacific market and actively participate in our customers' security tenders, while providing other services like maintenance and leasing.

The Group will also adopt a more prudent approach towards credit risk management and will continue to monitor its debtors ageing and collections closely. Simultaneously, the Group will take advantage of opportunities that will allow the expansion of our range of security products and integrated security solutions so as to cater to the needs of current and future customers, whilst maintaining our efforts in prudent cost management.

LOOKING AHEAD

Rising security concerns and increasing budget allocations for security by governments to prevent terrorism and criminal activities have become a global norm. The governments of different countries that are demanding increased security initiatives and imposing more regulations are driving the adoption of physical security measures in several end-user sectors including industrial and business organisations. Continued investments in infrastructure worldwide, especially in the Asia-Pacific region, is expected to emerge as a significant factor behind the growth of physical security market in the coming years.[3]

The rise in the incidence of terror attacks, increased awareness, and technological advancements are also some of the key factors driving the governments of different countries to step up on security measures. Resistance to government intrusion into personal privacy and the lack of integration between physical security measures and technological security solutions due to legacy or outdated systems and procedures continue to hamper market growth. In addition, the rise in demand for security solutions from smart cities is expected to provide good opportunities for market growth.[4]

We have recently broadened our portfolio to include products and solutions from AI Seer Marine Technologies, Wavelength Solutions and Tyco Security Solutions.

You can read more about these in the product highlights on pages 15 to 18. Please contact us for more information on these products and solutions. As we bring in new security products and solutions, we will be investing some time and effort to penetrate the market in terms of customer education and our network of dealers.

NOTE OF APPRECIATION

Last but not least, on behalf of the management team, I would like to express my utmost gratitude to our Board for their wise counsel and guidance, and to our staff for their dedication and tenacity to seek business opportunities while giving their best in terms of quality services to our customers. I would also like to thank all stakeholders including our customers, suppliers, shareholders and business associates for their unwavering support during this challenging period that the Group is going through. As the market situation slowly improves, IPS Securex will continue to strive to grow its business and market share so as to generate better returns and maintain its leadership position.

KELVIN LIM CHING SONG
EXECUTIVE DIRECTOR AND GROUP CEO

1 Rest of Southeast Asia includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste
2 Indochina includes Myanmar, Thailand, Laos, Cambodia and Vietnam
3 https://www.prnewswire.com/news-releases/concise-analysis-of-the-physical-security-market---forecast-to-2019-246595951.html
4 https://www.prnewswire.com/news-releases/global-physical-security-market-expected-to-reach-153-billion-by-2023-685128561.html

BOARD OF DIRECTORS

MR CHAN TIEN LOK
NON-EXECUTIVE CHAIRMAN

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

Mr Chan has over 16 years of experience in the security products and solutions industry. He founded IPS Group Pte. Ltd. ("IPSG") in 1986 and is currently the Chairman of IPSG. 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. He was the sole proprietor of Danill Machinery Services from 1976 to 1979, and had served as the service manager of Auto and Plant Services Pte Ltd from 1973 to 1976. Mr Chan 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.

MR KELVIN LIM CHING SONG
EXECUTIVE DIRECTOR AND GROUP CEO

Mr 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.

Mr Lim has more than 16 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. He was later appointed as the CEO of IPS Technologies Pte. Ltd. ("IPST") in January 2013. He subsequently stepped down as CEO of IPST and was appointed as CEO of IPS Securex in July 2013.

Mr Lim 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, Mr Lim started a new division in IPS Securex to provide integrated security solutions to customers from various industries such as educational institutions, government bodies and agencies, and financial institutions. Over the years, he has not only established new relationships with new suppliers and customers, but also reaffirmed established relationships with the Group's existing suppliers and customers, which has helped the Group expand the business further into several regional markets, including Malaysia, Indonesia, Hong Kong, China and Thailand.

Mr Lim holds a Diploma in Marketing and Public Relations from the Thames Business School and a Certificate in Office Skills from the Institute of Technical Education.

MR ONG BENG CHYE
LEAD INDEPENDENT DIRECTOR

Mr 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.

Mr Ong 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 holds a Bachelor of Science (Honours) from City, University of London.

MR JOSEPH TAN PENG CHIN
INDEPENDENT DIRECTOR

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

Mr Tan 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. He founded Tan Peng Chin LLC in 1994 and oversaw the company's practice as managing partner/senior director till his retirement from the firm in 2014.

In addition, Mr Tan was also an Independent Director of Armstrong Industrial Corporation from 1995 to 2014 and has been an Independent Director of OM Holdings Limited, a company listed on the Australia Stock Exchange, since 2007.

Mr Tan 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.

MR KENNETH GOH FUQIANG
INDEPENDENT DIRECTOR

Mr Kenneth Goh Fuqiang is an Independent Non-Executive Director of the Company. He was appointed to the Board on 31 January 2018.

Mr Goh is currently the director of 28 Holdings Pte. Ltd., Pacific East Holdings Limited, Bonham Management Limited and StoneRidge Capital Pte. Ltd. He served as an Independent Non-Executive Director of N2N Connect Berhad, a Malaysia company listed on Bursa Malaysia from 2013 to 2018. Mr Goh was previously a Director of Corporate Strategic Development at Asiatravel.com from 2011 to 2012. Prior to that, he was an Associate with the Government of Singapore Investment Corporation (GIC).

Mr Goh holds a Bachelor of Engineering (Biomedical Engineering) First Class Honours degree from Imperial College, London, and a Master of Science (Management Science & Engineering) degree from Stanford University.

MANAGEMENT TEAM

MR LEE YEOW KOON
CHIEF OPERATING OFFICER

Mr Lee Yeow Koon is the Chief Operating Officer of the Group. He has more than 10 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 a 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 the Company. He subsequently assumed the role of sales engineer in the Company's sales department, where he was responsible for the sales development and account management, and had also assisted the division manager in securing several key projects for the Company.

Mr Lee was promoted to contract manager in 2011 and was responsible for managing and reviewing the business contracts and agreements of IPS Securex, and the handling of key customer accounts. He 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, Mr Lee was a project executive with Premier Exhibition Services Pte. Ltd. from 2003 to 2005, where he assisted in the management and execution of consumer exhibitions. He was previously also an air defence systems specialist for the Republic of Singapore Air Force from 1997 to 2003 and had gained technical experience in the operation and maintenance of air defence systems.

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

MS LEE SIEW HAN
FINANCIAL CONTROLLER

Ms 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.

Ms Lee has more than 25 years of experience in accounting and finance related matters. She has worked in the finance and administration department of IPSG as deputy general manager and financial controller with the responsibility of the management of the accounts and finance, sales administration support, purchasing, stock control and compliance functions of IPSG and its subsidiaries.

Before joining IPSG, Ms Lee 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 between 2004 and 2010. Prior to this, she had also held accounting positions at Sunshine Welfare Action Mission, NTUC Club, VICOM Ltd., AGRA Baymont Pte. Ltd. and Trident Travels Ltd. from 1984 to 2009.

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

MR LEE CHEA SIANG
OPERATIONS MANAGER

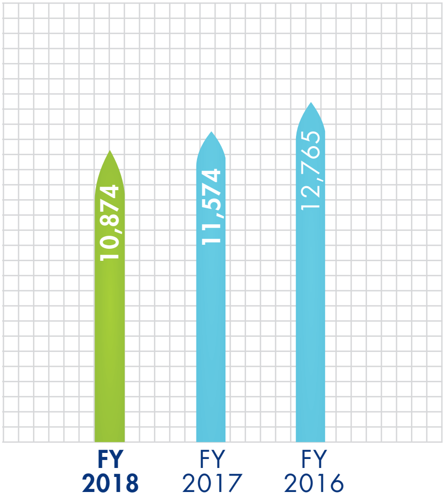
Mr Lee Chea Siang is the Operations Manager of the Group. He joined the Group in 2005 and is responsible for the management of the project team and service team of IPS Securex. Mr Lee also oversees the project management of the Group's Homeland Security Products division, which includes the initial planning 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, Mr Lee gained project management experience as a project engineer for Wilson Parking (Singapore) Pte. Ltd. where he worked on systems integration and specialised in carpark systems from 2003 to 2005. He was also involved in research and development as a software engineer for Omron Asia-Pacific Technical Centre from 2001 to 2003.

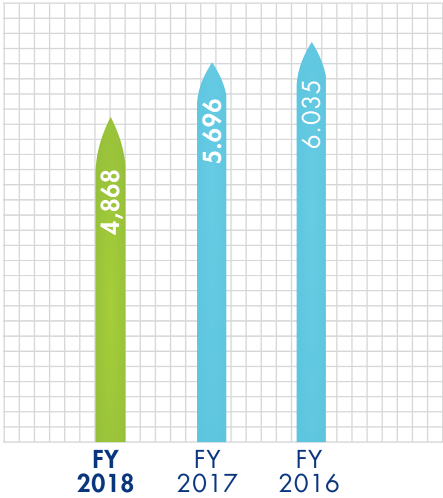
Mr Lee holds a Bachelor of Science with Honours in Computing and Management from the University of Bradford in 2000.

FINANCIAL HIGHLIGHTS

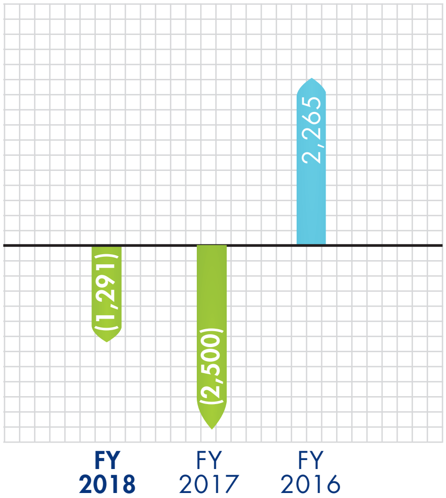
REVENUE (S$'000)



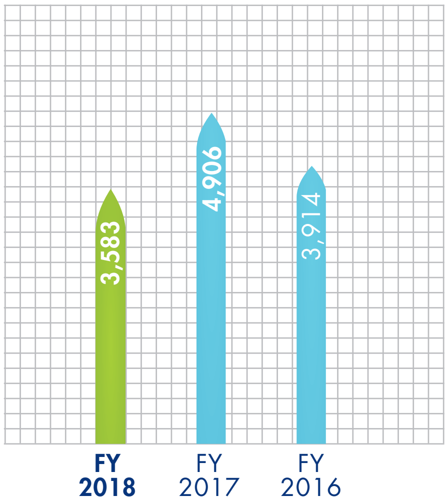
GROSS PROFIT (S$'000)



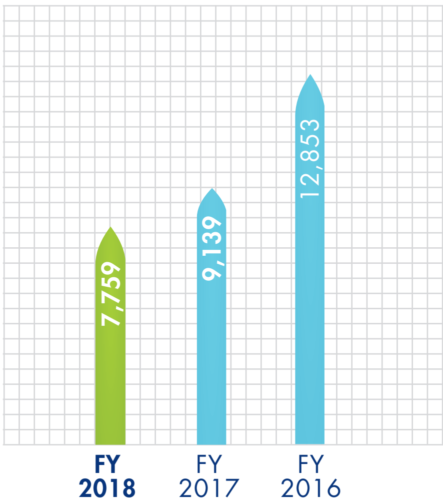
(LOSS)/PROFIT (S$'000)



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") 2018, the Group's revenue decreased by approximately S$700,000 or 6.0% from S$11.6 million in FY2017 to S$10.9 million in FY2018.

Revenue from the Security Solutions Business decreased by approximately S$1.2 million or 19.5% from S$5.9 million in FY2017 to S$4.8 million in FY2018. This was mainly attributable to the absence of the sale of Acoustic Hailing Systems to a customer in the Rest of Southeast Asia of S$3.4 million that was previously secured in 9M2017, partially offset by an increase in demand for security solutions products in Indochina[1] and the Rest of Southeast Asia[2] in aggregate of S$477,000, and an increase in demand for integrated security solutions in Singapore of S$1.7 million.

Revenue from the Maintenance and Leasing Business increased by approximately S$452,000 or 7.9% from S$5.7 million in FY2017 to S$6.1 million in FY2018. This was mainly due to the increase in fees earned from the provision of maintenance support services to customers in Singapore and Rest of Southeast Asia.

COST OF SALES

Cost of sales increased by approximately S$128,000 or 2.2% from S$5.9 million in FY2017 to S$6.0 million in FY2018. This was mainly due to the net increase in direct material costs incurred and a higher proportion of integrated security solutions undertaken by the Group which had a higher cost base relative to revenue.

GROSS PROFIT

Gross profit decreased by approximately S$828,000 or 14.5% from S$5.7 million in FY2017 to S$4.9 million in FY2018 due primarily to the factors discussed above.

OTHER INCOME

Other income increased by approximately S$83,000 or 66.8% from S$124,000 in FY2017 to S$206,000 in FY2018. The increase was mainly due to the recovery of bad debts previously written off in June 2017 of S$30,000, write back of allowance for inventories obsolescence of S$20,000 which was previously written down and subsequently assigned to project, government grants and subsidies of S$7,000 and an increase in miscellaneous income of S$25,000.

1 "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam.
2 "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

ADMINSTRATIVE EXPENSES

Administrative expenses decreased by approximately S$463,000 or 8.1% from S$5.7 million in FY2017 to S$5.2 million in FY2018. This was mainly attributable to the decrease in employees' remuneration and benefit expenses of S$364,000 mainly due to lower staff bonuses accrued, professional fees of S$50,000 due to more favourable arrangement negotiated by the Group, and distribution and marketing expenses of S$58,000.

OTHER OPERATING EXPENSES

Other operating expenses decreased by approximately S$2.1 million from S$3.2 million in FY2017 to S$1.1 million in FY2018. This was mainly due to the absence of allowance for doubtful debts of S$3.0 million in relation to outstanding trade receivables, pursuant to an instalment plan agreed in September 2016 with a customer in the Rest of Southeast Asia for the repayment of trade receivables over five pre-agreed instalments commencing from August 2016 to September 2018 ("Instalment Plan"), where an amount of S$473,000 has been recovered as of FY2018. In addition, an allowance for doubtful debts of S$1.5 million was recognised during the year for another customer in the Rest of Southeast Asia as a result of certain disputes arising from technical issues faced by the customer.

FINANCE INCOME

Finance income decreased by approximately S$145,000 or 86.3% from S$168,000 in FY2017 to S$23,000 in FY2018. This was mainly due to absence in FY2018 of foreign exchange gain of S$147,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar in FY2017.

FINANCE COSTS

Finance costs increased by approximately S$19,000 or 32.3% from S$58,000 in FY2017 to S$77,000 in FY2018. This was mainly due to a foreign exchange loss of S$39,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar. This was partially offset by lower interest expenses of S$20,000, as a result of repayment of term loan during the year undertaken by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte. Ltd. which was completed on 1 April 2016 (the "Acquisition").

INCOME TAX EXPENSES

The lower tax income in FY2018 versus FY2017 were due mainly to the absence of the recognition of unabsorbed losses as deferred tax assets, partially offset by tax write backs due to the reversals of over-provisions made in respect of prior periods.

FINANCIAL POSITION

Current assets decreased by approximately S$1.5 million from S$9.5 million as at 30 June 2017 to S$8.0 million as at 30 June 2018. The decrease in current assets was mainly due to a decrease in cash and cash equivalents of S$1.3 million and a decrease in trade and other receivables of S$389,000, partially offset by the increase in inventories of S$174,000. The decrease in trade and other receivables was primarily attributable to (i) recognition of an allowance for doubtful debts of S$1.5 million for a customer in Rest of Southeast Asia, (ii) the partial recovery of outstanding debts previously provided as doubtful debts in June 2017 amounting to S$503,000, (iii) partially offset by higher sales made on credit terms from the integrated solutions business towards the end of FY2018 of S$1.4 million, and (iv) reclassification of long term trade receivables of S$196,000 as at 30 June 2017 to current trade receivables as at 30 June 2018. The increase in inventories of S$174,000 was due to an increase in purchase of parts and components.

Non-current assets decreased by approximately S$1.2 million from S$4.4 million as at 30 June 2017 to S$3.2 million as at 30 June 2018. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S$949,000 primarily attributable to depreciation charges and reclassification of long term trade receivables of approximately S$196,000 as at 30 June 2017 to current trade receivables as at 30 June 2018.

Current liabilities decreased by approximately S$951,000 from S$4.3 million as at 30 June 2017 to S$3.3 million as at 30 June 2018. The decrease in current liabilities was mainly due to the decrease in trade and other

FINANCIAL AND OPERATIONS REVIEW

payables of S$292,000 arising primarily from payments made in the first quarter ended 30 September 2017 ("1Q2018") to the vendors in relation to the Acquisition amounting to S$373,000, decrease in accruals of operating expenses of S$108,000 and partially offset by an increase in trade payables which had remained outstanding towards the end of FY2018, of S$189,000; the repayment of bank borrowings of S$879,000 partially offset by a reclassification of long term bank borrowings of S$387,000 to current liabilities, and a decrease in income tax payable of S$93,000 as there was no income tax payable for FY2018 as no tax provision was made since there were sufficient available unutilised tax losses to offset against any taxable profit.

Non-current liabilities decreased by approximately S$390,000 from S$476,000 as at 30 June 2017 to S$86,000 as at 30 June 2018. This was due to a reclassification of long-term bank borrowings of S$387,000 to current liabilities and repayment of finance lease amounting to S$18,000, partially offset by an increase in deferred tax liabilities of S$15,000.

Capital and reserves decreased by approximately S$1.3 million from S$9.1 million as at 30 June 2017 to S$7.8 million as at 30 June 2018. This was due to losses for FY2018 of S$1.3 million and repurchase of the Company's shares of S$89,000.

CASH FLOW

In FY2018, the Group's net cash from operating activities was approximately S$290,000, which consisted of operating cashflows before working capital changes of S$872,000, net working capital outflow of S$587,000, interest received of S$19,000 and income tax paid of S$14,000.

The net working capital outflow arose mainly from the net increase in trade and other receivables of S$515,000 mainly due to higher sales made on credit terms from the integrated solutions business towards the end of FY2018, an increase in inventories of S$154,000 mainly due to an increase in purchase of parts and components, and a decrease in trade and other payables of S$81,000 mainly due to decrease in accruals of operating expenses of S$108,000 and partially offset by an increase in trade payables of S$189,000 due to suppliers which had remained outstanding towards the end of FY2018.

Net cash used in investing activities amounted to approximately S$502,000 in FY2018, which was mainly due to the payments made in 1Q-2018 to the vendors in relation to the Acquisition amounting to S$373,000 and purchase of plant and equipment of S$127,000.

Net cash used in financing activities amounted to approximately S$1.1 million in FY2018 which was mainly due to net repayment of bank borrowings and finance leases in aggregate of S$971,000, and repurchase of the Company's shares of S$89,000 and interest paid of S$38,000.

OUR BUSINESSES

SECURITY SOLUTIONS

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 police, customs and other law enforcement agencies. Such products may be deployed offsite or at seaports, airports, navy, police, army and air bases, and customs border checkpoints.

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 for customers that prefer to 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 2 to 12 months from the date of entering into an agreement with a customer to fulfil the order. The Group has distribution agreements and maintains close business relationships with reputable and reliable suppliers for the distribution of a carefully selected range of their security products in the Asia-Pacific.

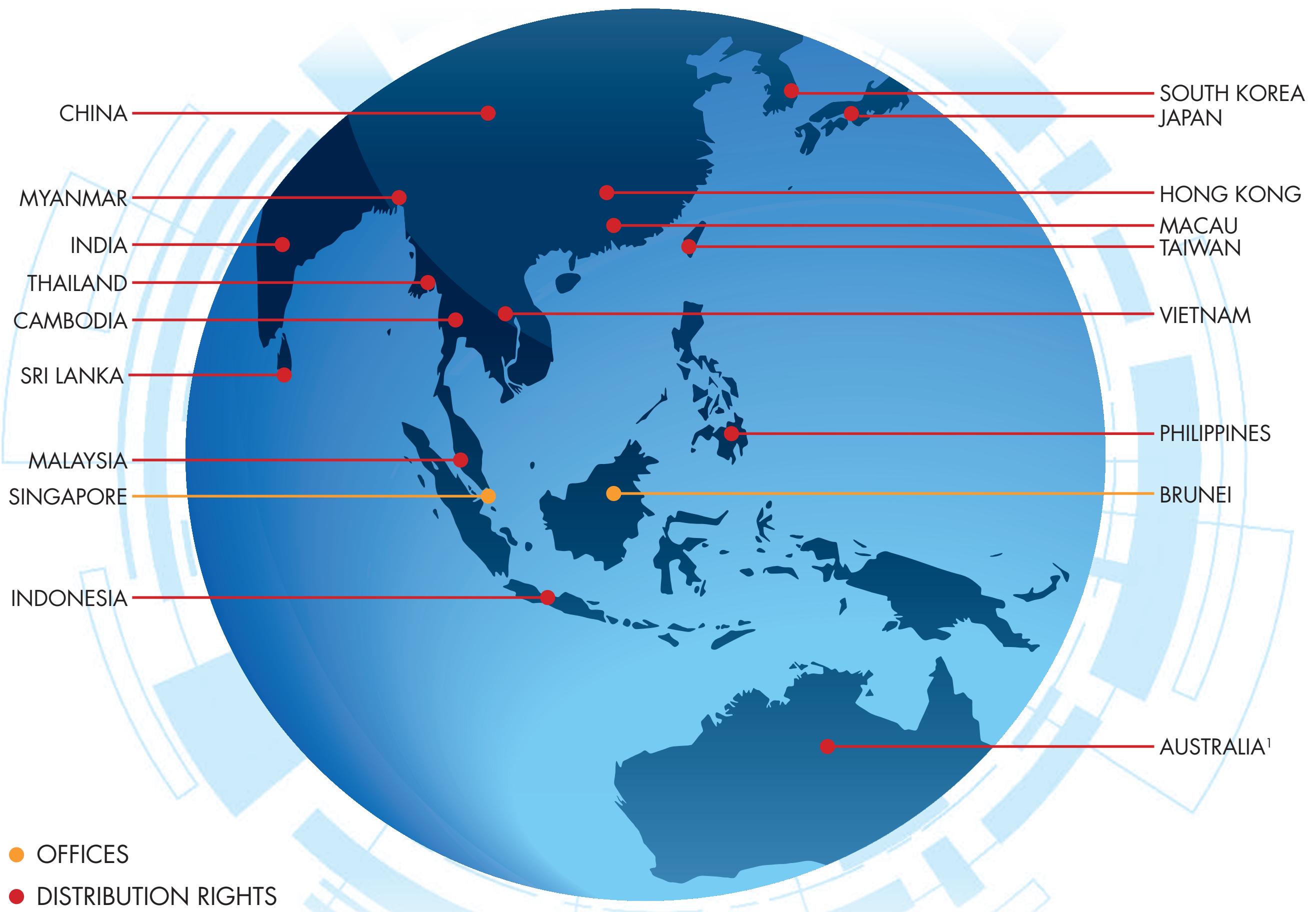
MAINTENANCE AND LEASING

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.

Extended maintenance support services are provided to the customers under a separate maintenance contract ranging from one year to five years upon the expiry of the warranty period. In addition, the Group provides ad-hoc maintenance support services at the request of customers who do not have maintenance support service contracts with the Group.

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



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

AWARDS AND CERTIFICATION

2004/2010
ISO 9001:2000/ ISO 9001:2008

2009
Enterprise 50 Award

2010
Singapore SME 500 Company

Ultra Electronics – USSI HyperSpike Excellence in Sales Award

2011
Ultra Electronics – USSI HyperSpike Excellence in Sales Award

2012
Ultra Electronics – USSI HyperSpike Reseller of the Year 2012

MOBOTIX AG Project of the Year 2012 in Singapore

2013
Top 100 Singapore Excellence Award (Platinum)

Ultra Electronics – USSI Reseller of the Year 2013

2014
Asia-Pacific Brands Award 2014

Midas Touch Asia 2014 Platinum Award

Ultra Electronics – USSI Reseller of the Year 2014

2015
MOBOTIX AG – Partner of the Year 2015

Singapore Corporate Awards – Best Investor Relations Merit Award (First-Year Listed Companies)

2017
Singapore 1000 & Singapore SME 1000 Bromide Logo

Singapore 1000 Company Public Listed Companies 2017

HOMELAND SECURITY PRODUCTS

WAVELENGTH SOLUTIONS offers powerful green laser devices for commercial use. The newly formed company holds the laser technology that enables these devices to produce a high power, non-lethal deterrent green laser.

WAVELENGTH SOLUTIONS manufactures ultra-lightweight and compact OEM laser modules for systems integration. They also design and supply self-contained rifle and pistol laser dazzlers, using the same high power green laser technology. These technologically advanced devices provide long range non-lethal deterrence, are ergonomically designed and with the user in mind, allows for effective engagement on static and moving targets.

Al Seer Marine Technologies, based in Abu Dhabi UAE, offers Modular Unmanned Surface Vessel (USV) Systems without any export restrictions. To meet the growing demand for unmanned systems in the rapidly developing autonomous space where innovation, design and flexibility are critical, Al Seer Marine Technologies has the ability to integrate Commercial Off-the-Shelf (COTS) and legacy Government Furnished Equipment (GFE), communication equipment, optical and sensor arrays.

HOMELAND SECURITY PRODUCTS

TAMIN SERIES – 11M INTERDICTION PLATFORM

The USV Series Interdiction platform is a versatile 11-meter platform capable of littoral patrol operations. Each platform is specifically tailored to the end user's operational needs, with no International Traffic in Arms Regulations (ITAR) or export restrictions. The Tamin Series can be fitted with a vast array of multi configuration payloads such as: stabilised GFE platforms, launch tubes, pyrotechnics, Long Range Acoustic Devices, and dazzlers.

RAMAH SERIES – RHIB SYSTEM (Conversion Platform)

The Ramah Series conversion platform is a multi-use manned and unmanned platform which utilises the same technologies from the Tamin Series. Maximising marine asset capitalisation, operational efficiency and flexibility, each platform is specifically tailored to the end user's operational needs, with no ITAR or export restrictions. The Ramah Series can also be fitted with a vast array of multi-configuration payloads such as: stabilised GFE platforms, launch tubes, pyrotechnics, Long Range Audio Devices and dazzlers.

Note: Please contact us for more information on these products and solutions.

GENERAL SECURITY PRODUCTS

ABOUT TYCO SECURITY SOLUTIONS

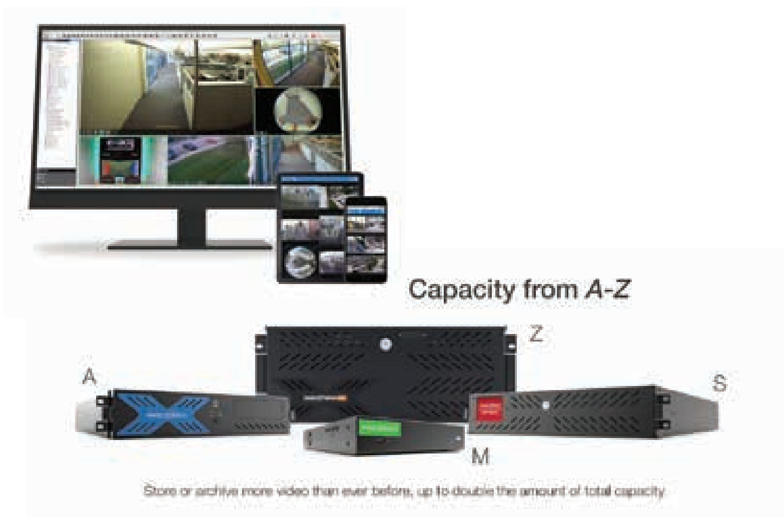
Tyco Security Solutions from Johnson Controls, provides unified solutions comprises some of the most comprehensive world-leading premium access control, video, intrusion, converged products in the security industry. Tyco security solutions is in over 175 countries around the world and its solutions, delivered by developers from all product disciplines, consistently allows customers to see more, do more, and save more across multiple industries and segments including healthcare, government, transportation, finance, retail, commercial and residential. Worldwide, Tyco security solutions help protect 42% of Fortune 500 companies, the transportation systems on five continents, 37% of the world's top 100 retailers, over two million commercial enterprises, thousands of students in more than 900 educational facilities, and over five million private residences.

TYCO KANTECH

Founded in 1986, Kantech (part of Tyco Security Products) designs, markets and supports integrated access control technologies that are ready to use right out of the box. Kantech's solutions provide a compact, entry-level solution for smaller businesses while the EntraPass access control software combines with the powerful KT-300 or KT-400 door controllers to provide enhanced capabilities for enterprise scale applications. For additional convenience and security, Kantech solutions can easily link to American Dynamics Intellex digital video management systems to provide an integrated access control and video solution. Kantech also offers out-of-the box integration with intrusion detection and telephone entry systems, which are all managed from a unified software package. Kantech offers a full suite of access control products that are reliable, easy to install and easily scalable.

TYCO EXACQVISION

Founded in 2002, Exacq Technologies is a leading manufacturer of video management system (VMS) software and servers used for video surveillance. Known for its ease of use, the exacqVision cross-platform VMS software is widely used across many applications. It is readily available on factory installed exacqVision hybrid and IP camera servers or on commercial off-the-shelf servers. Exacq Technologies is part of the Security Products business unit of Tyco (New York Stock Exchange: TYC), the world's largest pure-play fire protection and security company.



GENERAL SECURITY **PRODUCTS**

TYCO SOFTWARE HOUSE

When Fortune 500 companies, government customers, or any other enterprises are concerned with critical security issues and need a reliable solution in their day to day operations, more often than not, they turn to Software House, with its security and event management technologies currently installed in thousands of facilities worldwide.

Total Solution

Software House has built a solid reputation in the security industry as an innovator of security and event management technologies. With its continuous investment in R&D, and the ability to leverage new technologies, Software House has reached technological excellence. Reliability, flexibility, and power are why many companies choose Software House solutions for their security needs. By holding true to those three qualities, Software House technologies have become the solution of choice for thousands of security-conscious businesses around the world. These solutions are put to the test every day at nearly 10,000 sites worldwide. They are designed to be a part of the business infrastructure and have been engineered to grow as the business grows. There is no other security solution on the market that gives this extraordinary level of control that Software House solutions provides. Software House solutions put the customer firmly in control of their streamlined business operations.

Software House solutions include the innovative C•CURE 9000 security and event management system and the C•CURE 800/8000 access control solution, and a wide-range of complementary hardware products.

TYCO AMERICAN DYNAMICS

American Dynamics develops some of the world's most needed video technologies. Technologies that help retailers thwart organised crime to protect their bottom line, and universities provide peace of mind to parents of incoming students. Technologies that help our governments secure ports and borders, and hospitals ensure the safety and privacy of their patients. Technologies that move beyond security to become essential business-enabling tools.

From its beginning in the early 1970s as a DVR and matrix switcher company, to its proud stance today as a leading provider of IP solutions, American Dynamics has always stood for reliability, customer commitment, and integrity. While technology and products change at breakneck speeds, those values are steadfast and they are part of the American Dynamics' vision.

SUSTAINABILITY AT A GLANCE

Employees

50 full-time
70% male
30% female

13 Trainings and seminars

Annual health check-up

Occupational Health and Safety

ZERO CASES
of non-compliance and fines

Compliance with laws and regulations

Robust Corporate Governance Framework

NO complaints concerning breaches of customer privacy and losses of customer data

ZERO CASES
of non-compliance to social, economic and environmental laws and regulations

Economic Performance

FY2018 REVENUE **S$10.8M**

SUSTAINABILITY REPORT

MESSAGE FROM OUR BOARD OF DIRECTORS

We are pleased to present the inaugural annual Sustainability Report of IPS Securex Holdings Limited ("IPS Securex", the "Company" and, together with its subsidiaries, the "Group") for our financial year ended 30 June ("FY") 2018. This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. We are guided by the Global Reporting Initiative ("GRI") Standards reporting guidelines at Core option. IPS Securex has chosen the GRI framework as it is a well-known and globally-recognised sustainability reporting standard. This report highlights the key economic, environmental, social and governance ("EESG") related initiatives undertaken over a 12-month period in FY2018 from 1 July 2017 to 30 June 2018 for IPS Securex Pte. Ltd. ("Securex") and Securex GS Pte. Ltd. ("Securex GS", formerly known as Yatai Security & Communications Pte. Ltd.).

In defining our reporting content, we have applied GRI standard (GRI 101: Foundation 2016)'s principles by considering the Group's activities, impacts and substantive expectations and interests of its stakeholders. We observed a total of four principles including materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The EESG data and information provided for the purpose of this report have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

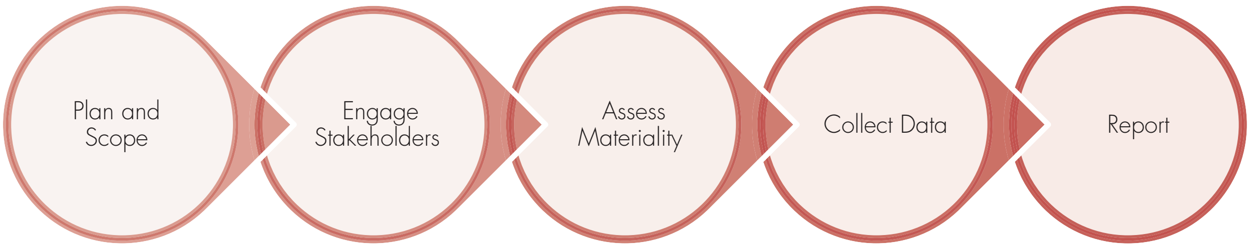
The board of directors of the Company (the "Board") oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group's strategic direction and policies.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies, systems and results. Please send your comments and suggestions to investorrelations@ips-securex.com.

27 September 2018

OUR APPROACH TO SUSTAINABILITY

IPS SECUREX'S SUSTAINABILITY METHODOLOGY



SUSTAINABILITY GOVERNANCE

Strong governance is the key to a sustainable business. It is a continual challenge to successfully manage environmental and social issues. IPS Securex has incorporated this into our business model and implemented sustainable and responsible policies, practices and performance monitoring and measurement throughout the Group. We are committed to provide high quality services to meet the relevant safety, health and environmental requirements set out by our customers and the regulatory bodies.

We believe that every life counts and is important, hence, our Homeland Security business segment prides itself in providing non-lethal countermeasures that are more relevent, effective and expansive in their application as compared to lethal solutions. IPS Securex pays strict attention to enforcing good labour practices in all our operations, including our suppliers. The Group provides various training opportunities for continued employee development and this has been reflected in the quality and delivery of our services. We value our relationships with our customers, suppliers, and the wider community in which we operate, and these relationships forged have helped us through challenging times in the past. The Group strongly believes that in the long run, these efforts will be reciprocated through positive impacts on the Group's economic performance.

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 Group as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. For detailed disclosure on our ERM, please refer to pages 41 to 42 of our Annual Report 2018.

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, fair and reasonable, 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.

BUSINESS ETHICS, ANTI-CORRUPTION AND COMPLIANCE

We do not tolerate corruption in any form. This has been made clear to all of the Group's employees, customers, suppliers and business partners. Dedicated whistle blowing hotlines using both email and electronic platforms are set up so that anyone wanting to report any business ethics issue can do so confidentially. While all complaints will be reported to the CEO, complaints alleging fraud and breaches of corporate governance will be escalated to the Audit Committee and the Chairman of the Board of the Company.

When it comes to hiring, we take serious considerations of any conflict of interests. Our code of conduct clearly lays the Group's expectations for our staff and spells out consequences of violating rules or not meeting expectations.

All of our staff are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant staff with development in international and local regulations. We prohibit corruption in all forms, including but not limited to extortion and bribery.

For FY2018, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. There have also been no reported incidents of corruption during the reporting period.

The Board and the Management of IPS Securex are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to the Annual Report 2018 pages 31 to 48 for details of the Group's Corporate Governance Report.

STAKEHOLDERS AND MATERIALITY

STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material EESG factors relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies on sustainability. These key stakeholders include, but are not limited to, customers, suppliers, business partners, shareholders, employees, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

No.	Stakeholders	Engagement Platforms	Frequency
1	**Suppliers**	Vendor Assessment	Annually
		Face-to-face meetings	Quarterly
2	**Shareholders**	Annual General Meeting/Extraordinary General Meeting	Annually
		Annual Report	Annually
		Announcement	Quarterly
		Roadshow	Quarterly
3	**Customers**	Face-to-face meetings	Quarterly
		Email feedback	Monthly
		Customer cold calls	Monthly

SUSTAINABILITY REPORT

No.	Stakeholders	Engagement Platforms	Frequency
4	**Employees**	Staff Appraisal	Annually
		Whistle blowing policy updates	Annually
		Townhall Sessions	Quarterly
		Staff Bonding Sessions	Quarterly
		Monthly Birthday Celebration	Monthly
5	**Board**	Board Meetings	Quarterly
		Board Circulation via E-mails	Quarterly
		Board Papers	Quarterly
		Board lunches and meetings	Quarterly

MATERIAL ASPECTS ASSESSMENT

Our sustainability process begins with the identification of the GRI relevant aspects. The GRI relevant aspects are then prioritised to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the sustainability report.

We conducted a materiality assessment during the year with the help of an external consultant. In addition, the Group adopts a matrix-based approach based on likelihood of occurrence and impact on the Group to address its sustainability risk profile and priority issues. We shall use this method to monitor our risk profile on a regular basis. Going forward, a materiality review will be conducted every year, incorporating inputs from stakeholder engagements.

In order to determine if an aspect is material, we assessed its likelihood of occurrence and the potential impact on the economy, environment and society and its influence on the stakeholders. This year's material aspects were identified and prioritised by the Sustainability Committee specially formed to drive the sustainability reporting process through internal workshops together with senior management and guidance from our external consultant. Peer reviews and social impact assessments were performed at site level.

Given that this is our inaugural report, we do not have sufficient performance data to form a trend for the purpose of setting targets. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets.

1 IDENTIFICATION
Identification of the material factors that are of relevance to the Group's activities

2 PRIORITISATION
Prioritisation of the material factors and identifies key sustainability factors to be reported upon

3 VALIDATION
Validation of the completeness of key sustainability factors identified to finalise the sustainability report content

4 REVIEW
Review focuses on the material factors in previous reporting period and also considers stakeholders' feedback, changing business landscape and emerging trends

Applying the guidance from GRI Standards, we have identified the following material EESG aspects.

GOVERNANCE

Corporate Governance
Enterprise Risk Management
Business Ethics, Anti-corruption and Compliance

SOCIAL

Customer Privacy
Socio Economic Compliance
Occupational Health and Safety
Training and Education
Diversity and Equal Opportunity

ECONOMIC

Economic Performance

ENVIRONMENTAL

Environmental Compliance
Supplier Environmental Assessment

SOCIAL

We believe that the nature of the security industry that our businesses participate in, especially so for the range of security products and services we provide, greatly contribute to society in the form of personal security, law enforcement and value creation for businesses through the use of technology.

We hold a diverse range of products that can be segregated into Homeland and General (Infrastructure) security.

We believe that every life counts and is important, hence, our Homeland Security business segment prides itself in providing non-lethal countermeasures as not just alternate solutions, but systems that are more relevant, effective and expansive to law enforcement end users as compared to lethal solutions. This would minimise or prevent unnecessary loss of life, collateral damage, and enhance the ability of law enforcers.

An example of the societal contributions of our General Security business segment is seen in our Alert Alarm systems installed in accommodations designed for the elderly. The system installed allows for much quicker alert to any incidents and, hence, response. It also improves the efficiency of the organisation as compared to existing traditional monitoring systems by reducing manpower requirements and overhead costs.

– CUSTOMER PRIVACY

The Board is of the view that cyber security and data privacy are important in safeguarding both the Group's data and that of our customers, suppliers, business partners and employees. IPS Securex takes measures to guard against cyber risks, protecting confidential information for both our internal and external stakeholders. This also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised personnel on a need-to-know basis.

– SOCIO ECONOMIC COMPLIANCE

IPS Securex is proud to inform that it is in compliance, in all material aspects, with all social, economic, and environmental rules and regulations, anti-competitive practices and the Workplace Safety and Health Act.

– OCCUPATIONAL HEALTH AND SAFETY

As human resource is a major contributing factor to our organisation, our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero accident workplace. We are committed to managing and reducing safety and health risks through effective risk management.

During FY2018, there was one reported incident of a work-related accident relating to our service technician. During the course of performing routine maintenance work at our customer's premise, the technician tripped and fell while walking down a flight of stairs. This resulted in a fractured ankle, and immediate action for recovery was taken. He was on hospitalisation leave for a total of 12 days. All expenses related to the incident were borne by the Group.

We have established a strict set of workplace health, safety and security policies and a risk management manual. This covers a standard procedure to identify hazards relating to occupational health and safety, evaluate risks associated with these hazards and to ensure that appropriate actions are taken to manage the risks involved. In addition, all environmental aspects and occupational health safety hazards which are within our control or under our management, as well as those that we cannot control or directly manage but are expected to affect health and safety, are covered in the policies.

IPS Securex held an annual check-up activity in its office premise on 24 August 2017, conducted by Integrated Health Plans Pte Ltd, where staff were provided a complimentary basic health screening package (BMI Measurement, Blood Pressure Measurement, Diabetic Panel and Cardiac Profile) and were given the option to top up for more comprehensive packages.

We also have group insurance policies for our staff that is above the required Workman Compensation. This includes hospitalisation and personal accident insurance for all staff, travel insurance for all business related travels, and term life, as a form of key man insurance.

We are OHSAS 18001:2007 certified, by Guardian Independent Certification (GIC), Certificate No. 771413. The certificate was recently renewed on 6 August 2018 and will expire on 11 March 2021. OHSAS is an international standard that provides a framework to identify, control and decrease the risks associated with health and safety within the workplace.

We are ISO 45001:2018 certified, by Guardian Independent Certification (GIC), Certificate No. N770038. The certificate was recently renewed on 6 August 2018 and will expire on 5 August 2021.ISO 45001:2018 specifies requirements for an occupational health and safety (OH&S) management system, and gives guidance for its use, to enable organisations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance.

Given that we value our employees' health and safety as a priority within our organisation, achieving these certifications and implementing the framework of systems required are vital to our organisation. The implementation of these frameworks have enabled us to systematically identify, reduce and mitigate risks involved in the operations of our organisation.

– TRAINING AND EDUCATION

It is in the interest of the Company that career development programmes are set for individual employees on an on-going basis based on their individual needs and goals. Managers assess and formulate training programmes needed to improve the employee's performance to keep up with the job demand as well as to meet his or her career objectives. Performance appraisals are held at appropriate intervals annually. The objective is to establish a two-way communication channel for both employee and his or her manager to evaluate and assess past performance, review areas for improvements, plan for future career development and to fulfill the career potential within the Group.

SUSTAINABILITY REPORT

In FY2018, the following training programmes have been provided to our employees. Training hours will be reported for all training programmes conducted and attended in FY2019 in the respective report.

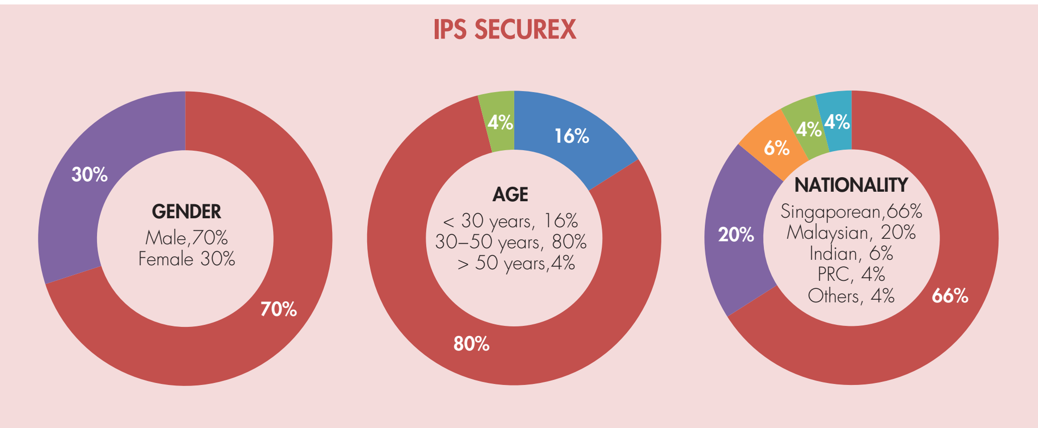
Courses		
Securex	Securex GS	Course
No. of Days		
12	12	Develop a Risk Management Implementation Plan (BizSafe Level 2)
2	1	Workshop for CEO/Top Management (BizSafe Level 1)
1	0	Basic Concept in Construction Productivity Enhancement
2	4	AutoCAD Fundamentals Level Training
4	9	Supervise Construction Work for Workplace Safety & Health
3	3	Managing Work at Height Course
1	1	FRS 115 Workshop for Construction Industry
In House Training/Supplier's Product Training		
3	4	Mobotix's Product Training
1	1	KPMG Training on new accounting standard
0	4	Bosch's Product Training (e.g. Public Address, Paviro Voice Evacuation System, CCTV & etc.)
0	1	Bricomp' Product Training (E.g. Entry Pass)
0	3	Siqura Key Processor Technical & Sales Training
Seminar		
1	1	Fire Safety Seminar
1	1	Emergency Readiness Seminar

– DIVERSITY AND EQUAL OPPORTUNITY

IPS Securex operates an Equal Opportunities Policy and this means that no employees should suffer any discrimination on grounds of sex, sexual orientation, marital status, nationality, ethnic origin, race, religion or disability. This policy extends to all areas of employment including recruitment, training, career progression, performance review, promotion and dismissal. Employment by the Group and career progression within it depends entirely on personal merit and ability.

Employees have a responsibility in helping to achieve this objective and the Group will not tolerate any behaviour by any of its employees that may violate the principles of its Equal Opportunities Policy. In any event, legislation prohibits discrimination against any employee on the grounds of sex, race or disability and any individual employee who discriminates in this way or encourages others to discriminate will be subject to disciplinary action for misconduct or gross misconduct.

As of 30 June 2018, we have a staff strength of 50 full-time employees and zero temporary employees.



TEAM BONDING & TOWN HALL SESSIONS

Staff Dinner at OUE Twinpeaks
28 March 2018

Staff Dinner at Indon Chill
23 May 2018

Staff Lunch at RiceTable
16 November 2017

SUSTAINABILITY REPORT

ECONOMIC

– ECONOMIC PERFORMANCE

IPS Securex firmly believes that focus on financial sustainability is critical. We are fully committed to the highest standards of corporate governance. The Group's basic principle is that long-term profitability and shareholders' value is sustained by taking into account the interests of all stakeholders, such as shareholders, employees, customers, suppliers, business partners and society as a whole.

For details of our financial results for FY2018, please refer to the following sections in our FY2018 Annual Report:

- Financial and Operational Review, pages 10 to 12
- Financial Highlights, page 9
- Financial Statements, pages 55 to 101

ENVIRONMENTAL

Even though the environmental impact of our office activities is relatively immaterial, we believe it is important to instill values of environmental stewardship in our people. Promoting a paperless environment culture, whereby documents should only be printed if necessary and required. We also stress the importance of ensuring that all devices are turned off or in sleep mode before the last person leaves the office. By regularly engaging our staff on environmental issues, we hope to be environmentally conscious in whatever we do.

– ENVIRONMENTAL COMPLIANCE

In FY2018, there was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

– SUPPLIER ENVIRONMENTAL ASSESSMENT

Formal supplier environmental assessments will be conducted in FY2019. We currently ask that all our suppliers comply with all local laws and regulations. The Group has a relationship with suppliers where we ask them to complete a questionnaire for health and safety purposes. We intend to include an environmental assessment in this questionnaire next year.

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference/Description
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102-1	Name of organisation	IPS Securex Holdings Limited
	102-2	Activities, brands, products and services	Annual Report (AR) – page 13
	102-3	Location of headquarters	Singapore
	102-4	Location of operations	AR – page 14
	102-5	Ownership and legal form	AR – pages 102 to 103
	102-6	Markets served	AR – page 14
	102-7	Scale of the organisation	AR – page 9, 14 Sustainability Report (SR) – Diversity and Equal Opportunity, page 24
	102-8	Information on employees and other workers	SR – Diversity and Equal Opportunity, page 24
	102-9	Supply chain	AR – pages 15 to 18
	102-10	Significant changes to the organisation and its supply chain	Not applicable since this is our inaugural report.
	102-11	Precautionary Principle or approach	IPS does not specifically address the precautionary approach.
	102-12	External initiatives	To be reported in the FY2019 report.

GRI Standard	Disclosure		Reference/Description
	102-13	Membership of associations	To be reported in the FY2019 report.
	102-14	Statement from senior decision maker	SR – Message from our Board of Directors, page 20
	102-16	Values, principles, standards and norms of behavior	SR – Business Ethics, Anti-corruption and compliance, page 21
	102-18	Governance structure	AR – pages 31 to 48
	102-40	List of stakeholder groups	SR – Stakeholders Engagement, pages 21 to 22
	102-41	Collective bargaining agreements	Not applicable. IPS do not have collective bargaining agreement.
	102-42	Identifying and selecting stakeholders	SR – Stakeholders Engagement, pages 21 to 22
	102-43	Approach to stakeholder engagement	SR – Stakeholders Engagement, pages 21 to 22
	102-44	Key topics and concerns raised	To be reported in the FY2019 report.
	102-45	Entities included in the consolidated financial statements	AR – page 78
	102-46	Defining report content and topic boundaries	SR – Message from our Board of Directors, page 20
	102-47	List of material topics	SR – Material Aspects Assessment, page 22
GRI 102: General Disclosures	102-48	Restatement of information	Not applicable since this is our inaugural report.
	102-49	Changes in reporting	Not applicable since this is our inaugural report.
	102-50	Reporting period	1 July 2017 to 30 June 2018
	102-51	Date of most recent previous report	Not applicable since this is our inaugural report.
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions about the report	SR – Message from our Board of Directors, page 20
	102-54	Claims if reporting in accordance with the GRI Standards	This report has been guided by the GRI Standards (Core option)
	102-55	GRI content index	SR – GRI Standards Content Index, pages 26 to 28
	102-56	External Assurance	The Company may consider seeking external assurance in the future.
MATERIAL TOPICS			
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	SR – Economic Performance, page 26
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	SR – Anti-corruption, page 21
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	SR – Environmental compliance, page 26

SUSTAINABILITY REPORT

GRI Standard	Disclosure		Reference/Description
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	SR – Supplier Environmental Assessment, page 26
GRI 403: Occupational health and safety	403-2	Types of injury and rates of injury, occupational diseases, lost	SR – Occupational health and safety, page 23
GRI 404: Training and Education	404-1	Average hours of training per year per employee	SR – Training and Education, pages 23 to 24
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	SR – Diversity and equal opportunity, page 24
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR – Customer Privacy, page 23
GRI 419: Socio Economic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	SR – Socio Economic Compliance, page 23

CORPORATION INFORMATION

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)*
JOSEPH TAN PENG CHIN	*(Independent Director)*
KENNETH GOH FUQIANG	*(Independent Director)*

AUDIT COMMITTEE

ONG BENG CHYE *(Chairman)*
JOSEPH TAN PENG CHIN
KENNETH GOH FUQIANG

NOMINATING COMMITTEE

KENNETH GOH FUQIANG *(Chairman)*
CHAN TIEN LOK
ONG BENG CHYE
JOSEPH TAN PENG CHIN

REMUNERATION COMMITTEE

JOSEPH TAN PENG CHIN *(Chairman)*
ONG BENG CHYE
KENNETH GOH FUQIANG

COMPANY SECRETARY

SHIRLEY TAN SEY LIY *(ACS)*

REGISTERED OFFICE

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

COMPANY REGISTRATION NUMBER

201327639H

AUDITORS

KPMG LLP
16 Raffles Quay
Hong Leong Building #22-00
Singapore 048581

Partner-in-charge: **LOO KWOK CHIANG, ADRIAN**
(A member of the Institute of Singapore Chartered Accountants)
Date of Appointment: 29 December 2016

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE **REPORT**

IPS Securex Holdings Limited ("**Company**" and, together with its subsidiaries, "**Group**") is committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2012 ("**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. On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 ("**2018 Code**") which would supersede and replace the Code. The 2018 Code applies to annual reports covering financial years commencing from 1 January 2019.

The Board of Directors ("**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 ("**FY**") 2018. Where there are deviations from the Code, appropriate explanations have been 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 ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**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 Committees meeting for FY2018 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	4	4	1	1	1	1*	4	4*
Kelvin Lim Ching Song	4	4	1	1*	1	1*	4	4*
Ong Beng Chye	4	4	1	1	1	1	4	4
Joseph Tan Peng Chin	4	4	1	1	1	1	4	4
Kenneth Goh Fuqiang[1]	4	2	1	–	1	–	4	2
Anthony Ang Meng Huat[2]	4	2	1	1	1	1	4	2

Notes:

* By invitation

[1] Mr. Kenneth Goh Fuqiang was appointed as the Independent Director on 31 January 2018

[2] Mr. Anthony Ang Meng Huat resigned as the Independent Director on 31 January 2018

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 Committees members.

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") and others 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, KPMG LLP ("**EA**") updated 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.

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
Kenneth Goh Fuqiang	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 and Board Committees 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.

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.

CORPORATE GOVERNANCE REPORT

The Company co-ordinates informal meeting sessions for the Non-Executive Director and Independent Directors to meet on a need-to 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

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.

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

Kenneth Goh Fuqiang (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 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 AGM of the Company and one-third of the Board retires from office at every subsequent AGM. Accordingly, the NC has recommended that Kelvin Lim Ching Song, Ong Beng Chye and Kenneth Goh Fuqiang 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 page 48 of this annual report.

CORPORATE GOVERNANCE 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 FY2018. No external facilitator was engaged in the evaluation process.

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 fulfil 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 or her representative attends all Board and Board Committees meetings and prepares minutes of the 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. The Company Secretary also assists the Board so 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
Kenneth Goh Fuqiang

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

- Reviewing and recommending to the Board for endorsement, the service contracts and remuneration packages of the Executive Director and key Management personnel;

- Reviewing the appropriateness of compensation for the Non-Executive Director and Independent Directors, taking into account factors such as his effort, time spent and responsibilities including but not limited to, his Director's fees, allowances, share options and performance shares;

- Overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;

- Reviewing and administering the award of performance shares and/or share options to Directors and employees under the employee performance share plan and/or employee share option scheme adopted by the Company;

- Carrying out other duties as may be agreed by the RC and the Board, subject always to any conditions that may be imposed upon the RC by the Board from time to time.

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

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

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2018.

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.

CORPORATE GOVERNANCE **REPORT**

Level and Mix of Remuneration

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

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

The Executive Director does not receive Director's fees. The remuneration for the Executive Director and 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 of them. 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 FY2018 were met.

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. The service agreement with Kelvin Lim Ching Song had been renewed for a further 3 years commencing from 28 May 2017. Kelvin Lim Ching Song would be paid a monthly basic salary and shall be entitled to an annual performance bonus based on the terms and conditions stipulated in his service agreement and the Group's audited consolidated profit before tax (after deducting profit before tax attributable to minority interests) and before deducting the Performance Bonus of the Group ("**NPBT**") as follows:

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

The remuneration package, including the Performance Bonus of the Executive Director and 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. The Company has in place other oversights described herein such as Whistle Blowing Policy and outsourced internal audit function as checks and balances to prevent the occurrence of such instances.

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 six (6) key Management personnel of the Group (who are not Directors or the Group CEO) identified for FY2018 is set out below:

Name of Director	Salary	Bonus	Director's fees	Allowances and Other Benefits	Total
	%	%	%	%	%
Above S$250,000 and below S$500,000					
Kelvin Lim Ching Song	94	–	–	6	100
Below S$250,000					
Chan Tien Lok	–	–	100	–	100
Ong Beng Chye	–	–	100	–	100
Joseph Tan Peng Chin	–	–	100	–	100
Anthony Ang Meng Huat[1]	–	–	100	–	100
Kenneth Goh Fuqiang	–	–	100	–	100

Note:

(1) Anthony Ang Meng Huat has resigned as the Director of the Company on 31 January 2018.

Key Management Personnel	Salary	Bonus	Director's fees	Allowances and Other Benefits	Total
	%	%	%	%	%
Below S$250,000					
Lee Yeow Koon	77	6	–	17	100
Lee Siew Han	69	9	13[1]	9	100
Lee Chea Siang	76	6	–	18	100
Boey Teik Heng	86	2	–	12	100
Lim Ang Seng[2]	68	0	–	32	100
Ng Chin Leng[3]	72	0	–	28	100

Notes:

(1) Lee Siew Han's Director's fees were received from the Company's subsidiaries.

(2) Lim Ang Seng has resigned on 31 July 2017.

(3) Ng Chin Leng has resigned on 14 January 2018.

For FY2018, the aggregate total remuneration paid to the top six (6) key Management personnel (who are not Directors or the Group CEO) amounted to S$677,332.

CORPORATE GOVERNANCE REPORT

There were no terminations, retirement or post-employment benefits granted to Directors and key Management personnel other than the standard contractual notice period termination payment in lieu of service for FY2018.

There is an employee of the Group who is an immediate family member of the Company's Non-Executive Chairman, Chan Tien Lok. Peter Isaac Chan Khoon Lau is the son of Chan Tien Lok and whose remuneration exceeded S$50,000 in FY2018. The basis for determining the compensation of our related employees is the same as determining the compensation of other unrelated employees.

Details of the remuneration paid or payable to the immediate family member of Directors or substantial shareholders of the Company in FY2018 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
Above S$50,000 and below S$100,000				
Peter Isaac Chan Khoon Lau	70	6	24	100

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or the Group CEO whose remuneration in FY2018 exceeded S$50,000.

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

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

Accountability to Shareholders is demonstrated through the presentation of the Group's 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.

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 AC on a timely basis. In addition, any new risks of significance will be assessed using prescribed risk templates and reported to the AC.

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 AC.

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 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 and effective 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 2018 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
Kenneth Goh Fuqiang

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:

- Reviewing the quarterly 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 EA, 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;

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

- At least annually, reviewing and reporting 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;

- Reviewing the independence and objectivity of the EA and IA;

- Reviewing and discussing with the EA, and commissioning and reviewing the findings of internal investigations, if any, 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 soliciting for Management's response;

- Monitoring and reviewing 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;

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

- Making recommendations to the Board on proposals to Shareholders for the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the EA;

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

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

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

- Reviewing and recommending foreign exchange hedging policies, if any, to the Board for approval;

- Reviewing 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;

- Investigating any matters within its terms of reference; and

- Undertaking 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.

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 KPMG 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 and IA for FY2018.

For FY2018, the fees that were charged to the Group by the EA for audit services were approximately S$123,000 while the non-audit fees payable to the EA for FY2018 were approximately S$17,000.

The AC considered the report from the EA, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with Management and the EA have been included as Key Audit Matters ("**KAM**") in the Independent Auditors' Report for FY2018 on page 52 of this Annual Report. In assessing the KAM, the AC took into consideration the approach and methodology applied as well as the reasonableness of estimates and key assumptions used. The AC concluded that Management's accounting treatment and estimates in the KAM were appropriate.

The AC is kept updated on new changes to the accounting and financial reporting standards by the EA during the year. 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 AC approves the engagement, discontinuation, evaluation and compensation of its outsourced IA. 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 has reviewed the effectiveness of the IA and is satisfied that the IA is adequately resourced and has the appropriate standing within the industry. The AC is also satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

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.

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. Shareholders are also informed on the procedures for the poll voting at general meetings. 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, Catalist 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 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 Catalist Rules through SGXNet.

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

For FY2018, the Board did not recommend any payment of dividends as the Group incurred a loss in FY2018.

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. For cost effectiveness, the voting of the resolutions at general meetings is conducted by manual polling.

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

As the SGX-ST's sustainability reporting rules come into effect for the Company in FY2018, the Board will be reviewing the Group's corporate social responsibility efforts with a view to incorporating it within a sustainability reporting process that is practicable for the Group. In this respect, the Board will be reviewing and considering the primary components of sustainability reporting which include:

(i) Identifying material Economic, Environmental, Social and Governance ("**EESG**") factors;

(ii) Setting out the Group's policies, practices and performance in relation to each identified material EESG factor;

(iii) Setting out targets for the forthcoming year in relation to each EESG factor identified; and

(iv) Selecting a suitable sustainability reporting framework for reporting and disclosure guidance that is appropriate for the Group's industry and business model.

Please refer to our inaugural Sustainability Report on pages 19 to 28 of the Annual Report.

(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.

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 FY2018 in accordance with its existing procedures:–

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules
Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense) by:–	**FY2018** **S$'000**
IPS Realty Pte. Ltd. ("**IPSR**")	216
IPS Group Pte. Ltd. ("**IPSG**")	69

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 IPSR and 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.

(I) 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 FY2018.

CORPORATE GOVERNANCE REPORT

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Chan Tien Lok	• Cambridge General Certificate of Education Ordinary Level certificate	Non-Executive Chairman	Chairman of the Board and Member of the Nominating Committee	10 October 2013	25 October 2017	Nil	Nil
Kelvin Lim Ching Song	• Diploma in Marketing and Public Relations from Thames Business School • Diploma in Marketing and Public Relations from Thames Business School Certificate in Office Skills from Institute of Technical Education	Executive Director and Group Chief Executive Officer	Board Member	10 October 2013	30 October 2015	Nil	Nil
Ong Beng Chye	• Bachelor of Science with Honours from The City, University of London • Fellow of the Institute of Chartered Accountants in England and Wales • Chartered Financial Analyst • Non-practising member of the Institute of Singapore Chartered Accountants	Lead Independent Director	Board Member, Chairman of the Audit Committee, Member of Remuneration Committee and Nominating Committee	6 June 2014	30 October 2016	• Geo Energy Resources Limited • Hafary Holdings Limited • Kitchen Culture Holdings Ltd • CWX Global Limited	• Heatec Jietong Holdings Ltd.
Joseph Tan Peng Chin	• Bachelor of Laws (Hons) from the National University of Singapore	Independent Director	Board Member, Chairman of the Remuneration Committee and Member of the Nominating Committee and Audit Committee	6 June 2014	30 October 2016	• OM Holdings Limited	• Armstrong Industrial Corporation Limited
Kenneth Goh Fuqiang	• Master of Science, Management Science & Engineering (Finance Concentration) from Stanford University, United States • Bachelor of Engineering, Biomedical Engineering with First Class Honors, Top Academic Student from Imperial College, United Kingdom	Independent Director	Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	31 January 2018	–	Nil	• N2N Connect Berhad

DIRECTORS' STATEMENT

YEAR ENDED 30 JUNE 2018

We hereby submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2018.

In our opinion:

(a) the financial statements set out on pages FS55 to FS101 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 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Chan Tien Lok
Kelvin Lim Ching Song
Ong Beng Chye
Joseph Tan Peng Chin
Kenneth Goh Fuqiang (Appointed on 31 January 2018)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Shareholdings registered in name of directors		**Shareholdings in which directors are deemed to have an interest**	
Name of director and corporation in which interests are held	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**
The Company				
Ordinary shares				
Chan Tien Lok	–	120,000	248,820,000[1]	248,820,000[1]
Kelvin Lim Ching Song	59,955,000	60,085,000	–	–
Ong Beng Chye	300,000	300,000	–	–
Joseph Tan Peng Chin	600,000	600,000	–	–
Ultimate holding company – IPS Technologies Pte. Ltd				
Ordinary shares				
Chan Tien Lok	2,080,000[1]	2,080,000[1]	–	–

[1] 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.

DIRECTORS' STATEMENT

YEAR ENDED 30 JUNE 2018

DIRECTORS' INTERESTS (CONTINUED)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the date of appointment, if later, or at the end of the financial year.

There was no change in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 July 2018.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 remuneration committee whose members are Joseph Tan Peng Chin, Kenneth Goh Fuqiang 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 that the PSP and the ESOS were adopted by the Company in the general meeting. However, the PSP and the ESOS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in the general meeting and of any relevant authorities that may then be required.

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

a. all awards granted under the PSP;

b. all options granted under the ESOS; and

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

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

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

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

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

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

AUDIT COMMITTEE

The members of the Audit Committee of the Company, comprise the Independent Directors, Ong Beng Chye (Chairman), Kenneth Goh Fuqiang (Member) and Joseph Tan Peng Chin (Member). The Audit Committee has met thrice since the last Annual General Meeting ("AGM"), and has reviewed the following, where relevant, with the executive directors and the external and internal auditors of the Company:

(a) The audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, significant accounting matters, 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 quarterly and annual announcements as well as the related press releases on the results and financial positions of the Company and the Group;

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

(g) 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

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

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.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Chan Tien Lok
Director

Kelvin Lim Ching Song
Director

27 September 2018

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
IPS SECUREX HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of IPS Securex Holdings Limited ('the Company') and its subsidiaries ('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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS55 to FS101.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF TRADE RECEIVABLES
(REFER TO NOTE 8 TO THE FINANCIAL STATEMENTS)

The key audit matter	*How the matter was addressed in our audit*
The Group's trade receivables include a wide range of customers, both government-affiliated entities and private companies. Credit terms extended to customers range from 30 days to 90 days. For certain customers, management enters into instalment payment arrangements with repayment periods of up to 2 years. The Group's wide range of credit terms increases the Group's exposure to credit risk. As at 30 June 2018, trade receivables due from customers amounted to 25% (2017: 23%) of the Group's total assets. The recoverability of the Group's trade receivables requires significant judgement and estimates. As such, the valuation of trade receivables is a key audit matter.	We reviewed the Group's profile of trade receivables and management's assessment of the recoverability of individually significant trade receivables. We tested the trade receivables ageing profile prepared by management so as to place reliance on the ageing profile for our procedures. We performed a retrospective review of the management's historical allowance for debts provided against the actual amounts written-off. We challenged management's assessment on the recovery of trade receivables that are past due taking into account information such as past repayment patterns (including repayment progress on those customers with instalment repayment plans) and cash received subsequent to the year end from customers.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information included in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
IPS SECUREX HOLDINGS LIMITED

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Loo Kwok Chiang, Adrian.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 September 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		$	$	$	$
Assets					
Plant and equipment	4	**3,189,452**	4,138,365	**–**	–
Investment in subsidiaries	5	**–**	–	**4,844,199**	4,821,199
Other investment	6	**7,605**	6,000	**–**	–
Deferred tax assets	7	**–**	39,775	**–**	–
Trade and other receivables	8	**–**	195,850	**–**	–
Non-current assets		**3,197,057**	4,379,990	**4,844,199**	4,821,199
Inventories	10	**1,036,746**	862,578	**–**	–
Trade and other receivables	8	**3,332,846**	3,722,198	**3,307,770**	2,463,217
Loans to subsidiaries	11	**–**	–	**1,508,400**	2,968,400
Cash and cash equivalents	12	**3,582,866**	4,905,677	**257,731**	946,353
Current assets		**7,952,458**	9,490,453	**5,073,901**	6,377,970
Total assets		**11,149,515**	13,870,443	**9,918,100**	11,199,169
Equity					
Share capital	13	**9,405,906**	9,405,906	**9,405,906**	9,405,906
Reserves	13	**(679,352)**	(589,999)	**120,647**	210,000
Accumulated (losses)/profits		**(967,970)**	322,848	**(344,328)**	(112,537)
Equity attributable to owners of the Company		**7,758,584**	9,138,755	**9,182,225**	9,503,369
Liabilities					
Bank borrowings	14	**–**	387,009	**–**	387,009
Finance lease liabilities	15	**70,809**	88,960	**–**	–
Deferred tax liabilities	7	**15,404**	–	**–**	–
Non-current liabilities		**86,213**	475,969	**–**	387,009
Bank borrowings	14	**410,921**	903,260	**410,921**	469,928
Trade and other payables	16	**2,875,646**	3,167,765	**324,954**	838,863
Finance lease liabilities	15	**18,151**	91,478	**–**	–
Income tax payable		**–**	93,216	**–**	–
Current liabilities		**3,304,718**	4,255,719	**735,875**	1,308,791
Total liabilities		**3,390,931**	4,731,688	**735,875**	1,695,800
Total equity and liabilities		**11,149,515**	13,870,443	**9,918,100**	11,199,169

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 30 JUNE 2018

	Note	Group 2018	Group 2017
		$	$
Revenue	17	**10,874,295**	11,574,005
Cost of sales		**(6,006,624)**	(5,878,164)
Gross profit		**4,867,671**	5,695,841
Other income	18	**206,402**	123,708
Administrative expenses		**(5,234,592)**	(5,697,161)
Other operating expenses		**(1,101,125)**	(3,171,873)
Results from operating activities		**(1,261,644)**	(3,049,485)
Finance income		**23,006**	168,273
Finance costs		**(76,627)**	(57,940)
Net finance (costs)/income	19	**(53,621)**	110,333
Loss before tax	20	**(1,315,265)**	(2,939,152)
Tax credit	21	**24,447**	439,533
Loss for the year, representing total comprehensive loss for the year		**(1,290,818)**	(2,499,619)
Basic and diluted loss per share (cents)	22	**(0.27)**	(0.51)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 30 JUNE 2018

	Note	Share capital	Reserve for own shares	Merger reserve	Other reserve	Accumulated profits/ (losses)	Total equity
		$	$	$	$	$	$
Group							
At 1 July 2016		9,405,906	–	(799,999)	210,000	4,037,467	12,853,374
Total comprehensive loss for the year							
Loss for the year, representing total comprehensive loss for the year		–	–	–	–	(2,499,619)	(2,499,619)
Total comprehensive loss for the year		–	–	–	–	(2,499,619)	(2,499,619)
Transactions with owners, recognised directly in equity							
Distribution to owners of the Company							
Dividends	13	–	–	–	–	(1,215,000)	(1,215,000)
Total distribution to owners of the Company		–	–	–	–	(1,215,000)	(1,215,000)
At 30 June 2017		9,405,906	–	(799,999)	210,000	322,848	9,138,755
At 1 July 2017		9,405,906	–	(799,999)	210,000	322,848	9,138,755
Total comprehensive loss for the year							
Loss for the year, representing total comprehensive loss for the year		–	–	–	–	(1,290,818)	(1,290,818)
Total comprehensive loss for the year		–	–	–	–	(1,290,818)	(1,290,818)
Transactions with owners, recognised directly in equity							
Distribution to owners of the Company							
Purchase of own shares	13	–	(89,353)	–	–	–	(89,353)
Total distribution to owners of the Company		–	(89,353)	–	–	–	(89,353)
At 30 June 2018		9,405,906	(89,353)	(799,999)	210,000	(967,970)	7,758,584

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2018

	Note	Group 2018	Group 2017
		$	$
Cash flows from operating activities			
Loss before tax		**(1,315,265)**	(2,939,152)
Adjustments for:			
– Interest income		**(23,006)**	(21,260)
– Interest expense		**37,906**	57,940
– Depreciation of plant and equipment		**1,071,311**	1,037,355
– Plant and equipment written off		**3,788**	18,742
– Gain on disposal of plant and equipment		**–**	(500)
– Inventories written-off		**696**	3,281
– (Write-back)/allowance for inventory obsolescence, net		**(19,879)**	113,394
– Bad debts written-off		**5,760**	30,000
– Allowance for doubtful debts, net		**1,081,311**	2,997,896
– Net foreign exchange loss/(gain)		**29,702**	(41,272)
		872,324	1,256,424
Changes in working capital			
– Trade and other receivables		**(514,554)**	2,712,255
– Inventories		**(153,909)**	(226,319)
– Trade and other payables		**81,440**	(301,207)
Cash generated from operations		**285,301**	3,441,153
Income tax paid		**(13,590)**	(247,205)
Interest received		**18,575**	16,142
Net cash from operating activities		**290,286**	3,210,090
Cash flows from investing activities			
Purchase of plant and equipment[1]		**(127,262)**	(495,449)
Proceeds from disposal of plant and equipment		**–**	500
Acquisition of subsidiaries, net of cash acquired		**(373,200)**	(373,200)
Acquisition of other investment		**(1,605)**	(6,000)
Net cash used in investing activities		**(502,067)**	(874,149)
Cash flows from financing activities			
Dividends paid to owners of the Company		**–**	(1,215,000)
Purchase of own shares		**(89,353)**	–
Interest paid		**(37,893)**	(57,263)
Proceeds from bank borrowings		**–**	600,000
Repayments of bank borrowings		**(879,348)**	(540,530)
Repayments of finance lease liabilities		**(91,478)**	(218,697)
Restricted cash pledged	12	**(27,587)**	(18,000)
Net cash used in financing activities		**(1,125,659)**	(1,449,490)
Net (decrease)/increase in cash and cash equivalents		**(1,337,440)**	886,451
Cash and cash equivalents at beginning of the year		**4,887,677**	3,914,031
Effect of exchange rates changes on the balance of cash held in foreign currencies		**(12,958)**	87,195
Cash and cash equivalents at end of the year	12	**3,537,279**	4,887,677

[1] In 2018, the Group acquired plant and equipment with an aggregate cost of $127,262 (2017: $604,868) of which $Nil (2017: $109,419) was acquired via finance lease.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 September 2018.

1 DOMICILE AND ACTIVITIES

IPS Securex Holdings Limited ("the Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 213 Henderson Road, #04-09, Singapore 159553.

The financial statements of the Group as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are that of investment holding, business and management consultancy services, provision of services and trading of security products. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is also the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about key judgement and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 July 2017:

- *Disclosure Initiative (Amendments to FRS 7)*;
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016)*.

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period.

Disclosure Initiative (Amendments to FRS 7)

As a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 30 June 2018. Comparative information has not been presented (see note 15).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where applicable, the accounting policies of subsidiaries are changed to align them with the policies adopted by the Group.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements.

The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income ("OCI"), and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations (Continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables (excluding deferred expenditure and prepayments), and loans to subsidiaries.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the statement of cash flows, restricted cash pledged are excluded whilst bank overdrafts, if any, that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise bank borrowings, finance lease liabilities, and trade and other payables.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Construction-in-progress relates to the construction of office systems and setting up of computer network. Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment (Continued)

Depreciation (Continued)

The estimated useful lives for the current and comparative years are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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 equipment.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.7 Customer contracts in progress

Customer contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'amounts due from contract customers' and included under 'trade and other receivables'. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as 'amounts due to contract customers' and included under 'trade and other payables'. Amounts received before the related work is performed as shown as 'advance from customers' and included under 'trade and other payables'.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-financial assets (Continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue

Sale of goods

Revenue from the sale of goods to customers in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when all the following conditions are satisfied:

- significant risks and rewards of ownership of the goods has been transferred to the customer;
- 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;
- recovery of the consideration is probable; and
- the associated costs of the goods and possible return of goods can be estimated reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Rendering of services

Revenue from maintenance service 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.

Customer contracts

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.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a customer contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a customer contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income from leases of alarm alert systems is recognised on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. 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.

3.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.14 Finance income and finance costs

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

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment.

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Applicable to 2019 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* (Amendments to SFRS(I) 15 and Clarifications to SFRS(I) 15);
- SFRS(I) 9 *Financial Instruments*;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions*;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters*; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

Preliminarily, the Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (Continued)

SFRS(I) 1

When the Group adopts SFRS(I) in 2019, the Group will apply SFRS(I) 1 with 1 July 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statements of financial position, and comparative information to be prepared using the most current accounting policies.

SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of mandatory exceptions and the election of optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specific criteria are met.

During the financial year ended 30 June 2018, the Group performed a preliminary assessment of the impact on the Group's financial statements and considered the following:

(a) Identification of performance obligations

The Group currently recognises revenue for each long-term contract (i.e. more than a year) based on the different types of goods and services stipulated in its contracts. Under FRS 115, the Group is required to identify distinct performance obligations ("PO") in bundled arrangements and account for each PO separately, unless it can be demonstrated that the Group provides a significant integrated service; and the goods or services within the contract are highly dependent on or highly integrated with other goods or services.

The Group is required to evaluate the criteria required for contracts with multiple performance obligations and to assess the recognition of revenue for each performance obligation.

(b) Variable consideration

The Group's contracts may include variable considerations such as discounts, incentives, performance bonuses, penalties, including liquidated damages for delays, or other similar terms. Under SFRS(I) 15, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

(c) Classification of contract assets and contract liabilities

Under SFRS(I) 15, for each revenue contract entered into, the Group presents contract assets or contract liabilities in its statement of financial position. When the Group has performed the transfer of goods/services to the customer and has established the right to payment for the transfer, it would be presented as contract asset, or when the customer had paid a consideration in advance of the transfer of goods/services to the Group, it would be presented as contract liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (Continued)

SFRS(I) 15 (Continued)

(d) Timing of recognition

The Group currently recognises revenue from long term contracts by reference to the stage of completion of the contract activity. Under SFRS(I) 15, revenue is recognised over time if one or more of the criteria are met: (1) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and/or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for the performance completed to date. The progress towards complete satisfaction of each performance obligation is measured using appropriate methods, including the output method which is the Group's current approach.

The Group plans to adopt the standard when it becomes effective in 2019 using the retrospective approach with practical expedients.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to elect the SFRS(I) exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2019 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 July 2018.
- The following assessments have to be made on the basis of facts and circumstances that existed at 1 July 2018.
  - The determination of the business model within which a financial asset is held.
  - The determination of whether contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.

New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 30 June 2018 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 July 2018 will be regarded as continuing hedging relationships.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (Continued)

SFRS(I) 9 (Continued)

The Group performed a preliminary assessment of the impact of adopting SFRS(I) 9 and does not expect a significant impact on its opening equity except for the effect of applying the impairment requirements of SFRS(I) 9. The Group's initial assessment of the key elements of SFRS(I) 9 is as described below:

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9.

(b) Impairment

The Group plans to apply the simplified approach and record lifetime expected credit losses on all trade receivables and any contract assets arising from the application of SFRS(I) 15. On adoption of SFRS(I) 9, there may be higher impairment loss allowance recognised as the Group does not require collateral in respect of its trade receivables and contract assets. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

The Group plans to adopt the standard when it becomes effective in 2019 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

Applicable to financial statements for the year 2020 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 July 2018:

Applicable to 2020 financial statements

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures (Amendments to SFRS(I) 1-28)
- Prepayment Features with Negative Compensation (Amendments to SFRS(I) 9)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (Continued)

Mandatory effective date deferred

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have an impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 July 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Until 2019, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments as at 30 June 2018 on an undiscounted basis amount to approximately 3.4% of the consolidated total assets and 11.3% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

4 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction-in-progress	Total
	$	$	$	$	$	$	$
Group							
Cost:							
At 1 July 2016	391,703	423,978	32,853	326,933	5,497,659	788	6,673,914
Additions	136,621	318,041	3,195	146,263	–	748	604,868
Transfers [1]	(8,668)	7,610	–	–	–	(528)	(1,586)
Disposals/Write-off	(20,939)	–	(802)	(58,759)	–	(1,008)	(81,508)
At 30 June 2017	498,717	749,629	35,246	414,437	5,497,659	–	7,195,688
Additions	28,454	–	22,982	20,115	37,391	18,320	127,262
Transfers [1]	–	–	(1,264)	–	–	–	(1,264)
Write-off	–	–	–	–	(6,780)	–	(6,780)
At 30 June 2018	527,171	749,629	56,964	434,552	5,528,270	18,320	7,314,906
Accumulated depreciation:							
At 1 July 2016	172,956	15,015	29,744	167,572	1,697,714	–	2,083,001
Depreciation for the year	120,421	122,315	3,233	32,929	758,457	–	1,037,355
Transfers [1]	(267)	–	–	–	–	–	(267)
Disposals/Write-off	(20,837)	–	(802)	(41,127)	–	–	(62,766)
At 30 June 2017	272,273	137,330	32,175	159,374	2,456,171	–	3,057,323
Depreciation for the year	99,069	149,658	16,357	45,926	760,301	–	1,071,311
Transfers [1]	–	–	(188)	–	–	–	(188)
Write-off	–	–	–	–	(2,992)	–	(2,992)
At 30 June 2018	371,342	286,988	48,344	205,300	3,213,480	–	4,125,454
Carrying amounts:							
At 1 July 2016	218,747	408,963	3,109	159,361	3,799,945	788	4,590,913
At 30 June 2017	226,444	612,299	3,071	255,063	3,041,488	–	4,138,365
At 30 June 2018	155,829	462,641	8,620	229,252	2,314,790	18,320	3,189,452

[1] During the financial year, the Group transferred computers and office equipment with carrying amount of $1,076 (2017: $1,319) from plant and equipment to inventories. Management intends to sell these items as inventories.

As at 30 June 2018, plant and equipment of the Group with carrying amount of $471,382 (2017: $584,314) are under finance lease arrangements as disclosed in Note 15 to the financial statements. These plant and equipment are held as collateral under the finance lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

5 INVESTMENT IN SUBSIDIARIES

	Company 2018	Company 2017
	$	$
Unquoted equity shares, at cost (less accumulated impairment losses) as at 30 June	**4,844,199**	4,821,199

Details of the Company's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest and voting power held 2018	2017	Principal activities
		%	%	
IPS Securex Pte. Ltd.[a]	Singapore	**100**	100	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.
IPS Securex (B) Sdn Bhd [b]	Brunei	**100**	100	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.
Securex GS Pte. Ltd.[a] [d]	Singapore	**100**	100	Distribution, installation and commissioning of security equipment and provision of maintenance support.
Avac Systems Pte. Ltd.[a] [c]	Singapore	**100**	100	Distribution, installation and commissioning of security equipment and provision of maintenance support.

[a] Audited by KPMG LLP, Singapore.

[b] Audited by member firm of KPMG International in Brunei.

[c] The subsidiary has applied for strike off with the Accounting and Corporate Regulatory Authority.

[d] The subsidiary is formerly known as Yatai Security & Communications Pte. Ltd..

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. A member firm of KPMG International is the auditor of IPS Securex (B) Sdn Bhd. A subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

6 OTHER INVESTMENT

	Group 2018	Group 2017
	$	$
Club membership, at cost	**7,605**	6,000

The above club membership is held in trust by a director. The carrying value of the club membership is measured at cost less allowance for impairment.

7 DEFERRED TAX (LIABILITIES) AND ASSETS

Recognised deferred tax (liabilities) and assets

Deferred tax (liabilities) and assets are attributable to the following:

	Group	
	2018	2017
	$	$
Plant and equipment	**(332,666)**	(397,668)
Tax losses carry-forward	**317,262**	437,443
	(15,404)	39,775

Movements in temporary differences during the year

	As at 1 July 2016	Recognised in profit or loss (Note 21)	As at 30 June 2017	Recognised in profit or loss (Note 21)	As at 30 June 2018
	$	$	$	$	$
Group					
Plant and equipment	(449,456)	51,788	(397,668)	65,002	**(332,666)**
Tax losses carry-forward	49,286	388,157	437,443	(120,181)	**317,262**
	(400,170)	439,945	39,775	(55,179)	**(15,404)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	2018	2017
	$	$
Unutilised tax losses	**978,839**	223,482

The use of these potential tax benefits is subject to the agreement of the tax authorities and compliance with provisions of the tax legislation. Deferred tax assets were not recognised because it was not probable that there will be corresponding amounts of future taxable profit against which the Group can utilise these unrecognised benefits therefrom. The tax losses do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

8 TRADE AND OTHER RECEIVABLES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		$	$	$	$
Trade receivables:					
– Due from third parties		6,144,474	5,619,913	–	–
– Less: Allowance for doubtful debts		(4,037,932)	(2,997,896)	–	–
		2,106,542	2,622,017	–	–
Accrued revenue		326,098	379,512	–	–
Amounts due from contract customers	9	305,526	256,591	–	–
		2,738,166	3,258,120	–	–
Other receivables:					
– Third parties		4,721	6,578	–	–
– Subsidiaries [(1)]		–	–	3,261,832	2,415,614
		4,721	6,578	3,261,832	2,415,614
Deposits		268,688	321,136	37,574	39,239
Loans and receivables	26	3,011,575	3,585,834	3,299,406	2,454,853
Deferred expenditure [(2)]		240,775	253,053	–	–
Prepayments		80,496	79,161	8,364	8,364
		321,271	332,214	8,364	8,364
Trade and other receivables		3,332,846	3,918,048	3,307,770	2,463,217
Non-current		–	195,850	–	–
Current		3,332,846	3,722,198	3,307,770	2,463,217
		3,332,846	3,918,048	3,307,770	2,463,217

Trade receivables

The credit period on sale of goods and rendering of services are between 30 to 90 days (2017: 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 in 2017 of $195,850 which was due in March 2019.

The ageing of trade receivables (aged based on date of invoice) that were not impaired at the reporting date was:

	Group 2018	Group 2017
	$	$
Neither past due nor impaired	2,195,853	1,425,587
Past due 0 – 30 days	411,833	82,584
Past due 31 – 90 days	72,589	31,309
Past due 91 – 180 days	55,465	1,718,640
Past due over 180 days	2,426	–
	2,738,166	3,258,120

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

The movements in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	Group	
	2018	**2017**
	$	**$**
At 1 July	**2,997,896**	–
Allowance recognised during the year	**1,554,169**	2,997,896
Reversal of allowance during the year	**(472,858)**	–
Utilised	**(5,479)**	–
Foreign exchange	**(35,796)**	–
At 30 June	**4,037,932**	2,997,896

Apart from the above, management believes that the unimpaired amounts that are past due are still collectable, based on historical payment patterns.

Other receivables

(1) Amounts due from subsidiaries are non-trade, unsecured, interest-free and are repayable on demand.

(2) Deferred expenditure pertains to prepaid subcontractor costs paid to subcontractors for maintenance services to be provided in future.

Management assessed that the other receivables due from third parties and related parties as at year end are recoverable.

9 AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

		Group	
	Note	**2018**	**2017**
		$	**$**
Customers contract-in-progress at the end of the reporting period:			
Aggregate contract costs incurred and aggregate profits recognised to date		**2,496,430**	1,570,941
Less: Progress billings		**(2,251,807)**	(1,322,176)
Net amount due from contract customers		**244,623**	248,765
Presented in the financial statements as:			
Amount due from contract customers included in trade and other receivables	8	**305,526**	256,591
Amount due to contract customers included in trade and other payables	16	**(60,903)**	(7,826)
		244,623	248,765

At 30 June 2018, retention monies held by customers for contract work of $161,288 (2017: $78,881) were included in amounts due from contract customers.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

10 INVENTORIES

	Group	
	2018	2017
	$	$
Inventories, net of allowance for inventories obsolescence	882,095	580,754
Work-in-progress	154,651	281,824
	1,036,746	862,578

The movements in the allowance for inventories obsolescence during the year was as follows:

	Group	
	2018	2017
	$	$
At 1 July	125,736	12,342
(Write-back)/allowance for inventories obsolescence recognised in the current year	(19,879)	113,394
At 30 June	105,857	125,736

During the year, inventories of $5,148,962 (2017: $5,231,182) were recognised as an expense and included in "cost of sales".

11 LOANS TO SUBSIDIARIES

The loans to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Cash on hand	7,876	8,520	505	314
Cash at banks	3,574,990	4,897,157	257,226	946,039
Cash and cash equivalents in the statements of financial position	3,582,866	4,905,677	257,731	946,353
Less: Restricted cash pledged	(45,587)	(18,000)	–	–
Cash and cash equivalents in the statement of cash flows	3,537,279	4,887,677	257,731	946,353

Included in the Group's cash and cash equivalents is $45,587 (2017: $18,000) of restricted cash held as security for bank guarantees.

In 2017, an amount of USD750,000 (equivalent to S$1,022,925) was placed as fixed deposit with a financial institution with maturity of 3 months at interest of 0.68% per annum.

13 CAPITAL AND RESERVES

Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$	$
Issued and fully paid ordinary shares:				
Balance at beginning and end of the year	**486,000,000**	486,000,000	**9,405,906**	9,405,906

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid with no par value.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Reserves

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Merger reserve	**(799,999)**	(799,999)	**–**	–
Reserves for own shares	**(89,353)**	–	**(89,353)**	–
Other reserve	**210,000**	210,000	**210,000**	210,000
	(679,352)	(589,999)	**120,647**	210,000

Merger reserve

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 incorporated the financial statements of the Company and its subsidiaries and had been prepared using the principles of merger accounting on the basis that the restructure of entities were under common control.

Merger reserve represents the difference between the share capital of the subsidiaries at the date of acquisition and the share capital issued by the Company as consideration to the former shareholder of the subsidiaries. The acquisition of the subsidiaries was accounted for as a common control transaction as the controlling shareholder of the subsidiaries is also the controlling shareholder of the Company.

Reserve for own shares

	Group and Company	
	2018	2017
	$	$
At beginning of the year	**–**	–
Purchased during the year	**89,353**	–
At end of the year	**89,353**	–

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 1,155,900 (2017: Nil) of its ordinary shares by way of on-market purchases. The treasury shares were included as a deduction against shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

13 CAPITAL AND RESERVES (CONTINUED)

Other reserve

Other reserve pertains to deemed capital contribution by the controlling shareholders of the holding company for issuance of shares to directors of the Company (i.e. share-based payment) as part of the restructuring exercise in 2014. The holding company granted 16.38 million ordinary shares of the Company (adjusted for subdivision of ordinary shares) to certain directors of the Company for their services provided to the Company. The ordinary shares were granted at no consideration, with no vesting conditions. Management estimated the fair value of shares granted based on the services provided by the directors and were recognised as expense in profit or loss.

Dividends

The following exempt (one-tier) dividends were declared, in respect of the prior financial year, and paid by the Company:

	Company	
	2018	2017
	$	$
Paid to owners of the Company		
Tax-exempt (one-tier) dividend of Nil cents per ordinary share (2017: 0.25 cents per ordinary share)	–	1,215,000

14 BANK BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Non-current				
Secured bank loans	–	387,009	–	387,009
Current				
Secured bank loans	**410,921**	903,260	**410,921**	469,928
Total borrowings	**410,921**	1,290,269	**410,921**	856,937

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Nominal interest rate		Maturity		Carrying amount	
Currency	2018	2017	2018	2017	2018	2017
	%	%			$	$
Group						
SGD	**3.52 – 4.03**	3.10 – 3.51	**2018 – 2019**	2017 – 2019	**410,921**	1,290,269
Company						
SGD	**3.52 – 4.03**	3.19 – 3.51	**2018 – 2019**	2017 – 2019	**410,921**	856,937

These bank loans are secured by corporate guarantees as follows:

Secured by	Loan amount ($)
Corporate guarantee provided by the Company on behalf of a subsidiary[1]	$Nil (2017: $433,332)
Corporate guarantee provided by a subsidiary on behalf of the Company	$410,921 (2017: $856,937)

[1] At the reporting date, the Group and Company do not consider it probable that a claim will be made against these corporate guarantees.

15 FINANCE LEASE LIABILITIES

The obligations under the finance leases to be paid by the subsidiary are as follows:

	2018			2017		
	Principal	Interest	Future minimum lease payments	Principal	Interest	Future minimum lease payments
	$	$	$	$	$	$
Group						
Within one year	**18,151**	**2,644**	**20,795**	91,478	3,028	94,506
After one year but within five years	**63,761**	**9,382**	**73,143**	71,341	10,405	81,746
After five years	**7,048**	**1,028**	**8,076**	17,619	2,649	20,268
Total	**88,960**	**13,054**	**102,014**	180,438	16,082	196,520

A subsidiary leases certain plant and equipment from financial institutions under finance lease arrangements with lease term ranging from 5 to 7 years (2017: 3 to 7 years). For the year ended 30 June 2018, the effective interest was 2.4% (2017: 2.5%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The term of these leases approximates the economic life of the leased assets and the title of the assets transfers to the subsidiary at the end of the lease term. The finance lease arrangements have been secured by the subsidiary's plant and equipment with carrying amount of $471,382 (2017: $584,314).

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Asset	Equity	Liabilities			
	Restricted cash pledged	Reserves	Other payables	Bank borrowings	Finance leases liabilities	Total
	$	$	$	$	$	$
Group						
Balance at 1 July 2017	(18,000)	(589,999)	1,292,099	1,290,269	180,438	2,154,807
Changes from financing cash flows						
Repayments of finance lease liabilities	–	–	–	–	(91,478)	(91,478)
Repayments of bank borrowings	–	–	–	(879,348)	–	(879,348)
Interest paid	–	–	(4,400)	(30,449)	(3,044)	(37,893)
Purchase of own shares	–	(89,353)	–	–	–	(89,353)
Increase in restricted cash	(27,587)	–	–	–	–	(27,587)
Total changes from financing cash flows	(27,587)	(89,353)	(4,400)	(909,797)	(94,522)	(1,125,659)
Other changes						
Interest expense	–	–	4,413	30,449	3,044	37,906
Changes in other payables	–	–	(480,693)	–	–	(480,693)
Total other changes	–	–	(476,280)	30,449	3,044	(442,787)
Balance at 30 June 2018	**(45,587)**	**(679,352)**	**811,419**	**410,921**	**88,960**	**586,361**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

16 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018	2017	2018	2017
		$	$	$	$
Trade payables:					
Third parties		**2,064,227**	1,875,666	**–**	–
		2,064,227	1,875,666	**–**	–
Other payables:					
– Third parties		**206,239**	156,142	**38,105**	23,350
– Deposits received		**–**	–	**37,800**	37,800
– Subsidiary (non-trade)		**–**	–	**6,240**	4,947
– Related parties (non-trade)		**52,227**	27,465	**51,799**	24,520
– Deferred purchase consideration payable		**–**	254,869	**–**	373,200
Accruals		**395,246**	743,678	**191,010**	375,046
Advance from customers		**96,804**	102,119	**–**	–
Amounts due to contract customers	9	**60,903**	7,826	**–**	–
		811,419	1,292,099	**324,954**	838,863
Trade and other payables		**2,875,646**	3,167,765	**324,954**	838,863

The amounts due to a subsidiary and related parties are non-trade, unsecured, interest-free and are repayable on demand.

17 REVENUE

	Group	
	2018	2017
	$	$
Sales of goods	**1,455,133**	4,423,263
Rendering of services	**7,936,396**	5,669,975
Rental of alarm alert system	**1,482,766**	1,480,767
	10,874,295	11,574,005

18 OTHER INCOME

	Group	
	2018	2017
	$	$
Government grant income	**71,519**	64,253
Bad debts recovered	**30,500**	–
Write-back of inventories obsolescence, net	**19,879**	–
Others	**84,504**	59,455
	206,402	123,708

19 NET FINANCE (COSTS)/INCOME

	Group 2018	Group 2017
	$	$
Interest income from:		
– fixed deposits	–	1,781
– other receivables	–	4,723
– cash at banks	**18,575**	9,638
	18,575	16,142
Unwinding of fair value discount	**4,431**	5,118
Foreign exchange gain (net)	–	147,013
Finance income	**23,006**	168,273
Interest expense on:		
– trade financing facilities	**(4,413)**	(2,636)
– finance lease liabilities	**(3,044)**	(5,482)
– bank borrowings	**(30,449)**	(49,822)
	(37,906)	(57,940)
Foreign exchange loss (net)	**(38,721)**	–
Finance costs	**(76,627)**	(57,940)
Net finance (costs)/income recognised in profit or loss	**(53,621)**	110,333

20 LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	Note	Group 2018	Group 2017
		$	$
Directors' remuneration:			
– of the Company		**446,599**	447,125
– of subsidiaries		**52,703**	185,863
Directors' fees:			
– of the Company		**245,216**	245,216
– of subsidiaries		**26,000**	14,000
Total directors' remuneration		**770,518**	892,204
Employee benefits expense (inclusive of directors' remuneration):			
– Salaries and related expenses		**3,288,528**	3,604,784
– Defined contribution plans		**380,365**	427,929
Audit fees paid to:			
– auditors of the Company		**115,000**	115,000
– other auditors#		**8,000**	8,000
Non-audit fees paid to:			
– auditors of the Company		**17,000**	17,000
Depreciation of plant and equipment	4	**1,071,311**	1,037,355
Plant and equipment written-off		**3,788**	18,742
Gain on disposal of plant and equipment		–	(500)
Inventories written-off		**696**	3,281
(Write-back)/allowance for inventories obsolescence, net	10	**(19,879)**	113,394
Bad debts written-off		**5,760**	30,000
Allowance for doubtful debts, net	8	**1,081,311**	2,997,896
Operating lease expenses		**218,010**	233,291

Refers to other member firms of KPMG International

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

21 TAX (CREDIT)/EXPENSE

	Note	Group 2018	Group 2017
		$	$
Current tax (credit)/expense			
Current year		–	2,062
Over provision in respect of prior years		**(79,626)**	(1,650)
		(79,626)	412
Deferred tax (credit)/expense			
Origination and reversal of temporary differences		**(98,031)**	(478,285)
Under provision in respect of prior years		**153,210**	38,340
	7	**55,179**	(439,945)
Tax (credit)		**(24,447)**	(439,533)
Reconciliation of effective tax rate			
Loss before tax		**(1,315,265)**	(2,939,152)
Tax using the Singapore tax rate of 17% (2017: 17%)		**(223,595)**	(499,656)
Effect of tax rates in foreign jurisdiction		**273**	668
Non-deductible expenses		**35,634**	24,232
Non-taxable income		**(34,525)**	(36,799)
Tax exempt income		**(3,363)**	(6,185)
Unabsorbed losses for which no deferred tax asset was recognised		**128,411**	37,992
Under provision in respect of prior years, net		**73,584**	36,690
Others		**(866)**	3,525
		(24,447)	(439,533)

22 LOSS PER SHARE

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

	2018	2017
Basic and diluted loss per ordinary share ("EPS"):		
Loss attributable to owners of the Company ($)	**(1,290,818)**	(2,499,619)
Weighted average number of ordinary shares	**485,000,585**	486,000,000
Loss per share – Basic and diluted (cents)	**(0.27)**	(0.51)

Weighted-average number of ordinary shares

	Group 2018	Group 2017
	$	$
Issued ordinary shares at 1 June	**486,000,000**	486,000,000
Effect of purchase of own shares	**(999,415)**	–
Weighted-average number of ordinary shares during the year	**485,000,585**	486,000,000

The basic and diluted loss per share are the same for 2018 and 2017 as there were no dilutive instruments in issue as at 30 June 2018 and 30 June 2017.

23 OPERATING SEGMENTS

For the purpose of resource allocation and assessment of segment performance, the Group CEO (the chief operating decision maker) has focused on the business operating units which in turn, are segregated based on their services.

The Group is currently organised into 2 operating segments:

(i) Security solutions business includes the sale of goods and the provision of integrated security solutions to customers; and

(ii) Maintenance and leasing business includes the maintenance services and rental of security equipment.

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.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group CEO. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of its operating segment.

Information about reportable segments

	Security solutions		Maintenance and leasing		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**	**$**	**$**
External revenue	**4,757,804**	5,909,339	**6,116,491**	5,664,666	**10,874,295**	11,574,005
Inter-segment revenue	**97,631**	177,297	**237,615**	71,143	**335,246**	248,440
Interest income	**4,431**	5,118	**–**	–	**4,431**	5,118
Interest expense	**(2,462)**	(1,567)	**–**	–	**(2,462)**	(1,567)
Depreciation of plant and equipment	**–**	–	**(760,301)**	(758,457)	**(760,301)**	(758,457)
Allowance for doubtful debts (net)	**(1,078,885)**	(2,997,896)	**(2,426)**	–	**(1,081,311)**	(2,997,896)
Reportable segment profit/(loss) before tax	**271,713**	(631,528)	**3,596,086**	3,224,040	**3,867,799**	2,592,512
Reportable segment assets	**2,533,678**	3,145,665	**3,914,798**	4,575,272	**6,448,476**	7,720,937
Reportable segment liabilities	**(1,497,219)**	(1,361,788)	**(451,693)**	(715,376)	**(1,948,912)**	(2,077,164)
Capital expenditure	**–**	–	**(37,391)**	–	**(37,391)**	–

Segment profit represents the profit earned by each segment without allocation of certain other income, other operating 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

23 OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2018	2017
	$	$
Revenues		
Total revenue for reportable segments	**11,209,541**	11,822,445
Elimination of inter-segment revenue	**(335,246)**	(248,440)
Consolidated revenue	**10,874,295**	11,574,005
Profit or loss		
Profit before tax for reportable segments	**3,867,799**	2,592,512
Elimination of inter-segment profits	**(12,725)**	(42,651)
Unallocated amounts:		
– Other income	**114,696**	123,708
– Administrative expenses	**(5,216,087)**	(5,697,161)
– Other expenses	**(13,358)**	(22,342)
– Net finance (costs)/income	**(55,590)**	106,782
Consolidated loss before tax	**(1,315,265)**	(2,939,152)
Assets		
Total assets for reportable segments	**6,448,476**	7,720,937
Unallocated amounts:		
– Plant and equipment	**874,664**	1,096,877
– Cash and cash equivalents	**3,582,866**	4,905,677
– Deferred tax assets	**–**	39,775
– Others	**243,509**	107,177
Consolidated total assets	**11,149,515**	13,870,443
Liabilities		
Total liabilities for reportable segments	**(1,948,912)**	(2,077,164)
Unallocated amounts:		
– Bank borrowings	**(410,921)**	(1,290,269)
– Finance lease liabilities	**(88,960)**	(180,438)
– Other payables	**(926,734)**	(1,090,601)
– Income tax payable	**–**	(93,216)
– Deferred tax liabilities	**(15,404)**	–
Consolidated total liabilities	**(3,390,931)**	(4,731,688)

Other material items

	Reportable segment	Unallocated amounts	Consolidated
	$	$	$
2018			
Interest income	**4,431**	**18,575**	**23,006**
Interest expense	**(2,462)**	**(35,444)**	**(37,906)**
Depreciation of plant and equipment	**(760,301)**	**(311,010)**	**(1,071,311)**
Allowance for doubtful debts	**(1,081,311)**	**–**	**(1,081,311)**
Capital expenditure	**(37,391)**	**(89,871)**	**(127,262)**
2017			
Interest income	5,118	16,142	21,260
Interest expense	(1,567)	(56,373)	(57,940)
Depreciation of plant and equipment	(758,457)	(278,898)	(1,037,355)
Allowance for doubtful debts	(2,997,896)	–	(2,997,896)
Capital expenditure	–	(604,868)	(604,868)

23 OPERATING SEGMENTS (CONTINUED)

Geographical information

The Security solutions and Maintenance and leasing segments are managed mainly in Asia, with its distribution facilities and sales offices primarily in Singapore and Brunei.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2018	2017
	$	$
Revenue		
Singapore	**8,388,591**	6,606,190
East Asia [1]	**167,759**	137,448
Indochina [2]	**750,708**	349,611
Rest of Southeast Asia [3]	**1,567,237**	4,480,756
Consolidated revenue	**10,874,295**	11,574,005
Non-current assets [4]		
Singapore	**3,197,057**	4,144,365
Rest of Southeast Asia [3]	**–**	195,850
	3,197,057	4,340,215

[1] Includes China, Hong Kong and South Korea.

[2] Includes Thailand and Vietnam.

[3] Includes Indonesia, Brunei and Malaysia.

[4] Non-current assets presented consist of plant and equipment, other investment and non-current trade and other receivables.

Major customers

In 2018, revenue from nil (2017: one) customer of the Group's security solutions and two (2017: two) customers of the maintenance and leasing business segments collectively represents 36.4% (2017: 61.5%) of the Group's total revenue.

24 COMMITMENTS

Leases – As lessor

The Group rents out its alert alarm systems under cancellable operating lease arrangements. At the end of the reporting period, the Group's future lease income receivables are as follows:

	2018	2017
	$	$
Within one year	**1,480,776**	1,480,788
Between one and five years	**2,929,483**	4,410,273
	4,410,259	5,891,061

The lease terms are negotiated on fixed terms till the expiry of the lease and subsequent renewals are to be negotiated with the lessee. No contingent rents are charged. During the year, $1,482,766 (2017: $1,480,767) was recognised as rental income in profit or loss by the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

24 COMMITMENTS (CONTINUED)

Leases – As lessee

The Group has non-cancellable operating lease rentals of office premises and warehouses from a related party and office equipment from third party lessors.

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

	2018	2017
	$	$
Within one year	**217,860**	163,860
Between one and five years	**165,875**	5,735
	383,735	169,595

Leases run for an average term of two years with option to renew for a further term of two years. Rentals are fixed for duration of the lease.

Contingent liabilities (unsecured)

	Group	
	2018	2017
	$	$
In respect of performance guarantee issued by a subsidiary in favour of the subsidiary's customer	–	26,783

On 24 August 2017, the performance guarantee was discharged by the customer.

25 ACCOUNTING ESTIMATES AND JUDGEMENTS

The key judgements concerning the future and other key sources of estimation uncertainty at the statements of financial position date, 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) Valuation 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 collectable. 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.

In particular, for receivables that are past due but not impaired and 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 adverse effects arising from significant changes in the market, economic or legal environment in which the customer operates in. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

If management's original estimation of bad and doubtful debts is different from subsequent periods, such difference will impact the carrying value of trade receivables and doubtful debt expenses in the period in which such estimate has changed.

25 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Allowance for inventories obsolescence and write down of inventories to net realisable value

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 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 based on estimates from historical trends and expected utilisation of inventories. In addition, management's estimates of market selling price is based on their assessment of market conditions and competition. The actual amount of inventories write-offs could be higher or lower than the allowance made.

(c) Valuation of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. In performing its assessment, the management considers the economic outlooks relating to the entities as well as current financial performance and prospective financial information of the cash-generating unit. If any such indication exists, the recoverable amount of the cash-generating unit is estimated in order to determine the extent of the impairment loss, if any.

When value-in-use calculations are undertaken to determine recoverable amount, management must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate and growth rate in order to compute the present value of those cash flows.

26 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises primarily from loans to subsidiaries, trade and other receivables, and cash and cash equivalents.

The Group in managing its credit risk, assesses and takes into consideration the nature of each customer, and in turn takes deliberate actions in minimising its credit risk. These actions include, 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 monitor and manage the on-going customer relationship, the status of the project the customer is involved in, and where necessary, working with customers on payment arrangements.

As at year end, the Group has concentration of credit risk on 6 (2017: 5) customers, which accounted for 49.2% (2017: 55.9%) of the total trade and other receivables.

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash and cash equivalents

As at 30 June 2018, the Group and the Company held cash and cash equivalents of $3,582,866 and $257,731, respectively (2017: $4,905,677 and $946,353, respectively). Cash and cash equivalents are placed with regulated financial institutions. These carrying amounts represent the Group and the Company's maximum credit exposures on these assets.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

26 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2018					
Non-derivative financial liabilities					
Trade and other payables [1]	**2,778,842**	**2,778,842**	**2,778,842**	**–**	**–**
Finance lease liabilities	**88,960**	**102,014**	**20,795**	**73,143**	**8,076**
Bank borrowings	**410,921**	**427,042**	**427,042**	**–**	**–**
	3,278,723	**3,307,898**	**3,226,679**	**73,143**	**8,076**
2017					
Non-derivative financial liabilities					
Trade and other payables [1]	3,065,646	3,065,646	3,065,646	–	–
Finance lease liabilities	180,438	196,520	94,506	81,746	20,268
Bank borrowings	1,290,269	1,333,834	933,411	400,423	–
	4,536,353	4,596,000	4,093,563	482,169	20,268
Company					
2018					
Non-derivative financial liabilities					
Other payables [1]	**287,154**	**287,154**	**287,154**	**–**	**–**
Bank borrowings	**410,921**	**427,042**	**427,042**	**–**	**–**
	698,075	**698,075**	**698,075**	**–**	**–**
2017					
Non-derivative financial liabilities					
Other payables [1]	801,063	801,063	801,063	–	–
Bank borrowings	856,937	886,639	486,216	400,423	–
Intra-group financial guarantees [2]	–	433,332	433,332	–	–
	1,658,000	2,212,034	1,720,611	400,423	–

[1] Excludes advance from customers and deposits received.

[2] At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantees granted to a subsidiary.

The maturity analysis above show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contracted maturity. Except for the cash flows arising from the intra-group financial guarantee, management do not expect the cash flows included in the maturity analysis above could occur significantly earlier or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on its cash and cash equivalents, trade and other receivables and trade and other payables that are denominated in a currency other than the respective functional currencies of the Group and its subsidiaries. The currency in which these transactions are primarily denominated in is the United States dollars (USD).

These exposures are managed primarily by using economic hedges that arise from offsetting assets and liabilities that are denominated in the same currency.

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

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
	$	$	$	$
Cash and cash equivalents	**1,301,233**	2,011,203	**20,634**	20,829
Trade receivables	**200,648**	1,663,487	**–**	–
Trade payables	**(532,106)**	(1,238,506)	**–**	–
Other payables	**(43,008)**	(83,030)	**–**	–
Net exposure	**926,767**	2,353,154	**20,634**	20,829

Sensitivity analysis

A 10% strengthening of the Singapore dollars against the USD at the reporting date would decrease the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	Company
	Profit or loss	
30 June 2018		
USD	**(92,677)**	**(2,063)**
30 June 2017		
USD	(235,315)	(2,083)

A 10% weakening of the Singapore dollars against the USD would have had an equal but opposite effect on the USD to the profit or loss amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's and Company's interest rate risk 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.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates.

26 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2018	2017	2018	2017
	$	$	$	$
Fixed rate instruments				
Finance lease liabilities	**88,960**	180,438	**–**	–
Variable rate instruments				
Bank borrowings	**410,921**	1,290,269	**410,921**	856,937

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below.

	Loss before tax	
	100 bp Increase	100 bp Decrease
	$	$
Group		
30 June 2018		
Bank borrowings	**4,109**	**(4,109)**
30 June 2017		
Bank borrowings	12,903	(12,903)
Company		
30 June 2018		
Bank borrowings	**4,109**	**(4,109)**
30 June 2017		
Bank borrowings	8,569	(8,569)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of issued capital, reserves and accumulated profits. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. 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 Group monitors capital using the gearing ratio, which is total loans and borrowings divided by total equity attributable to owners of the Company. The Group's policy is to keep the ratio below 2.00. The Group's debt to total equity ratio at the reporting date was as follows:

	2018	**2017**
	$	**$**
Total liabilities	**3,390,931**	4,731,688
Less: Cash and cash equivalents	**3,582,866**	4,905,677
Net cash	**(191,935)**	(173,989)
Equity attributable to owner of the Company	**7,758,584**	9,138,755
Net cash to equity ratio	**(0.02)**	(0.02)

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their fair value hierarchy are as follows:

	Carrying amount			Fair value			
	Loans and receivables	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Group							
30 June 2018							
Financial assets not measured at fair value							
Trade and other receivables^	**3,011,575**	**–**	**3,011,575**			**193,963**	**193,963**
Cash and cash equivalents	**3,582,866**	**–**	**3,582,866**				
	6,594,441	**–**	**6,594,441**				
Financial liabilities not measured at fair value							
Trade and other payables~	–	2,778,842	2,778,842				
Bank borrowings	–	410,921	410,921				
	–	3,189,763	3,189,763				

^ Excludes deferred expenditure and prepayments.

~ Excludes advance from customers and deposits received.

26 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$
Group							
30 June 2017							
Financial assets not measured at fair value							
Trade and other receivables^							
– Non-current	195,850	–	195,850			191,185	191,185
– Current	3,389,984	–	3,389,984				
Cash and cash equivalents	4,905,677	–	4,905,677				
	8,491,511	–	8,491,511				
Financial liabilities not measured at fair value							
Trade and other payables~	–	3,065,646	3,065,646				
Bank borrowings	–	1,290,269	1,290,269				
	–	4,355,915	4,355,915				
Company							
30 June 2018							
Financial assets not measured at fair value							
Other receivables#	**3,299,406**	**–**	**3,299,406**				
Loans to subsidiaries	**1,508,400**	**–**	**1,508,400**				
Cash and cash equivalents	**257,731**	**–**	**257,731**				
	5,065,537	**–**	**5,065,537**				
Financial liabilities not measured at fair value							
Other payables~	**–**	**287,154**	**287,154**				
Bank borrowings	**–**	**410,921**	**410,921**				
	–	**698,075**	**698,075**				
30 June 2017							
Financial assets not measured at fair value							
Other receivables#	2,454,853	–	2,454,853				
Loans to subsidiaries	2,968,400	–	2,968,400				
Cash and cash equivalents	946,353	–	946,353				
	6,369,606	–	6,369,606				
Financial liabilities not measured at fair value							
Other payables~	–	801,063	801,063				
Bank borrowings	–	856,937	856,937				
	–	1,658,000	1,658,000				

^ Excludes deferred expenditure and prepayments.

~ Excludes advance from customers and deposits received.

Excludes prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values

The Group regularly reviews the significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest). There were no transfers between Level 1, Level 2 and Level 3 during 2018 and 2017.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Type of financial instruments	Valuation method
Cash and cash equivalents and short-term receivables Short-term borrowings and other current payables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
Long-term borrowings	Carrying amounts approximate fair values due to the repricing of the borrowings on monthly basis which reflects market rates.
Long-term receivables	For FY2017, estimated based on the expected cash flows discounted to present value, at an average market rate of 3.27%. In FY2018, the receivable had been reclassified to "current assets" and its carrying amount approximates its fair value.

27 RELATED PARTIES

The Company is a subsidiary of IPS Technologies Pte. Ltd. ("IPST"), a company incorporated in Singapore which is also the Company's ultimate holding company. The controlling shareholders of IPST are Chan Tien Lok (65%) and Tan Suan Yap (35%) whose interests in the Company are held through their shareholdings in IPST. Mr Chan Tien Lok is also the controlling party of IPS Group Pte. Ltd. and its subsidiaries ("IPSG Group"). Members of the IPSG Group are referred to in these financial statements as related parties.

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

Key management personnel and director transactions

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

	Group	
	2018	**2017**
	$	**$**
Short-term employee benefits	**1,292,584**	1,366,138
Post-employment benefits (including contribution to defined contribution plan)	**76,518**	80,763
Total key management personnel compensation	**1,369,102**	1,446,901

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

	Group	
	2018	**2017**
	$	**$**
Related parties:		
Sales	**(610)**	(2,778)
Accounting and administrative services	**69,168**	58,992
Rental expenses	**216,000**	216,000
Recharge of expenses	**9,509**	4,070
Utility expenses	**–**	707
Recharge of lift renovation cost	**–**	109,464

STATISTICS OF SHAREHOLDINGS

AS AT 19 SEPTEMBER 2018

Issued and fully paid-up capital	–	S$9,630,646.90
Class of Shares	–	Ordinary shares
No. of Shares (excluding treasury shares and subsidiary holdings)	–	484,844,100
Voting Rights	–	One vote per share
No. of Treasury Shares and Percentage	–	1,155,900 (0.24%)
No. of Subsidiary Holdings and Percentage	–	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	10	1.82	5,700	0.00
1,001 – 10,000	92	16.76	626,400	0.13
10,001 – 1,000,000	419	76.32	48,781,500	10.06
1,000,001 AND ABOVE	28	5.10	435,430,500	89.81
TOTAL	**549**	**100.00**	**484,844,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IPS TECHNOLOGIES PTE LTD	248,820,000	51.32
2	KELVIN LIM CHING SONG	60,085,000	12.39
3	GOH KHOON LIM	36,000,000	7.43
4	OCBC SECURITIES PRIVATE LIMITED	16,065,800	3.31
5	KGI SECURITIES (SINGAPORE) PTE. LTD.	10,834,600	2.23
6	DBS NOMINEES (PRIVATE) LIMITED	9,848,400	2.03
7	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,385,000	1.11
8	RAMESH S/O PRITAMDAS CHANDIRAMANI	5,191,000	1.07
9	UOB KAY HIAN PRIVATE LIMITED	4,370,900	0.90
10	PHILLIP SECURITIES PTE LTD	3,986,900	0.82
11	LIM KOK LENG	3,500,000	0.72
12	LOW SOW KUAN	3,175,700	0.65
13	LEE SIEW HAN	3,075,000	0.63
14	LOW SAU CHAN	2,700,000	0.56
15	SIM YONG MUI	2,270,000	0.47
16	GAN SUAT LUI	2,264,000	0.47
17	CITIBANK NOMINEES SINGAPORE PTE LTD	2,037,000	0.42
18	RAFFLES NOMINEES (PTE) LIMITED	2,033,900	0.42
19	PEH KIAM CHOON	1,822,300	0.38
20	TRUGEM CAPITAL PTE LTD	1,732,200	0.36
	TOTAL	**425,197,700**	**87.69**

SUBSTANTIAL SHAREHOLDERS AS AT 19 SEPTEMBER 2018

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	Name	No. of shares held	%	No. of shares held	%
1.	IPS Technologies Pte. Ltd.	248,820,000	51.32	–	–
2.	Chan Tien Lok[1]	120,000	0.02	248,820,000	51.32
3.	Tan Suan Yap[2]	–	–	249,080,000	51.37
4.	Kelvin Lim Ching Song	60,085,000	12.39	–	–
5.	Goh Khoon Lim	36,000,000	7.43	–	–

Notes:

[1] Mr. 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] Mr. 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) 260,000 shares of the Company held by his spouse, Ms. Wen Nanfei by virtue of Section 7 of the Companies Act, Chapter 50.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 19 September 2018, 28.60% 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, treasury shares and subsidiary holdings) 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 ("**Company**" and, together with its subsidiaries, "**Group**") will be held at Ballroom 3, Level 3, The Singapore Island Country Club (Island Location), 180 Island Club Road, Singapore 578774, on Monday, 29 October 2018 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$245,216 for the financial year ending 30 June 2019, payable quarterly in arrears. (2018: S$245,216) **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 and Regulation 97 of the Constitution of the Company:

   Regulation 91

   Mr. Kelvin Lim Ching Song **(Resolution 3)**
   Mr. Ong Beng Chye **(Resolution 4)**

   Regulation 97

   Mr. Kenneth Goh Fuqiang **(Resolution 5)**

   [See Explanatory Note (i)]

4. To re-appoint Messrs KPMG LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

5. 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:

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

   That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

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

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

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

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

PROVIDED ALWAYS that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) 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)**

7. **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 ("**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 and subsidiary holdings) 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)**

8. **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 ("**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 IPS Securex PSP shall not exceed fifteen per centum (15.0%) of the total

NOTICE OF **ANNUAL GENERAL MEETING**

number of issued Shares (excluding treasury shares and subsidiary holdings) 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)**

9. **Renewal of 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 ("**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 Buyback Mandate is varied or revoked by shareholders of the Company in a general meeting;

(c) in this Resolution:

"**Prescribed Limit**" means 10.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 2018

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

(ii) Resolution 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 and subsidiary holdings), 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 and subsidiary holdings) 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 and subsidiary holdings) from time to time.

NOTICE OF **ANNUAL GENERAL MEETING**

(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 and subsidiary holdings) from time to time.

(v) Resolution 10 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase Shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10.0%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Notice of AGM.

Notes:

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at this meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. 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 him (which number and class of shares shall be specified).

3. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. 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.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 213 Henderson Road #04-09 Singapore 159553 not less than forty-eight (48) hours before the meeting.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act of Chapter 19 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; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act of Chapter 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Chapter 36), 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 CPF, 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 Singapore)

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 Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
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 ("**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 ("**AGM**") of the Company to be held at Ballroom 3, Level 3, The Singapore Island Country Club (Island Location), 180 Island Club Road, Singapore 578774, on Monday, 29 October 2018 at 9.00 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'****
Ordinary Businesses			
1	Audited Financial Statements and Directors' Statement for the financial year ended 30 June 2018		
2	Approval of Directors' fees amounting to S$245,216 for the financial year ending 30 June 2019, payable quarterly in arrears		
3	Re-election of Mr. Kelvin Lim Ching Song as a Director		
4	Re-election of Mr. Ong Beng Chye as a Director		
5	Re-election of Mr. Kenneth Goh Fuqiang as a Director		
6	Re-appointment of Messrs KPMG LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Businesses			
7	Authority to allot and issue shares		
8	Authority to issue shares under the IPS Securex Employee Share Option		
9	Authority to issue shares under the IPS Securex Performance Share Plan		
10	Renewal of 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 ____________________ 2018

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

____
Signature of Shareholder(s)
and/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 Depository Register maintained by The Central Depository (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 ("**CPF**") 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 is:

   (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.

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.

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 2018.

IPS SECUREX HOLDINGS LIMITED
(Company Registration Number: 201327639H)
Incorporated in the Republic of Singapore
213 Henderson Road, #04-09
Henderson Industrial Park
Singapore 159553
T: +(65) 6863 4385
F: +(65) 6863 6270
www.ips-securex.com

LETTER DATED 12 OCTOBER 2018

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 (as defined herein) 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 104 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™

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 RENEWAL OF THE SHARE BUYBACK MANDATE

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	Saturday, 27 October 2018 at 9.00 a.m.
Date and time of Annual General Meeting	:	Monday, 29 October 2018 at 9.00 a.m.
Place of Annual General Meeting	:	Ballroom 3, Level 3 The Singapore Island Country Club (Island Location) 180 Island Club Road Singapore 578774

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DEFINITIONS

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 29 October 2018, notice of which is set out on page 104 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
"FY"	:	The financial year ended or ending on 30 June (as the case may be)
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	2 October 2018, being the latest practicable date prior to the printing of this Letter
"Letter"	:	This letter to Shareholders dated 12 October 2018
"LPS"	:	Loss per Share
"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 renewal of 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
"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 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 "**Shareholders**" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
"Shares"	:	Ordinary shares in the capital of the Company
"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 "subsidiary holdings" shall have the meaning ascribed to it under Sections 21(4), 21(4B), 21(6A) and 21(6C) 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.

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.

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 Group Chief Executive Officer)
Ong Beng Chye (Lead Independent Director)
Joseph Tan Peng Chin (Independent Director)
Kenneth Goh Fuqiang (Independent Director)

Registered Office:
213 Henderson Road
#04-09
Henderson Industrial Park
Singapore 159553

12 October 2018

To: The Shareholders of IPS Securex Holdings Limited

Dear Sir/Madam,

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

1.1 The Directors propose to seek Shareholders' approval for the proposed renewal of the Share Buyback Mandate at the AGM.

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 renewal of the Share Buyback Mandate.

2. THE PROPOSED RENEWAL OF 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.

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 renewal 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 the proposed renewal of the Share Buyback Mandate is 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 renew 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.

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 or any subsidiary holdings shall be disregarded for the purposes of computing the 10.0% limit.

For illustrative purposes only, based on 484,844,100 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 date of 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 48,484,410 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

(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;

(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 herein) 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 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.

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.

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).

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 FY2018 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 2017 for the purpose of computing the financial effects on the LPS;

(b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 30 June 2018 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.

2.7.2 ***Number of Shares Acquired or Purchased***

For illustrative purposes only, on the basis of 484,844,100 Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) will result in the purchase or acquisition of 48,484,410 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 48,484,410 Shares at the Maximum Price of S$0.088 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 48,484,410 Shares is S$4,266,628.08.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 48,484,410 Shares at the Maximum Price of S$0.101 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 48,484,410 Shares is S$4,896,925.41.

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 FY2018 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.

Scenario 1(A)

Market Purchases of 48,484,410 Shares out of capital and held as treasury shares

	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[(1)]	7,758,584	3,491,956	9,182,225	4,915,597
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Treasury shares	(89,353)	(4,355,981)	(89,353)	(4,355,981)
Reserves	(1,557,969)	(1,557,969)	(134,328)	(134,328)
NTA	7,758,584	3,491,956	9,182,225	4,915,597
Current assets[(2)]	7,952,458	7,694,727	5,073,901	4,816,170
Current liabilities[(2)]	3,304,718	7,313,615	735,875	4,744,772
Working capital	4,647,740	381,112	4,338,026	71,398
Total borrowings[(2)]	499,881	4,508,778	410,921	4,419,818
Cash and cash equivalents[(2)]	3,582,866	3,325,135	257,731	–
Net loss[(3)]	(1,290,818)	(1,290,818)	(231,791)	(231,791)
Number of Shares	486,000,000	486,000,000	486,000,000	486,000,000
Number of treasury shares	1,155,900	49,640,310	1,155,900	49,640,310
Number of Shares (excluding treasury shares and subsidiary holdings)	484,844,100	436,359,690[(4)]	484,844,100	436,359,690[(4)]
Financial Ratios				
NTA per Share (cents)	1.60	0.80	1.89	1.13
Basic LPS (cents)[(5)]	(0.27)	(0.30)	(0.05)	(0.05)
Gearing (%)[(6)]	6.44%	129.12%	4.48%	89.91%

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 first, with the balance funded by short-term borrowings secured by the Company.

(3) Net loss is defined as the net loss attributable to Shareholders.

(4) Number of Shares excludes 48,484,410 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) LPS has been computed based on FY2018 net loss attributable to Shareholders divided by the number of Shares (excluding treasury shares and subsidiary holdings) in issue.

(6) Gearing equals total borrowings divided by Shareholders' equity.

Scenario 1(B)

Off-Market Purchases of 48,484,410 Shares out of capital and held as treasury shares

	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(1)	7,758,584	2,861,659	9,182,225	4,285,300
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Treasury shares	(89,353)	(4,986,278)	(89,353)	(4,986,278)
Reserves	(1,557,969)	(1,557,969)	(134,328)	(134,328)
NTA	7,758,584	2,861,659	9,182,225	4,285,300
Current assets(2)	7,952,458	7,694,727	5,073,901	4,816,170
Current liabilities(2)	3,304,718	7,943,912	735,875	5,375,069
Working capital	4,647,740	(249,185)	4,338,026	(558,899)
Total borrowings(2)	499,881	5,139,075	410,921	5,050,115
Cash and cash equivalents(2)	3,582,866	3,325,135	257,731	–
Net loss(3)	(1,290,818)	(1,290,818)	(231,791)	(231,791)
Number of Shares	486,000,000	486,000,000	486,000,000	486,000,000
Number of treasury shares	1,155,900	49,640,310	1,155,900	49,640,310
Number of Shares (excluding treasury shares and subsidiary holdings)	484,844,100	436,359,690(4)	484,844,100	436,359,690(4)
Financial Ratios				
NTA per Share (cents)	1.60	0.66	1.89	0.98
Basic LPS (cents)(5)	(0.27)	(0.30)	(0.05)	(0.05)
Gearing (%)(6)	6.44%	179.58%	4.48%	117.85%

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 first, with the balance funded by short-term borrowings secured by the Company.

(3) Net loss is defined as the net loss attributable to Shareholders.

(4) Number of Shares excludes 48,484,410 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) LPS has been computed based on FY2018 net loss attributable to Shareholders divided by the number of Shares (excluding treasury shares and subsidiary holdings) in issue.

(6) Gearing equals total borrowings divided by Shareholders' equity.

Scenario 2(A)

Market Purchases of 48,484,410 Shares out of capital and cancelled

	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	5,139,278	9,405,906	5,139,278
Shareholders' equity[(1)]	7,758,584	3,491,956	9,182,225	4,915,597
Share capital	9,405,906	5,139,278	9,405,906	5,139,278
Treasury shares	(89,353)	(89,353)	(89,353)	(89,353)
Reserves	(1,557,969)	(1,557,969)	(134,328)	(134,328)
NTA	7,758,584	3,491,956	9,182,225	4,915,597
Current assets[(2)]	7,952,458	7,694,727	5,073,901	4,816,170
Current liabilities[(2)]	3,304,718	7,313,615	735,875	4,744,772
Working capital	4,647,740	381,112	4,338,026	71,398
Total borrowings[(2)]	499,881	4,508,778	410,921	4,419,818
Cash and cash equivalents[(2)]	3,582,866	3,325,135	257,731	–
Net loss[(3)]	(1,290,818)	(1,290,818)	(231,791)	(231,791)
Number of Shares	486,000,000	437,515,590	486,000,000	437,515,590
Number of treasury shares	1,155,900	1,155,900	1,155,900	1,155,900
Number of Shares (excluding treasury shares and subsidiary holdings)	484,844,100	436,359,690[(4)]	484,844,100	436,359,690[(4)]
Financial Ratios				
NTA per Share (cents)	1.60	0.80	1.89	1.13
Basic LPS (cents)[(5)]	(0.27)	(0.30)	(0.05)	(0.05)
Gearing (%)[(6)]	6.44%	129.12%	4.48%	89.91%

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 first, with the balance funded by short-term borrowings secured by the Company.

(3) Net loss is defined as the net loss attributable to Shareholders.

(4) Number of Shares excludes 48,484,410 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) LPS has been computed based on FY2018 net loss attributable to Shareholders divided by the number of Shares (excluding treasury shares and subsidiary holdings) in issue.

(6) Gearing equals total borrowings divided by Shareholders' equity.

Scenario 2(B)

Off-Market Purchases of 48,484,410 Shares out of capital and cancelled

	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	4,508,981	9,405,906	4,508,981
Shareholders' equity(1)	7,758,584	2,861,659	9,182,225	4,285,300
Share capital	9,405,906	4,508,981	9,405,906	4,508,981
Treasury shares	(89,353)	(89,353)	(89,353)	(89,353)
Reserves	(1,557,969)	(1,557,969)	(134,328)	(134,328)
NTA	7,758,584	2,861,659	9,182,225	4,285,300
Current assets(2)	7,952,458	7,694,727	5,073,901	4,816,170
Current liabilities(2)	3,304,718	7,943,912	735,875	5,375,069
Working capital	4,647,740	(249,185)	4,338,026	(558,899)
Total borrowings(2)	499,881	5,139,075	410,921	5,050,115
Cash and cash equivalents(2)	3,582,866	3,325,135	257,731	–
Net loss(3)	(1,290,818)	(1,290,818)	(231,791)	(231,791)
Number of Shares	486,000,000	437,515,590	486,000,000	437,515,590
Number of treasury shares	1,155,900	1,155,900	1,155,900	1,155,900
Number of Shares (excluding treasury shares and subsidiary holdings)	484,844,100	436,359,690(4)	484,844,100	436,359,690(4)
Financial Ratios				
NTA per Share (cents)	1.60	0.66	1.89	0.98
Basic LPS (cents)(5)	(0.27)	(0.30)	(0.05)	(0.05)
Gearing (%)(6)	6.44%	179.58%	4.48%	117.85%

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 first, with the balance funded by short-term borrowings secured by the Company.

(3) Net loss is defined as the net loss attributable to Shareholders.

(4) Number of Shares excludes 48,484,410 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) LPS has been computed based on FY2018 net loss attributable to Shareholders divided by the number of Shares (excluding treasury shares and subsidiary holdings) in issue.

(6) Gearing equals total borrowings divided by Shareholders' equity.

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 FY2018, 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 and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire 10.0% of the issued Shares (excluding treasury shares and subsidiary holdings). 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 and subsidiary holdings 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 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 (1) 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 (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company’s full year financial statements (if required to announce quarterly financial statements), as the case may be.

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 28.60% 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 execution 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;

(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 period of six (6) months. In order for the Directors and their concert parties to avail themselves of the exemption from the requirement to make a take-over offer, certain conditions as set out in the Take-over Code have to be satisfied, 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;

(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; and

(c) abstaining from recommending and voting on the resolution authorising the Share Buyback Mandate.

As at the Latest Practicable Date, none of the Directors nor their concert parties have any intention of availing themselves of the exemption as aforementioned.

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 the Securities Industry Council 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.

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	%(1)	Number of Shares	%(1)
Directors				
Chan Tien Lok(2)	120,000	0.02	248,820,000	51.32
Kelvin Lim Ching Song	60,085,000	12.39	–	–
Ong Beng Chye	300,000	0.06	–	–
Joseph Tan Peng Chin	600,000	0.12	–	–
Kenneth Goh Fuqiang	–	–	–	–
Substantial Shareholders (other than Directors)				
IPS Technologies Pte. Ltd.	248,820,000	51.32	–	–
Tan Suan Yap(3)	–	–	249,080,000	51.37
Goh Khoon Lim	36,000,000	7.43	–	–

Notes:

(1) The percentages in shareholdings are calculated based on the Company's issued share capital of 484,844,100 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) 260,000 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 48,484,410 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(1)	After Share Buyback(2)
Directors		
Chan Tien Lok(3)	51.34	57.05
Kelvin Lim Ching Song	12.39	13.77
Ong Beng Chye	0.06	0.07
Joseph Tan Peng Chin	0.12	0.14
Kenneth Goh Fuqiang	–	–
Substantial Shareholders (other than Directors)		
IPS Technologies Pte. Ltd.	51.32	57.02
Tan Suan Yap(4)	51.37	57.08
Goh Khoon Lim	7.43	8.25

Notes:

(1) The percentages in shareholdings are calculated based on the Company's issued share capital of 484,844,100 Shares as at the Latest Practicable Date.

(2) The percentages in shareholdings are calculated based on 436,359,690 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) 260,000 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 bought back any Shares by way of Market Purchase or Off-Market Purchase in the last twelve months preceding the Latest Practicable Date.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

The AGM, notice of which is set out on pages 104 to 108 of this annual report, will be held at Ballroom 3, Level 3, The Singapore Island Country Club (Island Location), 180 Island Club Road, Singapore 578774 on Monday, 29 October 2018 at 9.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification the ordinary resolution authorising the proposed renewal 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 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 renewal 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 renewal 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 renewal 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 FY2018.

Yours faithfully,
For and on behalf of the Board of Directors of
IPS SECUREX HOLDINGS LIMITED

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer

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