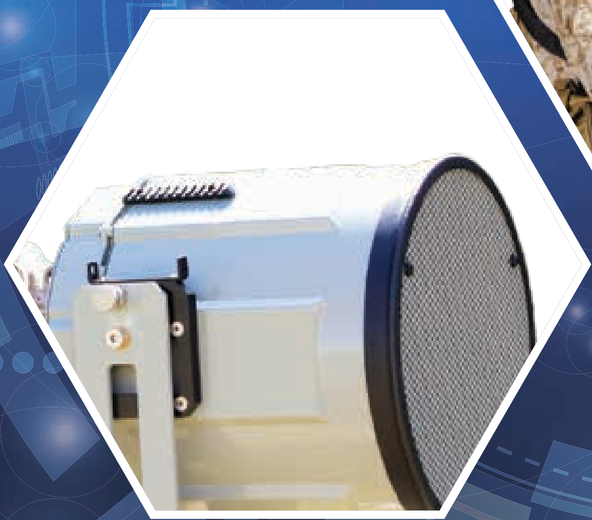
IPS SECUREX™



KEEPING SECURITY AND SAFETY AS PRIORITY

ANNUAL REPORT **2019**

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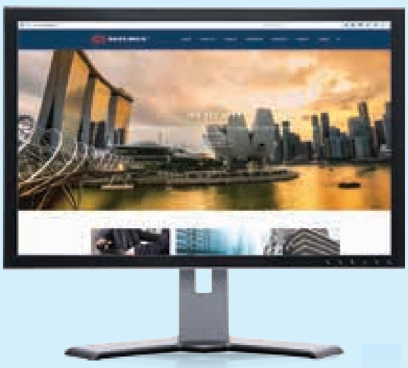


Get more information online

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

"Security spending in the ASEAN region alone is projected to soon reach US$9.23 billion across residential and public facilities as well as all modes of transportation."

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") 2019 (the "Annual Report").

TRENDS AND CHALLENGES

The world we live in has changed. Following the end of two World Wars and the nuclear arms race, the frequency of states making war against each other is lower than any other period in human history. Battle-related deaths have never been lower since the 1400s. Conflicts today are no longer grand campaigns between large armies. However, the frequency of civil conflicts has surged to historic highs[1]. There are two broad factors driving this trend. Firstly, localised issues such as government failure and ethnic-religious fault lines may explain some of the more prominent civil conflicts in Africa, the Middle East, and Hong Kong in recent memory. Secondly, this surge in civil conflicts is in no small part due to the rise of transnational terrorism since the September 11 attacks that occurred nearly two decades ago in 2001.

According to Aon's 2019 Risk Maps report, the frequency of jihadist attacks across Southeast Asia rose by around 30 per cent last year. The threat is highest in the southern Philippines, further extending to Indonesia, Malaysia and Singapore to a lesser degree. Despite the rise in attacks and the scale of the threat, security forces across Southeast Asia have demonstrated considerable efficacy in dismantling jihadist cells and preventing attacks. Based on data from The Risk Advisory Group, security forces in Southeast Asia foiled at least 24 plots in the region in 2018 and 17 in 2017[2].

However, the success in foiling such attacks does not mean that governments are resting on their laurels. If anything, it has highlighted the clear and present danger of transnational terrorism within their own borders. While defence spending is falling in most parts of the world, total defence spending of Association of South-east Asian Nations ("ASEAN") states doubled over the last 15 years in absolute terms. Countries like Indonesia and Thailand have had military expenditure growth rates of 10 per cent on a year-by-year basis[3]. Furthermore, terrorism is not the only issue of concern as more incidents of civil unrest in places like Hong Kong and Thailand continue to prop up security spending in the region.

CHAIRMAN'S STATEMENT

MARKET OUTLOOK

Southeast Asian nations like Singapore, Malaysia and Thailand have historically served as hubs connecting Eastern and Western trade routes globally – both by air and sea. The United Nations Conference on Trade and Development (UNCTAD) estimates that roughly 80 per cent of global trade by volume and 70 per cent by value is transported by sea – of which 60 per cent of maritime trade passes through Asia[4]. For that very reason, piracy persists in the region[5], which is matched by joint counter-piracy efforts amongst nations to keep sea lanes safe[6]. Thus, maritime security spending in the region is expected to rise. In addition to the region's centrality to global trade networks, emerging ASEAN economies are increasingly attractive for global capital and foreign direct investment. Security spending in the ASEAN region alone is projected to soon reach US$9.23 billion across residential and public facilities as well as all modes of transportation. In fact, maritime and port security consume the largest share of this enormous sum[7].

In Singapore, the government's financial year 2019 budget has allocated S$22.7 billion, or about 30 per cent of its total expenditure to be spent on defence, security and diplomacy. According to the government, this spending is significant but indispensable, and they will invest more, if the need arises, to protect the sovereignty of Singapore and the well-being of Singaporeans[8].

Our Company's track record of providing checkpoint and port security and screening systems, non-lethal countermeasures like acoustic hailing devices and launchers, as well as our ability to provide unmanned surface vessels for counter-piracy operations, puts us in good stead to take advantage of the changing security landscape in the region.

Additionally, according to the Global Homeland Security & Public Sector report by Homeland Security research, new and maturing technologies, such as artificial intelligence-based systems, big data and data analytics, Internet of Things ("IoT"), Fifth-generation wireless ("5G"), Terrestrial Trunked Radio ("TETRA") & Long-Term Evolution ("LTE") emergency communication and video analytics, will create new market segments and fresh business opportunities[9].

Thus, IPS Securex will continue to beef up its current portfolio by sourcing for innovative security products and solutions that can be integrated with existing systems so as to stay at the forefront of meeting the needs of our existing and future customers. At the same time, we will also explore providing security products and solutions to new sectors such as data centres to unlock new market segments and enlarge our market share.

SUSTAINABILITY IN OUR CORE

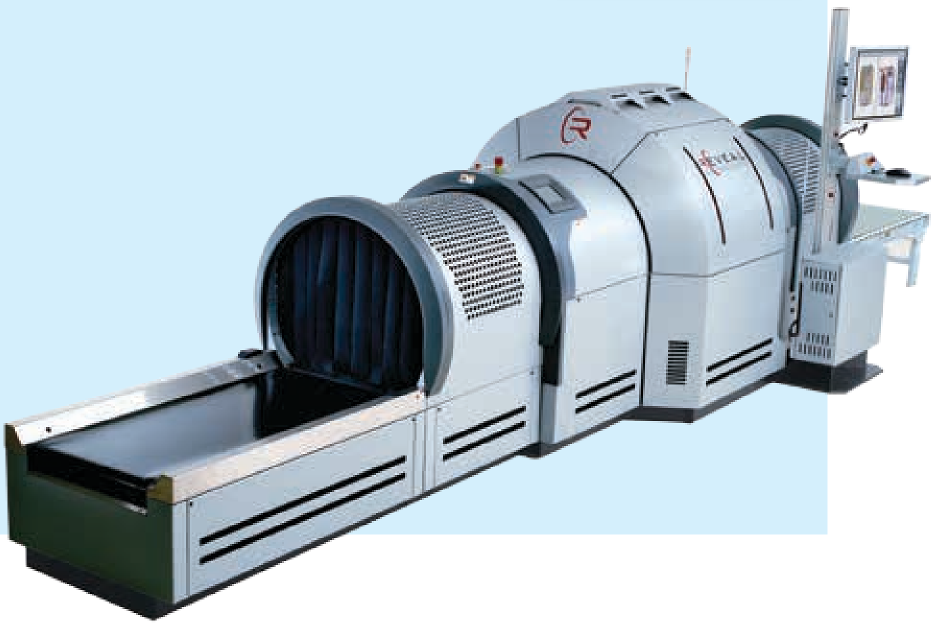
As a security solutions provider, sustainability has always been central to our business. Our commitment to sustainable practices encompasses various domains, including the environmental, social and governance. With reference to the Global Reporting Initiative ("GRI") Standards (2016) and in accordance to the SGX-ST's Listing Rules on Sustainability Reporting, our Sustainability Report is integrated and published together with this Annual Report, and can be found on pages 19 to 28, of which it will be publicly accessible through both our website and SGXNet.

ACKNOWLEDGEMENT

On behalf of the Board, we would like to show our appreciation to the management team and staff for their hard work and tremendous dedication in running the business well amidst the challenges of our changing world. We also express our tremendous gratitude to our shareholders for their unwavering support despite the uncertain business environment.

CHAN TIEN LOK
NON-EXECUTIVE CHAIRMAN

[1] https://ourworldindata.org/war-and-peace
[2] http://bpcc.org.pl/uploads/ckeditor/attachments/15903/Risk_Map_Brochure_2019.pdf
[3] https://www.todayonline.com/commentary/no-arms-race-asean-rise-defence-spending-could-undermine-security
[4] https://chinapower.csis.org/much-trade-transits-south-china-sea/
[5] https://stableseas.org/publications/maritime-terrorism/state-piracy-2018-human-cost
[6] http://www.recaap.org/resources/ck/files/reports/annual/ReCAAP%20ISC%20Annual%20Report%202018.pdf
[7] https://www.asiandefense.com/ABOUT-THE-SHOW/Overview
[8] https://www.channelnewsasia.com/news/singapore/budget-2019-30-government-expenditure-defence-security-diplomacy-11252910
[9] https://homelandsecurityresearch.com/reports/global-public-safety-homeland-security-markets-industry-technologies/



GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

"Building on our service quality and our customers' trust in the reliability of our security solutions, we will continue to bid for projects and tenders that will solidify our position as one of Singapore's leading providers of security products and integrated solutions."

DEAR SHAREHOLDERS,

On behalf of the management of the Group, I am pleased to present the Group's FY2019 business review.

In FY2019, the political environment in which the Group's customers operate in remained unstable as certain governments within the Asian markets were disrupted by political changes or situations. This had delayed the award of Homeland Security projects that are in the pipeline, as they were subjected to internal reviews and approvals. We are of the view that the situation will normalise in due course as domestic security and public safety still remain a key priority for these governments.

BUSINESS HIGHLIGHTS

In view of the above, the revenue for the Security Solutions Business continued to be weak in FY2019. This was mainly attributed to the decrease in the sales of security products to customers in the Rest of Southeast Asia[1], Indochina[2] and East Asia[3], as well as a decrease in demand for integrated security solutions in Singapore.

Despite the ongoing tough industry challenges that have been persisting in the last two to three years, I am pleased to report that our Maintenance and Leasing Business has continued to grow. The enlarged recurring income from our Maintenance and Leasing Business offsets the lumpiness in the revenue from our Homeland Security Business by projects. We believe our strategy to develop a sustainable business through building a recurring income base in our Maintenance and Leasing Business has been successful. Our competitors who have largely relied on project revenue have had a harder time in this uncertain operating environment, and this has led to some industry consolidation.

Today, almost every general security or homeland security project of ours comes with a maintenance contract as it allows us to relieve our customers of the responsibility of maintenance, while ensuring that the solutions we provide continue to perform optimally for our customers. Building on our service quality and our customers' trust in the reliability of our security solutions, we will continue to bid for projects and tenders that will solidify our position as one of Singapore's leading providers of security products and integrated solutions.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

As we continue to grow our business steadily and sustainably, we are cognisant that we have to maintain our discipline of prudent cost management. We will continue to invest in our business and in our people, but will constantly monitor our cost structure and take steps to streamline operations where necessary in order to ensure effectiveness and efficiency. That is why we have struck off one of our subsidiaries, AVAC Systems Pte. Ltd. ("AVAC"), and rationalised its business into another subsidiary, Securex GS Pte. Ltd. (previously known as Yatai Security and Communications Pte. Ltd.).

LOOKING AHEAD

Sentiments to prevent terror and unrest remains strong amongst ASEAN governments, as they pledged to promote sustainable security cooperation, recognising the importance of the initiatives adopted to strengthen regional peace and security, and working together on a closer basis to build capabilities in intelligence and urban counter-terrorism operations.[4] Governments must continue to evolve to face the ever-changing and increasing terror threat by leveraging on technology such as robotics, unmanned systems, artificial intelligence and data analytics, which will enable countermeasures to be faster, leaner and more precise, with the aim to achieve systemic overmatch against perpetrators and respond more effectively in a shorter period of time.[5] We will continue to monitor the development of new technologies so that we are able to position ourselves and acquire the distribution rights for cutting edge security products and solutions that can address our customers' evolving and future needs.

At the same time, as countries continue to develop and evolve into smart cities and countries, it is important to ensure that all infrastructure and developmental projects are equipped with the right security systems so as to allow corporations and organisations to have greater confidence and ease of mind to carry out their businesses. This would require integrated security products and solutions that create new opportunities for the Group. For example, the Asia-Pacific is the second-fastest growing market in terms of digitisation and co-location data centres worldwide and is expected to grow steadily at around a 12% compounded annual growth rate between 2019 and 2024.[6] These data centres will also need infrastructural security for the physical premises to monitor and control the movement of people, vehicles and goods, presenting opportunities for us to offer our integrated security products and solutions.

NOTE OF APPRECIATION

In closing, on behalf of the management team, I would like thank our Board for their guidance and insights during this challenging period which the Group is going through. I would also like to show my appreciation to our staff for their hard work and zealousness to provide their best in terms of quality services to our customers and seek for new business opportunities. Last but not least, the progress of IPS Securex would not be possible without the steadfast support of all stakeholders including our customers, suppliers, shareholders and business associates. We will continue to give our best in striving to grow our businesses and market share so as to generate sustainable returns for all.

KELVIN LIM CHING SONG
EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

1 "Rest of Southeast Asia" includes Malaysia, Brunei and Indonesia.
2 "Indochina" includes Thailand and Vietnam.
3 "East Asia" includes China, Hong Kong and Japan.
4 https://www.channelnewsasia.com/news/singapore/asean-must-be-prepared-for-more-terrorist-activity-ng-eng-hen-11712734
5 https://www.mindef.gov.sg/web/portal/mindef/news-and-events/latest-releases/article-detail/2019/june/30jun19_fs2
6 https://sbr.com.sg/economy/news/singapore-still-apacs-most-competitive-data-centre-market-report

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 CHIEF EXECUTIVE OFFICER

Mr Kelvin Lim Ching Song is the Executive Director and Chief Executive Officer 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 Chief Executive Officer of IPS Technologies Pte. Ltd. ("IPST") in January 2013. He subsequently stepped down as Chief Executive Officer of IPST and was appointed as Chief Executive Officer 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.

BOARD OF DIRECTORS

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.

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

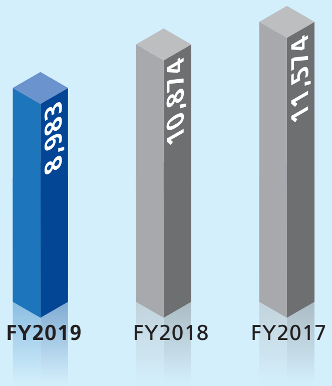
Mr Lee Chea Siang is the Operations Manager of the Group. He joined the Group in 2005 and is responsible for the management of the project team and service team of IPS Securex. Mr Lee also oversees the project management of the Group's Homeland Security Products division, which includes the initial planning 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.

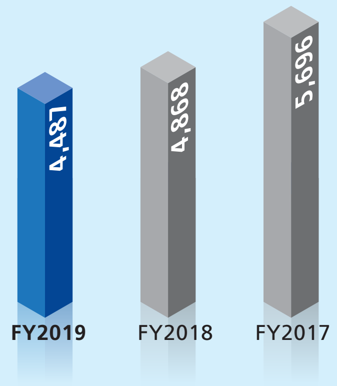
Mr Lee holds a Bachelor of Science with Honours in Computing and Management from the University of Bradford in 2000.

FINANCIAL HIGHLIGHTS

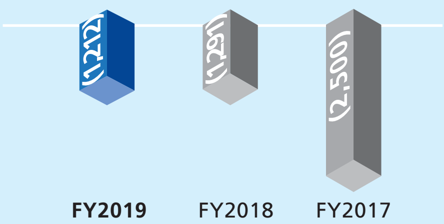
REVENUE (S$'000)



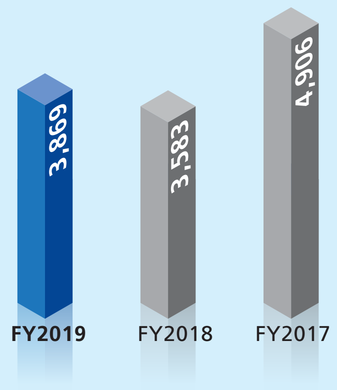
GROSS PROFIT (S$'000)



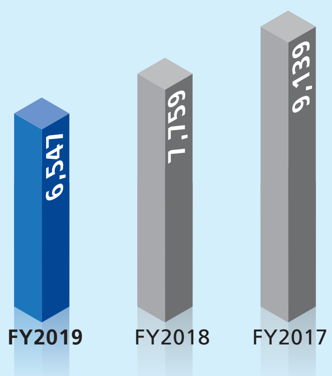
LOSS (S$'000)



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") 2019, the Group's revenue decreased by approximately S$1.9 million or 17.4% from S$10.9 million in FY2018 to S$9.0 million in FY2019.

Revenue from the Security Solutions Business decreased by approximately S$2.1 million or 43.8% from S$4.8 million in FY2018 to S$2.7 million in FY2019. This was mainly attributable to the decrease in the sales of security products to customers in the Rest of Southeast Asia[1], Indochina[2] and East Asia[3] of S$899,000 and a decrease in demand for integrated security solutions in Singapore of S$1.2 million.

Revenue from the Maintenance and Leasing Business increased by approximately S$192,000 or 3.1% from S$6.1 million in FY2018 to S$6.3 million in FY2019. This was mainly attributable to the increase in fees earned of S$380,000 due to the ad-hoc replacement of a component in a security system for a customer in Singapore in the second quarter ended 31 December 2018; increase in the provision of maintenance support services to customers in Singapore of S$107,000; and partially offset by a decrease in provision of maintenance support services to customers in Indochina[2] of S$47,000, in East Asia[3] of S$2,000 and the Rest of Southeast Asia[1] of S$246,000 due to delay in commencement of a maintenance contract by one of the customers.

COST OF SALES

Cost of sales decreased by approximately S$1.5 million or 25.2% from S$6.0 million in FY2018 to S$4.5 million in FY2019. This was mainly due to the decrease in direct material costs incurred due to the decline in the Group's turnover as well as bulk discounts received on the purchase of direct materials.

GROSS PROFIT

Gross profit decreased by approximately S$380,000 or 7.8% from S$4.9 million in FY2018 to S$4.5 million in FY2019 due to the factors discussed above.

FINANCIAL AND OPERATIONS REVIEW

OTHER INCOME

Other income decreased by approximately S$145,000 or 70.1% from S$206,000 in FY2018 to S$61,000 in FY2019. The decrease was mainly due to a decrease in the write back of allowance for inventories of S$12,000, in insurance claim of S$63,000, in miscellaneous income of S$19,000 and in government grants and subsidies of S$20,000, and an absence of bad debts recovered of S$31,000 which was recognised in FY2018.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately S$220,000 or 4.2% from S$5.2 million in FY2018 to S$5.5 million in FY2019. This was mainly attributable to the increase in employees' remuneration and benefit expenses of S$156,000 mainly due to staff bonuses accrued in FY2019, distribution and marketing expenses of S$67,000 and office related expenses of S$17,000, and partially offset by a decrease in depreciation expense of fixed assets of S$20,000 as certain of these fixed assets were fully depreciated.

OTHER OPERATING EXPENSES

Other operating expenses decreased by approximately S$764,000 or 69.4% from S$1.1 million in FY2018 to S$337,000 in FY2019. This was mainly due to a decrease in allowance for doubtful debts of S$757,000 and in plant and equipment written off of S$3,000, and an absence of bad debts written off of S$6,000 which was recognised in FY2018; and partially offset by an increase in bank charges of S$2,000.

FINANCE INCOME

Finance income increased by approximately S$7,000 or 28.8% from S$23,000 in FY2018 to S$30,000 in FY2019. This was mainly due to an increase in foreign exchange gain of S$14,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar and partially offset by the difference between the carrying value and fair value of certain trade receivables attributable to an instalment repayment plan agreed with a customer of S$4,000, and a decrease in interest earned of S$3,000.

FINANCE COSTS

Finance costs decreased by approximately S$52,000 or 68.4% from S$77,000 in FY2018 to S$24,000 in FY2019. This was mainly due to the absence of 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 that was recognised in FY2018 while interest expenses were lower by S$14,000 in FY2019 because of the repayment of the term loan taken by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte. Ltd. of S$21,000 partially offset by the higher utilisation of trade financing facilities of S$7,000.

TAX CREDIT

The tax credit increased by approximately S$2,000 or 8.5% from S$24,000 in FY2018 to S$27,000 in FY2019. The increase was attributable to a decrease in the recognition of unabsorbed tax losses as deferred tax assets, and partially offset against the lower loss before tax recorded in FY2019 and tax credit received during the year.

FINANCIAL POSITION

Current assets increased by approximately S$1.3 million from S$8.0 million as at 30 June 2018 to S$9.3 million as at 30 June 2019. The increase in current assets was mainly due to an increase in cash and cash equivalents of S$286,000, an increase in inventories of S$1.0 million due to an increase in the purchase of parts and components, an increase in contract cost of S$137,000 mainly attributable to an increase in cost incurred to fulfil the Group's obligations under a customer contract which was not completed at year end, an increase in contract assets of S$55,000 mainly attributable to a decrease in billing for completed projects, which was partially offset by a net decrease in trade and other receivables of S$169,000 mainly due to an increase in deposits placed with suppliers for purchases of security products of S$306,000, prepayment for travelling expenses of S$13,000, other general expenses of S$48,000, and partially offset by the receipt of payment from customers of S$129,000, a decrease in prepayment for maintenance support services of S$83,000 and the recognition of allowance for doubtful debts of S$324,000.

Non-current assets decreased by approximately S$1.0 million from S$3.2 million as at 30 June 2018 to S$2.2 million as at 30 June 2019. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S$1.0 million primarily attributable to depreciation charges.

FINANCIAL AND OPERATIONS REVIEW

Current liabilities increased by approximately S$1.6 million from S$3.3 million as at 30 June 2018 to S$4.9 million as at 30 June 2019. The increase in current liabilities was mainly due to increase in contract liabilities of S$2.0 million primarily due to an advance consideration received from a government agency in Southeast Asia in relation to the provision of integrated security solutions of S$1.5 million as announced by the Company on 15 January 2019, an advance consideration received from a government-linked customer in Southeast Asia in relation to the supply and delivery of an integrated radar surveillance and bird strike deterrent solution for airport security environments of S$300,000 as announced by the Company on 12 February 2019 and an advanced consideration received from customers in Singapore in relation to the provision of integrated security solutions of S$392,000 partially offset by the net decrease in trade and other payables of S$83,000 mainly due to payment to suppliers of S$202,000 partially offset by an increase in the accruals of operating expenses of S$119,000; and the repayment of bank borrowings of S$411,000.

Non-current liabilities decreased by approximately S$28,000 from S$86,000 as at 30 June 2018 to S$59,000 as at 30 June 2019. This was due to a decrease in deferred tax liabilities of S$10,000 and the repayment of finance lease amounting to S$18,000.

Capital and reserves decreased by approximately S$1.2 million from S$7.8 million as at 30 June 2018 to S$6.5 million as at 30 June 2019. This was due to losses incurred in FY2019 of S$1.2 million.

CASH FLOW

In FY2019, the Group's net cash from operating activities was approximately S$798,000, which consisted of operating cashflows before working capital changes of S$144,000, net working capital inflow of S$621,000, interest received of S$15,000 and income tax received of S$17,000.

The net working capital inflow arose mainly from the increase in contract liabilities of S$2.0 million primarily due to an advance consideration received from a government agency in Southeast Asia in relation to the provision of integrated security solutions of S$1.5 million as announced by the Company on 15 January 2019, an advance consideration received from a government-linked customer in Southeast Asia in relation to the supply and delivery of an integrated radar surveillance and bird strike deterrent solution for airport security environments of S$300,000 as announced by the Company on 12 February 2019 and an advance consideration received from customers in Singapore in relation to the provision of integrated security solutions of S$392,000 partially offset by a net increase in trade and other receivables of S$155,000 mainly due to an increase in deposits placed with suppliers for purchases of security products of S$306,000, prepayment for travelling expenses of S$13,000 and other general expenses of S$48,000, and partially offset by the receipt of payment from customers of S$129,000 and decrease in prepayment for maintenance support services of S$83,000, an increase in inventories of S$1.0 million due to an increase in the purchase of parts and components, an increase in contract cost of S$137,000 mainly attributable to an increase in cost incurred to fulfil the Group's obligations under a contract where it had yet to transfer the goods or services to its customers, an increase in contract assets of S$55,000 mainly attributable to a decrease in billing for completed projects, and a net decrease in trade and other payables of S$53,000 mainly due to payment to suppliers of S$202,000 partially offset by an increase in the accruals of operating expenses of S$126,000.

Net cash used in investing activities amounted to approximately S$54,000 in FY2019 due to the purchase of plant and equipment.

Net cash used in financing activities amounted to approximately S$1.9 million in FY2019 which was mainly due to repayment of bank borrowings and finance leases in aggregate of S$429,000, interest paid of S$25,000 and an increase in restricted cash of S$1.5 million in relation to financing facilities secured to fund the provision of integrated security solutions which received a Letter of Acceptance ("LOA") from a government agency in Southeast Asia as announced by the Company on 15 January 2019.

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[1] "Rest of Southeast Asia" includes Malaysia, Brunei and Indonesia.

[2] "Indochina" includes Thailand and Vietnam.

[3] "East Asia" includes China, Hong Kong and Japan.

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.

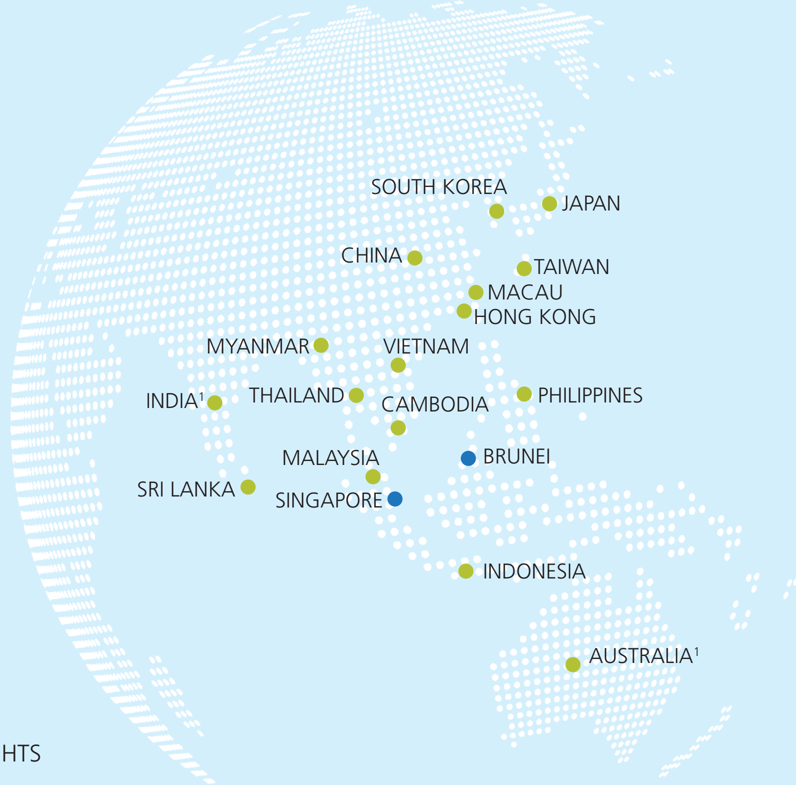
MAINTENANCE AND LEASING

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.

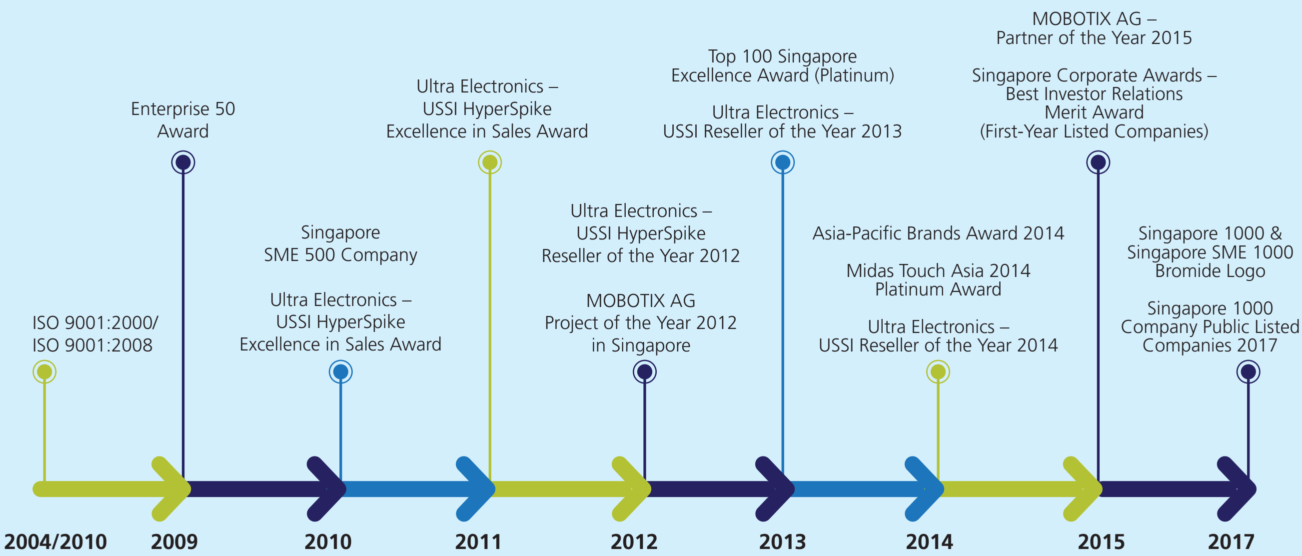
OUR DISTRIBUTION RIGHTS



- OFFICES
- 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.

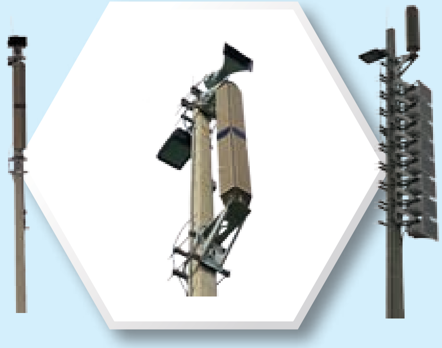
AWARDS AND CERTIFICATION



HOMELAND SECURITY PRODUCTS

ACOUSTIC HAILING SYSTEMS

MASS NOTIFICATION SYSTEMS



VEHICLE & CARGO INSPECTION SYSTEMS (VACIS)

PORTABLE IMAGING SYSTEMS

CHECKED BAGGAGE INSPECTION SYSTEMS

HOMELAND SECURITY PRODUCTS

HANDHELD EXPLOSIVE DETECTOR

AVIATION SAFETY AND BORDER SECURITY

NON-LETHAL COUNTERMEASURE SYSTEMS

UNMANNED SURFACE VESSEL SYSTEMS

GENERAL SECURITY PRODUCTS

PUBLIC ADDRESS SYSTEMS

VIDEO MANAGEMENT SYSTEMS

GENERAL SECURITY PRODUCTS

HEARING ENHANCEMENT SYSTEMS

INTEGRATED SECURITY MANAGEMENT SYSTEMS

SUSTAINABILITY REPORT

SUSTAINABILITY AT A GLANCE

EMPLOYEES

56 full-time

70% male

30% female

17
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

S$9.0M FY2019 REVENUE

SUSTAINABILITY REPORT

MESSAGE FROM OUR BOARD OF DIRECTORS

We are pleased to present the 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") 2019. 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 FY2019 from 1 July 2018 to 30 June 2019 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.

30 September 2019

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 relevant, 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 44 to 45 of our Annual Report 2019.

SUSTAINABILITY 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, 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, no reports were received through the whistle blowing mechanism.

BUSINESS ETHICS, ANTI-CORRUPTION AND COMPLIANCE

We do not tolerate corruption in any form and 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 who wants to report any ethical issue can do so confidentially. While all complaints will be reported to the Chief Executive Officer, 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 FY2019, 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. We endeavour to maintain this compliance and zero incident record for the upcoming year.

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 2019 pages 31 to 60 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	Annually
		Staff Bonding Sessions	Quarterly
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 an internal materiality assessment during the year. 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, 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 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. Peer reviews and social impact assessments were performed at site level.

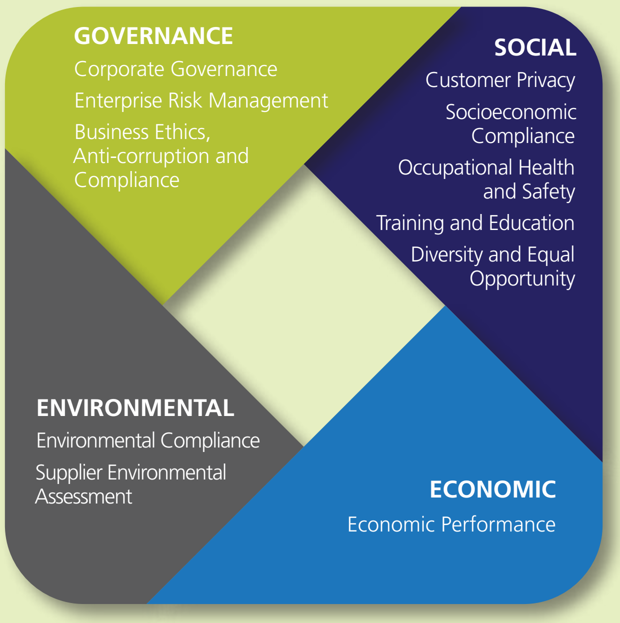
1 IDENTIFICATION
Identification of the material factors that are of relevance to the Group's activities

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 stakeholder's feedback, changing business landscape and emerging trends

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



SOCIAL

We believe that the nature of the security industry which 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.

SUSTAINABILITY REPORT

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.

We aim to maintain our record of zero complaints of breaches of customer privacy and losses of customer data.

SOCIOECONOMIC COMPLIANCE

IPS Securex is proud to inform that it endeavours to maintain its 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.

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 2 November 2018, 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.

IPS Securex held a Chiropractic Screening and Stress Management Seminar in its office premise on 27 May 2019, conducted by Total Health Pte Ltd, where staff were given a stress & chiropractic seminar, educating them on stress management, good posture practices, especially in the context of the workplace, consequences of bad posture, and the chiropractic solutions available. They also provided an onsite complimentary spinal screening for the staff's awareness of their conditions.

We also have group level insurance policies for our staff that is above the regulation 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 has enabled us to systematically identify, reduce and mitigate risks involved in the operations of our organisation.

We aim to maintain a zero-incident work place environment for the coming year.

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 FY2019, 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		
4	2	Develop a Risk Management Implementation Plan (BizSafe Level 2)
1	1	Workplace Safety, Health & Security for Organisation and Workers
4	0	Develop a WSH Management System Implementation Plan Course (BizSafe Level 4)
1	1	Management System Internal Auditing for ISO9001 and ISO45001
3	0	Occupational First Aid Course (CPR + AED Course)
2	2	Effective Presentation Skills
3	0	ITIL Foundation Certificate in IT Service Management
0	1	BCI Asia Project Leads Services
2	0	Scissor Lift Operation & Work at Height
0	4	SWH CCURE 9000 Level 1 – English APAC
In House Training/Supplier's Product Training		
0	1	Bosch Praesensa PA Design Training
0	1	Panduit Data Centre Solution Design Training
7	0	New Scanning RGS System – IPL6500
1	1	How to perform an excellent presentation
Seminar		
1	1	Fire Safety Seminar
1	1	Emergency Readiness Seminar
1	1	Stress Management Talks and Chiropractic

The company aims to continue investing and developing its workforce by organising further courses, trainings and seminars for everyone.

DIVERSITY AND EQUAL OPPORTUNITY

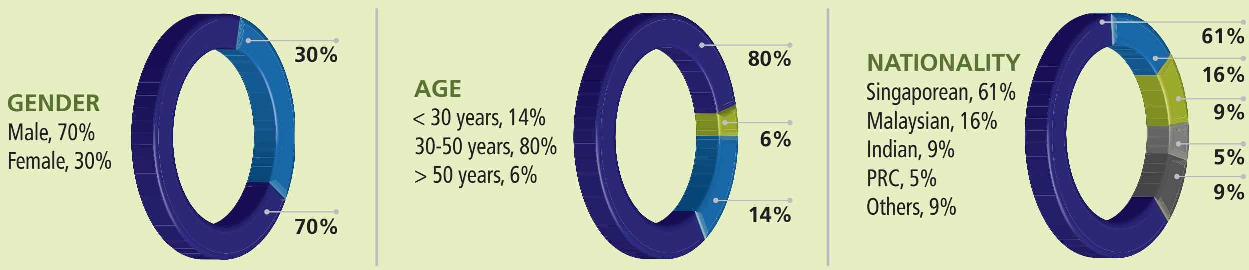
IPS Securex operates an Equal Opportunities Policy and this means that no employees should be discriminated against on grounds of sex, sexual orientation, marital status, nationality, ethnic origin, race, religion or disability. This policy extends to all areas of employment including recruitment, training, 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 Company 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.

We endeavour to maintain and encourage a culture of inclusiveness and zero tolerance in any form of discrimination in the workplace.

As of 30 June 2019, we have a staff strength of 56 full-time employees and zero temporary employees.

IPS SECUREX



SUSTAINABILITY REPORT

TEAM BONDING & TOWN HALL SESSIONS

01 Staff Dinner at Twin Peaks 30 May 2019

02 Staff Lunch at The LandMark 15 January 2019

03 Team Building at NLB 7 December 2018

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 FY2019, please refer to the following sections in our FY2019 Annual Report:
- Financial Highlights, page 9
- Financial and Operations Review, pages 10 to 12
- Financial Statements, pages 70 to 137

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 everything that we do.

ENVIRONMENTAL COMPLIANCE
In FY2019, there was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavour to maintain this track record.

SUPPLIER ENVIRONMENTAL ASSESSMENT
Formal supplier environmental assessments were incorporated and conducted in FY2019 as part of the Group's annual supplier evaluation exercise. We currently ask that all our suppliers comply with all local laws and regulations. The Group has a relationship with suppliers where they are required to complete a questionnaire for environmental, health and safety purposes. Approximately 98.7% of the Group's suppliers were reported to have passed our environmental, occupational health and safety aspects of the assessment. We strive to improve on this figure for the following year by working closely with our suppliers, creating awareness for the need to develop environmental and safe practices. If need be, with regard to our environmental assessments, suppliers that do not comply with these practices will be recommended for removal.

SUSTAINABILITY REPORT

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 to 18
	102-3	Location of headquarters	AR – page 29
	102-4	Location of operations	AR – page 14
	102-5	Ownership and legal form	AR – page 138 to 139
	102-6	Markets served	AR – page 14
	102-7	Scale of the organisation	AR – page 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 – page 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.
	102-14	Statement from senior decision maker	SR – Message from our Board of Directors, page 20
	102-16	Values, principles, standards and norms of behaviour	SR – Business Ethics, Anti-Corruption and Compliance, page 21
	102-18	Governance structure	AR – page 31 to 60 (refer to CG)
	102-40	List of stakeholder groups	SR – Stakeholders Engagement, page 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, page 21 to 22
	102-43	Approach to stakeholder engagement	SR – Stakeholders Engagement, page 21 to 22
	102-45	Entities included in the consolidated financial statements	AR – page 97
	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

SUSTAINABILITY REPORT

GRI Standard	Disclosure		Reference/Description
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 2018 to 30 June 2019
	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, page 27 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 – Business Ethics, Anti-Corruption and Compliance, page 21
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	SR – Environmental Compliance, page 26
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, page 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 – Socioeconomic 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)

AUDIT COMMITTEE

ONG BENG CHYE
(Chairman)

JOSEPH TAN PENG CHIN

CHAN TIEN LOK

NOMINATING COMMITTEE

JOSEPH TAN PENG CHIN
(Chairman)

CHAN TIEN LOK

ONG BENG CHYE

REMUNERATION COMMITTEE

JOSEPH TAN PENG CHIN
(Chairman)

ONG BENG CHYE

CHAN TIEN LOK

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

Public Accountants and Chartered Accountants
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
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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.

This report describes the corporate governance practices adopted by the Company for the financial year ended 30 June 2019 ("**FY2019**") with specific reference made to each of the principles of the Code. The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

On 6 August 2018, the Monetary Authority of Singapore issued the revised Code of Corporate Governance 2018 ("**2018 Code**") which would only apply to annual reports covering financial years commencing from 1 January 2019. As such, the 2018 Code will not affect the Company's latest FY2019 Corporate Government Report, and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

(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 of Directors ("**Board**" or "**Directors**") 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.

CORPORATE GOVERNANCE REPORT

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

To assist in the execution of its responsibilities, the Board has established the Audit Committee ("**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.

The frequency of meetings and the attendance of each Director at each Board and Board Committees meeting for FY2019 are disclosed in the table reflected below:

	Board		Nominating Committee		Remuneration Committee		Audit Committee	
Name	**No. of Meeting Held**	**No. of Meetings Attended**	**No. of Meeting Held**	**No. of Meetings Attended**	**No. of Meeting Held**	**No. of Meetings Attended**	**No. of Meeting 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*	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	4	1	1	1	1	4	4

Notes:

* By invitation

(1) Mr. Kenneth Goh Fuqiang resigned as the Independent Director on 30 June 2019.

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.

CORPORATE GOVERNANCE REPORT

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 ongoing 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 two Independent Directors:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Chan Tien Lok (1)	Non-Executive Chairman	Member	Member	Member
Kelvin Lim Ching Song	Executive Director and Group Chief Executive Officer ("**CEO**")	–	–	–
Ong Beng Chye	Lead Independent Director	Chairman	Member	Member
Joseph Tan Peng Chin (2)	Independent Director	Member	Chairman	Chairman

Notes:

(1) Chan Tien Lok was appointed as the member of the Audit Committee and Remuneration Committee on 30 June 2019.

(2) Joseph Tan Peng Chin was appointed as the Chairman of the Nominating Committee on 30 June 2019.

CORPORATE GOVERNANCE REPORT

The Board has appointed Ong Beng Chye as its Lead Independent Director. The independence of each Independent Director is reviewed by the NC. Under the 2018 Code, it provides that Independent Directors make up a majority of the Board where the Chairman is not independent as is the case for the Company which has Chan Tien Lok as the Non-Independent Non-Executive Chairman. Currently, half of the Board is made up of Independent Directors, comprising Ong Beng Chye, Lead Independent Director and Joseph Tan Peng Chin, Independent Director. Ong Beng Chye plays a role in facilitating discussions amongst Board members to reach a mutual, majority agreement on voting matters relating to the interests of the Company. The objective for Ong Beng Chye as a facilitator for the aforementioned discussions is to resolve situations where equality of votes between Independent and Non-Independent directors arise, further discussions aims at allowing the board to arrive at a mutual agreement. To mitigate the provision in the 2018 Code for the Independent Directors to make up a majority of the Board where the Chairman is not independent, Chan Tien Lok who is the Non-Executive Chairman has relinquished his casting vote in respect of all Board resolutions from 1 July 2019.

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 substantial 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 according to the Code. 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.

CORPORATE GOVERNANCE REPORT

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

The Company co-ordinates informal meeting sessions for 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 and for which contact through the channels of the Non-Executive Chairman and/or Executive Director and Group CEO has failed to resolve such concerns or where it is inappropriate to do so.

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

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

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

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

The NC comprises one (1) Non-Executive Director and two (2) Independent Directors, where the majority of whom, including the NC Chairman is independent and the Lead Independent Director is a member of the NC, as follows:

Nominating Committee

Joseph Tan Peng Chin (Chairman)
Ong Beng Chye
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.

CORPORATE GOVERNANCE REPORT

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 advisers 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 Chan Tien Lok and Joseph Tan Peng Chin be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendations.

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

For the financial year under review, the NC, having considered Guideline 2.3 of the Code, is of the view that the Independent Directors of the Company are independent and are able to exercise judgement 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 52 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 FY2019. 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 ongoing 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 ongoing 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.

CORPORATE GOVERNANCE REPORT

(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 two (2) Independent Directors and one (1) Non-Executive Director, where the majority of whom, including the RC Chairman is independent, as follows:

Remuneration Committee

Joseph Tan Peng Chin (Chairman)
Ong Beng Chye
Chan Tien Lok

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; and
- 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 FY2019.

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 FY2019 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.

CORPORATE GOVERNANCE REPORT

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 four (4) key management personnel of the Group (who are not Directors or the Group CEO) identified for FY2019 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
Kenneth Goh Fuqiang [1]	–	–	100	–	100

Note:

[1] Kenneth Goh Fuqiang resigned as the Independent Director of the Company on 30 June 2019.

CORPORATE GOVERNANCE REPORT

Key Management Personnel	Salary	Bonus	Director's fees	Allowances and Other Benefits	Total
	%	%	%	%	%
Below S$250,000					
Lee Yeow Koon	81	2	–	17	100
Lee Siew Han [(1)]	76	2	14	8	100
Lee Chea Siang	81	2	–	17	100
Boey Teik Heng	80	–	–	20	100

Note:

[(1)] Director's fees were paid by the Company's subsidiary.

For FY2019, the aggregate total remuneration paid to the top four (4) Management personnel (who are not Directors or the Group CEO) amounted to S$584,623.

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 FY2019.

There was 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 do not exceed S$50,000 in FY2019. The basis for determining the compensation of our related employees is the same as determining the compensation of other unrelated employees.

Name of Immediate Family Member	Director's fees	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%	%
Below S$50,000					
Peter Isaac Chan Khoon Lau [(1)]	67	25	–	8	100

Note:

[(1)] Peter Isaac Chan Khoon Lau was appointed as the Director of the Company's subsidiary, Securex GS Pte. Ltd. on 1 September 2018.

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 FY2019 exceeded S$50,000.

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

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

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

On 6 August 2018, the SGX-ST had issued the amendments to the Catalist Rules following the 2018 Code. With reference to the amendments to the Catalist Rules and 2018 Code, the Board and Board Committees had reviewed, revised and adopted the changes to the Board Committees' terms of reference to ensure their continued relevance.

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 half-yearly basis.

CORPORATE GOVERNANCE REPORT

Enterprise Risk Management

The Board is committed to ensuring that the Group has an effective and practical enterprise risk management ("**ERM**") framework in place to safeguard Shareholders' interests, and the sustainability of the Company as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. As such, the Board has commissioned BDO LLP ("**IA**") to facilitate the implementation of the ERM framework for the Group. The purpose of this exercise is to make recommendations on the processes to monitor key risks to the Group and to propose a reporting process by which the Audit Committee is kept updated on how ongoing and new risks are being addressed by Management. The ERM framework has been implemented since financial year 2018.

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 ongoing 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.

During FY2019, the IA had conducted a risk workshop with the Group's key management personnel to obtain their assessment of the key risks to the Company. The various responses were consolidated and ranked according to the average rating for each risk identified.

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 ongoing 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 were no material weaknesses being identified and the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective 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 2019 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 adequate and 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 two (2) Independent Directors and one (1) Non-Executive Director, where the majority of whom, including the AC Chairman is independent, as follows:

Audit Committee

Ong Beng Chye (Chairman)
Joseph Tan Peng Chin
Chan Tien Lok

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;

CORPORATE GOVERNANCE REPORT

- 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.

CORPORATE GOVERNANCE REPORT

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 FY2019.

For FY2019, 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 FY2019 were approximately S$18,200.

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 FY2019 from pages 65 to 67 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.

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:

- Independent investigations are carried out in an appropriate and timely manner;

- 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

- 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.

CORPORATE GOVERNANCE REPORT

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 independent and adequately resourced to perform its function effectively and has the appropriate standing within the industry. The AC is also satisfied that the internal audit function is effective and 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 recognise, 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.

CORPORATE GOVERNANCE REPORT

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 (International);

- Periodic announcements containing a summary of the financial information and affairs of the Group for the relevant period;

- 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 FY2019, the Board did not recommend any payment of dividends as the Group incurred a loss in FY2019.

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.

CORPORATE GOVERNANCE REPORT

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 FY2019 in accordance with its existing procedures:–

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules
Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense) by:–	**FY2019** **S$**
IPS Realty Pte. Ltd. ("**IPSR**")	216,000
IPS Group Pte. Ltd. ("**IPSG**")	75,156

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.

CORPORATE GOVERNANCE REPORT

(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 FY2019.

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 Audit Committee, Nominating Committee and Remuneration Committee	10 October 2013	25 October 2017	Nil	Nil
Kelvin Lim Ching Song	• Diploma in Marketing and Public Relations from Thames Business School	Executive Director and Group Chief Executive Officer	Board Member	10 October 2013	29 October 2018	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	29 October 2018	• Geo Energy Resources Limited • Hafary Holdings Limited • CWX Global Limited • ES Group (Holdings) Limited	• Heatec Jietong Holdings Ltd. • Kitchen Culture Holdings Ltd
Joseph Tan Peng Chin	• Bachelor of Laws (Hons) from the National University of Singapore	Independent Director	Board Member, Chairman of the Nominating Committee, Remuneration Committee and Member of the Audit Committee	6 June 2014	30 October 2016	• OM Holdings Limited	• Armstrong Industrial Corporation Limited

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr. Chan Tien Lok and Mr. Joseph Tan Peng Chin, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Details	**Name of Director**	
	Chan Tien Lok	**Joseph Tan Peng Chin**
Date of Appointment	10 October 2013	6 June 2014
Date of last re-appointment (if applicable)	25 October 2017	30 October 2016
Age	66	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr. Chan Tien Lok was nominated for re-election as Director at the forthcoming AGM pursuant to the Company's Constitution. The NC's process in recommending the nomination for re-election of Director and the assessment of the contribution of the Director has been disclosed under Principle 4 and Principle 5 of the Corporate Governance Report. Having regard to the above, the Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Chan Tien Lok is able to exercise judgement as the Non-Executive Director on the corporate affairs of the Group.	Mr. Joseph Tan Peng Chin was nominated for re-election as Director at the forthcoming AGM pursuant to the Company's Constitution. The NC's process in recommending the nomination for re-election of Director, review of the independence of the Independent Director and the assessment of the contribution of the Director has been disclosed under Principle 4 and Principle 5 of the Corporate Governance Report. The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Joseph Tan Peng Chin is able to exercise judgement as the Independent Director on the corporate affairs of the Group and independent of the Management. Having regard to the above, the Board considers Mr. Joseph Tan Peng Chin to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and member of the Audit Committee, Nominating Committee and Remuneration Committee	Independent Director, Chairman of the Nominating Committee and Remuneration Committee and member of Audit Committee

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Chan Tien Lok	**Joseph Tan Peng Chin**
Professional qualifications	Cambridge General Certificate of Education Ordinary Level certificate	Bachelor of Laws (Hons) from the National University of Singapore
Working experience and occupation(s) during the past 10 years	Mr. Chan Tien Lok 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. Mr. Chan also founded IPS Technologies Pte Ltd ("**IPST**") and IPS Perfex Holdings Pte Ltd ("**IPSP**") in 2005 and 2006 respectively and is currently the Chairman of IPST and IPSP. Prior to 1986, 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 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 practised 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.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 120,000 shares Deemed interest in 248,820,000 shares held by IPS Technologies Pte. Ltd. ("**IPST**") held by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore as he owns 65% of the shareholding in IPST.	600,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Chan Tien Lok	**Joseph Tan Peng Chin**
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	**Past (for the last 5 years)** Director of: • Europower Technology Pte Ltd • Linnhoff India Pvt Ltd • IPS Leasing Pte Ltd **Present** Director of: • IPS Securex Pte. Ltd. • IPS Technologies Pte. Ltd. • IPS Realty Pte Ltd • IPS Foo Ngan Realty Sdn Bhd • IPS-Lintec Group Pte. Ltd. • Lintec Technologies Pte Ltd • Fibrtech (HK) Ltd • Lintec & Linnhoff Holdings Pte Ltd • Lintec & Linnhoff Asphalt Pte Ltd (formerly known as Linnhoff Technologies Pte Ltd) • Lintec & Linnhoff Concrete Pte Ltd (formerly known as Lintec Concrete Technologies Pte Ltd) • Lintec & Linnhoff Maschinen Pte Ltd • Lintec & Linnhoff China Ltd (formerly known as Lintec China Ltd) • Lintec (China) Technologies Ltd • IPS Perfex Holdings Pte Ltd • Perfex International Pte Ltd • Perfex Heat Transfer Sdn Bhd • Powersource International Pte Ltd • IPS Group Pte Ltd	**Past (for the last 5 years)** Nil **Present** Director of: • Clarity Singapore Limited • OM Holdings Limited • Orchestra of the Music Makers Ltd.

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Chan Tien Lok	Joseph Tan Peng Chin
The general statutory disclosures of the Directors are as follows:			
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c.	Whether there is any unsatisfied judgement against him?	No	No

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Chan Tien Lok	Joseph Tan Peng Chin
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f.	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Chan Tien Lok	Joseph Tan Peng Chin
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i.	Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Chan Tien Lok	Joseph Tan Peng Chin
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Chan Tien Lok	**Joseph Tan Peng Chin**
Information required **Disclosure applicable to the appointment of Director only.**		
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	IPS Securex Holdings Limited	Armstrong Industrial Corporation Limited (delisted in 2014) IPS Securex Holdings Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A	N/A

DIRECTORS' STATEMENT

Year ended 30 June 2019

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2019.

In our opinion:

(a) the financial statements set out on pages 70 to 137 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 2019 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 (International); 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

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the 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 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**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
Company				
Ordinary shares				
Chan Tien Lok	120,000	120,000	248,820,000 [1]	248,820,000 [1]
Kelvin Lim Ching Song	60,085,000	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 at the beginning and end of financial year.

DIRECTORS' STATEMENT

Year ended 30 June 2019

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 end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2019.

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, Ong Beng Chye and Chan Tien Lok (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.

DIRECTORS' STATEMENT

Year ended 30 June 2019

SHARE OPTIONS AND SHARE-BASED INCENTIVE (CONTINUED)

(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), Joseph Tan Peng Chin (Member) and Chan Tien Lok (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 matters impacting the financial statements (including the key audit matters and the accounting principles and judgement of items as adopted by management for those significant 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.

DIRECTORS' STATEMENT

Year ended 30 June 2019

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

30 September 2019

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 2019, 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 70 to 137.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) 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 2019 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 of the financial statements)

Risk:

The Group's trade receivables include a wide range of customers comprising 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 less than one year. The Group's wide range of credit terms increases the Group's exposure to credit risk.

INDEPENDENT AUDITORS' REPORT

Members of the Company
IPS Securex Holdings Limited

As at 30 June 2019, trade receivables due from customers amounted to 16% (2018: 20%) of the Group's total assets. The recoverability of the Group's trade receivables requires significant judgement and estimates. Judgement is required in determining when a trade receivable is credit-impaired which includes consideration of customers past payment trends, relevant industry conditions and observable data such as significant financial difficulty of the customer and breach of contract by the customer. In estimating expected credit losses for trade receivables, judgement is made to determine if past credit loss information reflect the appropriate levels of credit risk of the trade receivables and if additional adjustments are required to be made to the expected credit losses (ECL) estimate. As such, the valuation of trade receivables is a key audit matter.

Our response:

We tested the trade receivables ageing profile prepared by management so as to place reliance on the ageing profile for our analysis. We reviewed the management's identification of credit-impaired trade receivables including the basis adopted by management in the identification.

We reviewed management's assessment of the recoverability of individually significant trade receivables by challenging management's estimates 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.

We tested the Group's measurement of the ECL arising from trade receivables (excluding the credit-impaired trade receivables) by obtaining an understanding on the data and assumptions of the ECL model adopted by management. As part of our test, we compared the inputs used to derive the ECL rates against historical receivables collection data and considered if the rates derived reflects the Group's credit risk exposure.

Our findings:

We found management's estimate of impairment loss on trade receivables reflects the status of individually significant credit-impaired balances and the Group's historical collection experience relative to the credit exposure.

Valuation of plant and equipment
(Refer to Note 4 of the financial statements)

Risk:

The Group continues to incur losses amid volatile economic conditions. Accordingly, management has identified the existence of impairment indicators and conducted an impairment assessment on its plant and equipment. This involved a comparison of the carrying value of the plant and equipment to its recoverable amount determined based on the value-in-use (discounted cash flow) method.

Forecasting future cash flows is a judgemental process which involves making assumptions on revenue growth rates, profit margins, asset residual values and determining the appropriate discount rate. As such, the recoverable amount of plant and equipment is a key audit matter.

Based on management's assessment, the recoverable amount of the plant and equipment is above the carrying amount. Consequently, the Group concluded that the plant and equipment are not impaired.

INDEPENDENT AUDITORS' REPORT

Members of the Company
IPS Securex Holdings Limited

Our response:

We reviewed the key assumptions used in the cash flow projections supporting the value-in-use calculations to arrive at the recoverable amounts of the relevant cash generating units. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and available market information. We challenged management's estimates of the revenue growth rates and profit margins used in the cash flow projections by corroborating to past performance and/or relevant market data. We independently derived applicable discount rates and compared it to the discount rates used by the management.

Our findings:

We found the methodology used to be appropriate and the key assumptions used in the value in use calculation to be within the range of estimates used in our evaluation.

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 SFRS(I)s, 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
IPS Securex Holdings Limited

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.

- 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
IPS Securex Holdings Limited

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
30 September 2019

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

		Group			Company		
	Note	2019	2018	1 July 2017	2019	2018	1 July 2017
		$	$	$	$	$	$
Assets							
Plant and equipment	4	2,184,685	3,189,452	4,138,365	–	–	–
Investment in subsidiaries	5	–	–	–	4,844,199	4,844,199	4,821,199
Other investment	6	7,605	7,605	6,000	–	–	–
Deferred tax assets	7	–	–	39,775	–	–	–
Trade and other receivables	8	–	–	195,850	–	–	–
Non-current assets		2,192,290	3,197,057	4,379,990	4,844,199	4,844,199	4,821,199
Inventories	9	2,201,764	1,190,264	919,090	–	–	–
Trade and other receivables	8	2,692,855	2,861,853	3,164,979	2,748,849	3,307,770	2,463,217
Contract costs	16	289,739	152,666	200,079	–	–	–
Loan to subsidiary	10	–	–	–	1,545,000	1,508,400	2,968,400
Contract assets	16	219,775	164,809	300,628	–	–	–
Cash and cash equivalents	11	3,869,130	3,582,866	4,905,677	122,106	257,731	946,353
Current assets		9,273,263	7,952,458	9,490,453	4,415,955	5,073,901	6,377,970
Total assets		11,465,553	11,149,515	13,870,443	9,260,154	9,918,100	11,199,169
Equity attributable to owners of the Company							
Share capital	12	9,405,906	9,405,906	9,405,906	9,405,906	9,405,906	9,405,906
Reserves	12	(679,352)	(679,352)	(589,999)	120,647	120,647	210,000
Accumulated (losses)/profits		(2,179,534)	(967,970)	322,848	(521,651)	(344,328)	(112,537)
Total equity		6,547,020	7,758,584	9,138,755	9,004,902	9,182,225	9,503,369
Liabilities							
Bank borrowings	13	–	–	387,009	–	–	387,009
Finance lease liabilities	14	52,658	70,809	88,960	–	–	–
Deferred tax liabilities	7	5,874	15,404	–	–	–	–
Non-current liabilities		58,532	86,213	475,969	–	–	387,009
Bank borrowings	13	–	410,921	903,260	–	410,921	469,928
Trade and other payables	15	2,448,366	2,507,768	2,593,451	255,252	324,954	838,863
Contract liabilities	16	2,393,484	367,878	574,314	–	–	–
Finance lease liabilities	14	18,151	18,151	91,478	–	–	–
Income tax payable		–	–	93,216	–	–	–
Current liabilities		4,860,001	3,304,718	4,255,719	255,252	735,875	1,308,791
Total liabilities		4,918,533	3,390,931	4,731,688	255,252	735,875	1,695,800
Total equity and liabilities		11,465,553	11,149,515	13,870,443	9,260,154	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 2019

		Group	
	Note	**2019**	**2018**
		$	**$**
Revenue	16	8,982,604	10,874,295
Cost of sales		(4,495,339)	(6,006,624)
Gross profit		4,487,265	4,867,671
Other income	17	61,733	206,402
Administrative expenses		(5,455,004)	(5,234,592)
Impairment loss on trade receivables and contract assets	25	(324,039)	(1,081,311)
Other operating expenses		(13,443)	(19,814)
Results from operating activities		(1,243,488)	(1,261,644)
Finance income		29,632	23,006
Finance costs		(24,238)	(76,627)
Net finance income/(costs)	18	5,394	(53,621)
Loss before tax	19	(1,238,094)	(1,315,265)
Tax credit	20	26,530	24,447
Loss for the year, representing total comprehensive loss for the year		(1,211,564)	(1,290,818)
Loss per share			
Basic and diluted loss per share (cents)	21	(0.25)	(0.27)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019

	Note	Share capital	Reserve for own shares	Merger reserve	Other reserve	Accumulated profits/ (losses)	Total equity
		$	$	$	$	$	$
Group							
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		–	–	–	–	(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	12	–	(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
At 1 July 2018		9,405,906	(89,353)	(799,999)	210,000	(967,970)	7,758,584
Total comprehensive loss for the year							
Loss for the year		–	–	–	–	(1,211,564)	(1,211,564)
Total comprehensive loss for the year		–	–	–	–	(1,211,564)	(1,211,564)
At 30 June 2019		9,405,906	(89,353)	(799,999)	210,000	(2,179,534)	6,547,020

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2019

	Note	Group 2019	Group 2018
		$	$
Cash flows from operating activities			
Loss before tax		(1,238,094)	(1,315,265)
Adjustments for:			
– Interest income		(15,455)	(23,006)
– Interest expense		24,238	37,906
– Depreciation of plant and equipment		1,057,913	1,071,311
– Plant and equipment written off		480	3,788
– Inventories written-off		369	696
– Write-back of inventory obsolescence, net		(7,674)	(19,879)
– Bad debts written-off		–	5,760
– Impairment loss on trade receivables and contract assets, net		324,039	1,081,311
– Net foreign exchange (gain)/loss		(2,064)	29,702
		143,752	872,324
Changes in working capital:			
– Inventories		(1,004,195)	(250,915)
– Trade and other receivables		(155,041)	(600,780)
– Contract costs		(137,073)	47,413
– Contract assets		(54,966)	135,819
– Trade and other payables		(52,892)	287,876
– Contract liabilities		2,025,606	(206,436)
Cash generated from operations		765,191	285,301
Income tax refunded/(paid)		17,000	(13,590)
Interest received		15,455	18,575
Net cash from operating activities		797,646	290,286
Cash flows from investing activities			
Purchase of plant and equipment		(53,626)	(127,262)
Acquisition of subsidiaries, net of cash acquired		–	(373,200)
Acquisition of other investment		–	(1,605)
Net cash used in investing activities		(53,626)	(502,067)
Cash flows from financing activities			
Purchase of own shares	12	–	(89,353)
Interest paid		(24,559)	(37,893)
Repayments of bank borrowings		(410,921)	(879,348)
Repayments of finance lease liabilities		(18,151)	(91,478)
Restricted cash and fixed deposit pledged	11	(1,453,244)	(27,587)
Net cash used in financing activities		(1,906,875)	(1,125,659)
Net decrease in cash and cash equivalents		(1,162,855)	(1,337,440)
Cash and cash equivalents at beginning of the year		3,537,279	4,887,677
Effect of exchange rates changes on the balance of cash held in foreign currencies		(4,125)	(12,958)
Cash and cash equivalents at end of the year	11	2,370,299	3,537,279

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 September 2019.

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 2019 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 an investment holding company, 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 (International) (SFRS(I)s). These are the Group's first financial statements prepared in accordance with SFRS(I), and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position and financial performance of the Group is provided in Note 27.

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 SFRS(I)s 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 significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 July 2017 for the purpose of the transition to SFRS(I) unless otherwise indicated.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 1-3 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisition from 1 July 2017

The Group measures goodwill (if any) at the acquisition date 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.

Any contingent consideration payable is recognised at fair value on the acquisition date and is 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.

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 NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. 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 SFRS(I)s.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisition from 1 July 2017 (Continued)

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.

Acquisitions before 1 July 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 July 2017.

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 have been changed to align them with the policies adopted by the Group.

Acquisition 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 or loss arising is recognised directly in equity.

Loss of control

When the Group loses control over a subsidiary, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from intra-group 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 currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the 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 in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency 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.

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 are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost: if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment – Policy applicable from 1 July 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018 *(Continued)*

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial assets contains a contractual term that could change the timing and amount of contractual cash flows that would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets – Policy applicable before 1 July 2018

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

Loans and receivables

Loans and receivables were 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 were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, trade and other receivables (excluding prepayments) and loan to subsidiary.

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. Such 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. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise bank borrowings, finance lease liabilities and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial 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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. For the purpose of the statement of cash flows, restricted cash/fixed deposits 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(vii) 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 issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 July 2018

The policy applied in the comparative information presented for 2018 is similar to that applied for 2019. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment (Continued)

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.

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 determined based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 July 2018

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised costs; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable from 1 July 2018 (Continued)

General approach (Continued)

The Group considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic and industry conditions.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable from 1 July 2018 (Continued)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not carried at fair value through profit or loss (FVTPL) was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated 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 could be estimated reliably.

Objective evidence that financial assets were impaired included 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 or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were individually assessed for impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable before 1 July 2018 (Continued)

Loans and receivables (Continued)

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets 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.

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 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. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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.

3.9 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.

3.10 Revenue

Sale of goods and rendering of services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative standalone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue (Continued)

Sale of goods and rendering of services (Continued)

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised over the course of the service reflecting the progress towards complete satisfaction of that PO.

A contract asset is recognised when the value of goods delivered or services rendered for a contract exceeds payments received from the customer. The contract asset is transferred to trade receivables when the entitlement to payment becomes unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

A contract cost is recognised when costs had been incurred by the Group to fulfill future performance obligations. The Group will capitalise these as contract costs only if (a) these cost relate directly to a contract; (b) these costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (c) these costs are expected to be recovered. Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue.

The classification of a contract asset, contract cost and contract liability is determined on a contract-by-contract basis.

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease in accordance with SFRS(I) 1-17 *Leases*. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue (Continued)

Rental income (Continued)

At the inception of an arrangement, the Group determines if (i) the fulfilment of the arrangement is dependent on the use of the leased equipment and (ii) the arrangement assigns a right to the customer to use the equipment. In the assessment of the criteria, the Group considered the following:

- Whether there is transfer of ownership of the equipment to the customer either during or at the end of the lease term.
- Whether the customer has purchase options to acquire the equipment at the end of the lease and if, at inception, it is reasonably certain that the options will be exercised.
- Whether the lease term is shorter than or forms a major part of the economic useful life of the equipment.
- Whether the present value of the minimum lease payments is less than or substantially all of the fair value of the equipment.
- Whether the leased equipment is of a specialised nature.

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 the 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.

3.11 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. 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.

3.12 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.14 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

Current tax assets and liabilities are offset only if certain criteria are met.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

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; and

- 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.

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Earnings per share

The Group presents basic and diluted earnings per share (EPS) 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.

3.16 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's 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's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income, and tax assets and liabilities.

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

3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 28.

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 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
Additions	24,551	1,000	1,901	14,094	–	12,080	53,626
Transfers	30,400	–	–	–	–	(30,400)	–
Write-off	–	(900)	–	–	–	–	(900)
At 30 June 2019	582,122	749,729	58,865	448,646	5,528,270	–	7,367,632

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

4 PLANT AND EQUIPMENT (CONTINUED)

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction-in-progress	Total
	$	$	$	$	$	$	$
Group							
Accumulated depreciation							
At 1 July 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
Depreciation for the year	93,116	149,673	5,408	43,150	766,566	–	1,057,913
Write-off	–	(420)	–	–	–	–	(420)
At 30 June 2019	464,458	436,241	53,752	248,450	3,980,046	–	5,182,947
Carrying amounts							
At 1 July 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
At 30 June 2019	117,664	313,488	5,113	200,196	1,548,224	–	2,184,685

(1) In 2018, the Group transferred tools and equipment with carrying amount of $1,076 from plant and equipment to inventories. These items had been sold in February 2018.

As at 30 June 2019, plant and equipment of the Group with carrying amount of $130,397 (2018: $152,107; 1 July 2017: $584,314) are under finance lease arrangements as disclosed in Note 14 to the financial statements. These plant and equipment are held as collateral under the finance lease arrangements.

Valuation of plant and equipment

In 2019, the Group continues to incur losses amid volatile economic conditions. Management assessed that there were indicators of impairment on the plant and equipment and consequently, carried out an assessment of the recoverable amount of the plant and equipment.

The recoverable amount of the plant and equipment was estimated based on the present value of the future cash flows expected to be derived by the respective cash generating units (CGU) (i.e. value in use). Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The key assumptions applied in the computation of value in use include:

Group	IPS Securex CGU 2019	Securex GS CGU 2019
3 years compounded revenue growth rate *	25%	27%
Average earnings before interest, taxes, depreciation and amortisation margin *	16%	6%
Pre-tax discount rate	21.9%	21.9%

* Based on the remaining useful life of the plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

4 PLANT AND EQUIPMENT (CONTINUED)

Valuation of plant and equipment (Continued)

The cash flow projections were based on the forecasts prepared by management which considered current operating results and available market information. Based on management's assessment, the recoverable amount of the plant and equipment was higher than its carrying amount. As such, there is no impairment loss recognised on the plant and equipment as at 30 June 2019.

IPS Securex CGU

Management has identified that a reasonably possible change in a key assumption could cause the carrying amount of plant and equipment to exceed the recoverable amount. The following table shows the amount by which the assumption would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount 2019
	%
Group	
Average earnings before interest, tax, depreciation and amortisation margin	(8)

Possible changes individually, in the other key assumptions would not result in the carrying amount of plant and equipment to exceed its recoverable amount.

Securex GS CGU

Management has assessed that reasonably possible changes in the key assumptions would not result in the carrying amount of plant and equipment to exceed its recoverable amount.

5 INVESTMENT IN SUBSIDIARIES

	Company		
	2019	2018	1 July 2017
	$	$	$
Unquoted equity shares, at cost	4,844,199	4,844,199	4,866,199
Accumulated impairment losses	–	–	(45,000)
	4,844,199	4,844,199	4,821,199

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

5 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation/ Principal place of business	Effective equity interest held by the Group		
			2019	2018	1 July 2017
			%	%	%
IPS Securex Pte. Ltd. [(a)]	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.	Singapore	100	100	100
Securex GS Pte. Ltd. (formerly known as Yatai Security & Communications Pte. Ltd.) [(a)]	Distribution, installation and commissioning of security equipment and provision of maintenance support.	Singapore	100	100	100
IPS Securex (B) Sdn Bhd [(b)]	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.	Brunei	100	100	100
Avac Systems Pte. Ltd. [(c)]	Distribution, installation and commissioning of security equipment and provision of maintenance support.	Singapore	100	100	100

(a) Audited by KPMG LLP, Singapore.

(b) Audited by member firm of KPMG International.

(c) The subsidiary applied for strike-off with Accounting and Corporate Regulatory Authority (ACRA), and the strike-off process was completed on 8 July 2019.

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Another member firm of KPMG International is the auditor of IPS Securex (B) Sdn Bhd.

For this purpose, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

6 OTHER INVESTMENT

	Group		
	2019	2018	1 July 2017
	$	$	$
Club membership, at cost	7,605	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)/ASSETS

Recognised deferred tax (liabilities)/assets

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

	Group		
	2019	2018	1 July 2017
	$	$	$
Plant and equipment	(188,474)	(332,666)	(397,668)
Tax losses carry-forward	182,600	317,262	437,443
	(5,874)	(15,404)	39,775

Movements in temporary differences during the year

	As at 1 July 2017	Recognised in profit or loss (Note 20)	As at 30 June 2018	Recognised in profit or loss (Note 20)	As at 30 June 2019
	$	$	$	$	$
Group					
Plant and equipment	(397,668)	65,002	(332,666)	144,192	(188,474)
Tax losses carry-forward	437,443	(120,181)	317,262	(134,662)	182,600
	39,775	(55,179)	(15,404)	9,530	(5,874)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

7 DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2019	**2018**
	$	**$**
Unutilised tax losses	1,232,333	978,839

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction. Deferred tax assets have not been recognised in respect of the tax losses because of the uncertainty over the availability of future taxable profits against which the Group can utilise these unrecognised benefits therefrom. The tax losses do not expire under current tax legislation.

8 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2019	**2018**	**1 July 2017**	**2019**	**2018**	**1 July 2017**
	$	**$**	**$**	**$**	**$**	**$**
Trade receivables	6,139,760	6,305,762	5,698,796	–	–	–
Impairment loss on trade receivables	(4,325,232)	(4,037,932)	(2,997,896)	–	–	–
	1,814,528	2,267,830	2,700,900	–	–	–
Other receivables	41,439	4,721	6,579	–	–	–
Amounts due from subsidiaries (non-trade)	–	–	–	2,702,829	3,261,832	2,415,614
Deposits	586,168	268,688	321,136	37,515	37,574	39,239
	2,442,135	2,541,239	3,028,615	2,740,344	3,299,406	2,454,853
Prepayments	250,720	320,614	332,214	8,505	8,364	8,364
	2,692,855	2,861,853	3,360,829	2,748,849	3,307,770	2,463,217
Non-current	–	–	195,850	–	–	–
Current	2,692,855	2,861,853	3,164,979	2,748,849	3,307,770	2,463,217
	2,692,855	2,861,853	3,360,829	2,748,849	3,307,770	2,463,217

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The Group's and the Company's exposure to credit and currency risks for trade and other receivables are disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

9 INVENTORIES

	Group		
	2019	2018	1 July 2017
	$	$	$
Inventories, net of allowance for inventories obsolescence	2,201,764	1,190,264	919,090

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

	Group	
	2019	2018
	$	$
At 1 July	105,857	125,736
Reversal of allowance during the year	(7,674)	(19,879)
At 30 June	98,183	105,857

During the year, inventories of $4,439,968 (2018: $5,148,962) were recognised as an expense and included in "cost of sales".

10 LOAN TO SUBSIDIARY

Loan to subsidiary are non-trade in nature, unsecured, interest-free and are repayable on demand.

11 CASH AND CASH EQUIVALENTS

	Group			Company		
	2019	2018	1 July 2017	2019	2018	1 July 2017
	$	$	$	$	$	$
Cash at banks	3,842,364	3,574,990	4,897,157	121,717	257,226	946,039
Cash on hand	8,766	7,876	8,520	389	505	314
Fixed deposits	18,000	–	–	–	–	–
Cash and cash equivalents in the statements of financial position	3,869,130	3,582,866	4,905,677	122,106	257,731	946,353
Less: Restricted cash and fixed deposits pledged	(1,498,831)	(45,587)	(18,000)	–	–	–
Cash and cash equivalents in the statement of cash flows	2,370,299	3,537,279	4,887,677	122,106	257,731	946,353

Included in the Group's cash and cash equivalents is $1,480,831 (2018: $45,587; 1 July 2017: $18,000) of restricted cash and $18,000 (2018: $Nil; 1 July 2017: $Nil) of fixed deposit held as security for bank guarantees.

The effective interest rate per annum relating to fixed deposits for the Group is 0.5%, at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

12 CAPITAL AND RESERVES

Share capital

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		$	$
Issued and fully paid ordinary shares, with no par value:				
At beginning and end of the financial 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.

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		
	2019	2018	1 July 2017	2019	2018	1 July 2017
	$	$	$	$	$	$
Merger reserve	(799,999)	(799,999)	(799,999)	–	–	–
Reserve for own shares	(89,353)	(89,353)	–	(89,353)	(89,353)	–
Other reserve	210,000	210,000	210,000	210,000	210,000	210,000
	(679,352)	(679,352)	(589,999)	120,647	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 restructuring 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 transactions as the controlling shareholder of the subsidiaries is also the controlling shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

12 CAPITAL AND RESERVES (CONTINUED)

Reserve for own shares

	Group and Company	
	2019	2018
	$	$
At beginning of the year	89,353	–
Purchased during the year	–	89,353
At end of the year	89,353	89,353

Reserve for own shares comprises the cost of the Company's ordinary shares held by the Company.

As at 30 June 2019, the Company holds 1,155,900 (2018: 1,155,900; 1 July 2017: Nil) of its own shares as treasury shares. The treasury shares were included as a deduction against shareholders' equity.

Other reserve

Other reserve pertains to the 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

No dividends had been declared or proposed in respect of the financial years ended 30 June 2019 and 30 June 2018.

13 BANK BORROWINGS

	Group			Company		
	2019	2018	1 July 2017	2019	2018	1 July 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

13 BANK BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Nominal interest rate	Year of maturity	2019 Face value	2019 Carrying amount	2018 Face value	2018 Carrying amount	1 July 2017 Face value	1 July 2017 Carrying amount
	%		$	$	$	$	$	$
Group								
Secured floating rate bank loans	3.10-4.46	2019	–	–	410,921	410,921	1,290,269	1,290,269
Company								
Secured floating rate bank loans	3.19-4.46	2019	–	–	410,921	410,921	856,937	856,937

These bank loans were secured by corporate guarantees as follows:

Secured by	Loan amount ($)
Corporate guarantee provided by the Company on behalf of a subsidiary	$Nil (2018: $Nil; 1 July 2017: $433,332)
Corporate guarantee provided by a subsidiary on behalf of the Company	$Nil (2018: $410,921; 1 July 2017: $856,937)

At the reporting date, the Group and Company do not consider it probable that a claim will be made against these corporate guarantees. The financial guarantees were discharged by the bank in 2019.

The Group's and the Company's exposure to interest rates and liquidity risks are disclosed in Note 25.

14 FINANCE LEASE LIABILITIES

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

	2019 Principal	2019 Interest	2019 Future minimum lease payments	2018 Principal	2018 Interest	2018 Future minimum lease payments	1 July 2017 Principal	1 July 2017 Interest	1 July 2017 Future minimum lease payments
	$	$	$	$	$	$	$	$	$
Group									
Within one year	18,151	2,644	20,795	18,151	2,644	20,795	91,478	3,028	94,506
After one year but within five years	52,658	7,766	60,424	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
	70,809	10,410	81,219	88,960	13,054	102,014	180,438	16,082	196,520

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

14 FINANCE LEASE LIABILITIES (CONTINUED)

The Group leases certain plant and equipment from financial institutions under finance lease arrangements with lease term ranging from 5 to 7 years (2018: 5 to 7 years; 1 July 2017: 3 to 7 years). For the year ended 30 June 2019, the effective interest was 2.4% (2018: 2.4%; 1 July 2017: 2.5%) per annum. All leases are on a fixed repayment basis and no lease arrangements contain contingent rental payments. The finance lease arrangements have been secured by the Group's plant and equipment with carrying amount of $130,397 (2018: $152,107; 1 July 2017: $584,314).

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

	Asset	Equity	Liabilities			
	Restricted cash pledged	Reserves	Bank borrowings	Finance leases liabilities	Other payables	Total
	$	$	$	$	$	$
Group						
Balance at 1 July 2017	(18,000)	(589,999)	1,290,269	180,438	1,189,980	2,052,688
Changes from financing cash flows						
Repayments of finance lease liabilities	–	–	–	(91,478)	–	(91,478)
Repayments of bank borrowings	–	–	(879,348)	–	–	(879,348)
Interest paid	–	–	(30,449)	(3,044)	(4,400)	(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)	(909,797)	(94,522)	(4,400)	(1,125,659)
Other changes						
Interest expense	–	–	30,449	3,044	4,413	37,906
Changes in other payables	–	–	–	–	(475,376)	(475,376)
Total other changes	–	–	30,449	3,044	(470,963)	(437,470)
Balance at 30 June 2018	(45,587)	(679,352)	410,921	88,960	714,617	489,559

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

14 FINANCE LEASE LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities (Continued)

	Asset	Equity	Liabilities			
	Restricted cash/fixed deposits pledged	**Reserves**	**Bank borrowings**	**Finance leases liabilities**	**Other payables**	**Total**
	$	$	$	$	$	$
Group						
Balance at 1 July 2018	(45,587)	(679,352)	410,921	88,960	714,617	489,559
Changes from financing cash flows						
Repayments of finance lease liabilities	–	–	–	(18,151)	–	(18,151)
Repayments of bank borrowings	–	–	(410,921)	–	–	(410,921)
Interest paid	–	–	(9,150)	(2,644)	(12,765)	(24,559)
Increase in restricted cash	(1,453,244)	–	–	–	–	(1,453,244)
Total changes from financing cash flows	(1,453,244)	–	(420,071)	(20,795)	(12,765)	(1,906,875)
Other changes						
Interest expense	–	–	9,150	2,644	12,444	24,238
Changes in other payables	–	–	–	–	149,077	149,077
Total other changes	–	–	9,150	2,644	161,521	173,315
Balance at 30 June 2019	(1,498,831)	(679,352)	–	70,809	863,373	(1,244,001)

15 TRADE AND OTHER PAYABLES

	Group			Company		
	2019	**2018**	**1 July 2017**	**2019**	**2018**	**1 July 2017**
	$	$	$	$	$	$
Trade payables	1,584,993	1,793,151	1,403,471	–	–	–
Other payables	171,195	206,239	156,143	26,905	38,105	23,350
Amounts due to:						
– Subsidiary (non-trade)	–	–	–	–	6,240	4,947
– Related parties (non-trade)	428	52,227	27,465	–	51,799	24,520
Deferred purchase consideration payable	–	–	254,869	–	–	373,200
Accruals	691,750	456,151	751,503	190,547	191,010	375,046
Deposits received	–	–	–	37,800	37,800	37,800
	2,448,366	2,507,768	2,593,451	255,252	324,954	838,863

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

Deposits received from related parties are non-trade, unsecured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

16 REVENUE

	Group	
	2019	2018
	$	$
Revenue from contract customers	7,499,838	9,391,529
Rental income	1,482,766	1,482,766
	8,982,604	10,874,295

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of goods

Nature of goods or services	The Group sells and installs security equipments.
When revenue is recognised	Revenue is recognised at a point in time when goods are delivered and installed, and have been accepted by the customers.
Significant payment terms	Invoices are issued upon delivery of goods and are payable within 30-90 days.
Variable consideration	There is no right to return the goods. There are no variable considerations such as volume discounts and sales rebates provided to customers.

Maintenance services

Nature of goods or services	The Group provides maintenance services for security equipment.
When revenue is recognised	Revenue is recognised over time (i.e. over the course of the service).
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 to 90 days.
Variable consideration	There are no variable considerations such as volume discounts and sales rebates provided to customers.

Rental income

Rental income is recognised on a straight-line basis over the term of the lease arrangements based on SFRS(I) 1-17 *Leases*.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

16 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by geographical markets, major products and services lines and timings of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 22).

	Reportable Segment					
	Security solutions		Maintenance services		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Geographical markets						
Singapore	2,382,573	3,585,598	3,773,363	3,287,260	6,155,936	6,872,858
East Asia (1)	91,619	165,575	–	2,184	91,619	167,759
Indochina (2)	199,606	444,598	258,996	306,110	458,602	750,708
Rest of Southeast Asia (3)	–	562,033	793,681	1,038,171	793,681	1,600,204
Total	2,673,798	4,757,804	4,826,040	4,633,725	7,499,838	9,391,529
Major product/ service lines						
Sales of goods	2,673,798	4,757,804	–	–	2,673,798	4,757,804
Maintenance services	–	–	4,826,040	4,633,725	4,826,040	4,633,725
Total	2,673,798	4,757,804	4,826,040	4,633,725	7,499,838	9,391,529
Timing of revenue recognition						
At a point in time	2,673,798	4,757,804	–	–	2,673,798	4,757,804
Over time	–	–	4,826,040	4,633,725	4,826,040	4,633,725
	2,673,798	4,757,804	4,826,040	4,633,725	7,499,838	9,391,529

(1) Includes China, Hong Kong, and Japan.
(2) Includes Thailand and Vietnam.
(3) includes Indonesia, Brunei and Malaysia.

Contract balances

The following table provides information about trade receivables and contract balances from contracts with customers.

	2019	2018	1 July 2017
	$	$	$
Trade receivables	1,814,528	2,267,830	2,700,900
Contract assets	219,775	164,809	300,628
Contract costs	289,739	152,666	200,079
Contract liabilities	(2,393,484)	(367,878)	(574,314)

The contract assets mainly relate to the Group's rights to consideration for work completed but yet to be billed at reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

16 REVENUE (CONTINUED)

Contract balances (Continued)

The contract liabilities primarily relate to advance consideration received from customers. The Group exercises the practical expedient under SFRS(I) 15 not to adjust the transaction price for the effects of significant financing component, at contract inception, as it expects the period between customer payment and the transfer of goods to be within one year.

Significant changes in the contract assets and contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	–	(348,878)	(569,089)
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	2,374,484	362,653
Transfer from contract assets recognised at the beginning of the year to receivables	(164,293)	(300,628)	–	–
Recognition of revenue, net of recognised in receivables	219,259	164,809	–	–

Contract costs primarily relate to subcontractors costs incurred by the Group for the installation of equipments at customers' premise. Such costs are capitalised as fulfilment cost as the delivery and installation of equipment is satisfied at a point in time. These costs are expected to be recoverable and are amortised to the profit or loss when the related revenue is recognised.

In 2019,

- $210,311 (2018: $122,413) of fulfilment costs was recognised as contract costs; and
- $73,238 (2018: $169,826) was amortised and no impairment loss had been recognised.

Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

	Estimated based on expected project progress		
	Within the next 12 months	**Between 1 to 5 years**	**Total**
	$	**$**	**$**
Security solutions	5,923,323	3,929,963	9,853,286
Maintenance services	1,836,427	2,927,285	4,763,712
	7,759,750	6,857,248	14,616,998

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

16 REVENUE (CONTINUED)

Transaction price allocated to remaining performance obligation (Continued)

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

17 OTHER INCOME

	Group	
	2019	**2018**
	$	**$**
Government grants	51,162	71,519
Bad debts recovered	–	30,500
Write-back of inventories obsolescence, net	7,674	19,879
Other miscellaneous income	2,897	84,504
	61,733	206,402

18 NET FINANCE INCOME/(COSTS)

	Group	
	2019	**2018**
	$	**$**
Interest income from:		
– cash at banks	15,455	18,575
– unwinding of fair value discount	–	4,431
	15,455	23,006
Foreign exchange gain (net)	14,177	–
Finance income	29,632	23,006
Interest expense on:		
– trade financing facilities	(12,444)	(4,413)
– finance lease liabilities	(2,644)	(3,044)
– bank borrowings	(9,150)	(30,449)
	(24,238)	(37,906)
Foreign exchange loss (net)	–	(38,721)
Finance costs	(24,238)	(76,627)
Net finance income/(costs) recognised in profit or loss	5,394	(53,621)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

19 LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Note	Group 2019	Group 2018
		$	$
Directors' remuneration:			
– of the Company		446,554	446,599
– of subsidiaries		47,979	52,703
Directors' fees:			
– of the Company		245,216	245,216
– of subsidiaries		46,000	26,000
Total directors' remuneration		785,749	770,518
Employee benefits expense (inclusive of directors' remuneration):			
– Salaries and related expenses		3,410,166	3,288,528
– Defined contribution plans		415,219	380,365
Audit fees paid to:			
– auditors of the Company		115,000	115,000
– other member firms of KPMG International		8,000	8,000
Non-audit fees paid to:			
– auditors of the Company		18,200	17,000
– other auditors		23,833	22,000
Depreciation of plant and equipment	4	1,057,913	1,071,311
Plant and equipment written-off	4	480	3,788
Inventories written-off		369	696
Bad debts written-off		–	5,760
Operating lease expenses		223,583	218,010

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

20 TAX CREDIT

	Note	Group 2019	Group 2018
		$	$
Current tax credit			
Over provision in respect of prior years		(17,000)	(79,626)
		(17,000)	(79,626)
Deferred tax (credit)/expense			
Origination and reversal of temporary differences		(9,530)	(98,031)
Under provision in respect of prior years		–	153,210
	7	(9,530)	55,179
		(26,530)	(24,447)

Reconciliation of effective tax rate

	2019	2018
Loss before tax	(1,238,094)	(1,315,265)
Tax using the Singapore tax rate of 17% (2018: 17%)	(210,476)	(223,595)
Effect of tax rates in foreign jurisdiction	95	273
Non-deductible expenses	192,040	35,634
Non-taxable income	(32,337)	(34,525)
Tax exempt income	(1,172)	(3,363)
Tax losses for which deferred tax assets were not recognised	43,094	128,411
(Over)/Under provision in respect of prior years, net	(17,000)	73,584
Others	(774)	(866)
	(26,530)	(24,447)

21 LOSS PER SHARE

The calculation of the basic and fully diluted loss per share is based on the following:

	2019	2018
Loss for the year ($)	(1,211,564)	(1,290,818)
Weighted average number of ordinary shares	484,844,100	485,000,585
Loss per share – Basic and diluted (cents)	(0.25)	(0.27)

Weighted-average number of ordinary shares

	Group 2019	Group 2018
Issued ordinary shares at 1 June	484,844,100	486,000,000
Effect of purchase of own shares	–	(999,415)
Weighted-average number of ordinary shares during the year	484,844,100	485,000,585

The basic and diluted loss per share are the same for 2019 and 2018 as there were no dilutive instruments in issue as at 30 June 2019 and 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

22 SEGMENT REPORTING

Operating segments

For management purpose, the Group is organised into business units based on the products and services offered, and has two reportable operating segments as follows:

(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 leasing 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 maintenance services including preventive, corrective, comprehensive and ad-hoc maintenance services to the customers, respectively.

The Group's Chief Executive Officer (CEO) (the chief operating decision maker) monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group CEO. Segment operating profit 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	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Revenue from contracts with customers	2,673,798	4,757,804	4,826,040	4,633,725	7,499,838	9,391,529
Rental income	–	–	1,482,766	1,482,766	1,482,766	1,482,766
External revenue	2,673,798	4,757,804	6,308,806	6,116,491	8,982,604	10,874,295
Inter-segment revenue	356,445	97,631	233,050	237,615	589,495	335,246
Other income	90	32,574	–	59,132	90	91,706
Interest income	–	4,431	–	–	–	4,431
Interest expense	(14,906)	(2,462)	–	–	(14,906)	(2,462)
Depreciation of plant and equipment	–	–	(766,566)	(760,301)	(766,566)	(760,301)
Impairment (loss)/reversal on trade receivables and contract assets, net	(325,532)	(1,078,885)	1,493	(2,426)	(324,039)	(1,081,311)
Reportable segment operating profit	336,729	271,713	3,812,224	3,596,086	4,148,953	3,867,799
Reportable segment assets	5,030,105	2,533,678	3,090,368	3,914,798	8,120,473	6,448,476
Reportable segment liabilities	(3,455,470)	(1,497,219)	(603,337)	(451,693)	(4,058,807)	(1,948,912)
Capital expenditure	–	–	–	(37,391)	–	(37,391)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

22 SEGMENT REPORTING (CONTINUED)

Information about reportable segments (Continued)

Segment operating 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 Group CEO for the purposes of resource allocation and assessment of segment performance.

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

	2019	2018
	$	$
Revenues		
Total revenue for reportable segments	9,572,099	11,209,541
Elimination of inter-segment revenue	(589,495)	(335,246)
Consolidated revenue	8,982,604	10,874,295
Profit or loss		
Operating profit for reportable segments	4,148,953	3,867,799
Elimination of inter-segment profits	(546)	(12,725)
Unallocated amounts:		
– Other income	61,643	114,696
– Administrative expenses	(5,455,004)	(5,216,087)
– Other expenses	(13,440)	(13,358)
– Net finance income/(costs)	20,300	(55,590)
Consolidated loss before tax	(1,238,094)	(1,315,265)
Assets		
Total assets for reportable segments	8,120,473	6,448,476
Unallocated amounts:		
– Plant and equipment	636,461	874,662
– Cash and cash equivalents	2,370,299	3,582,866
– Others	338,320	243,511
Consolidated total assets	11,465,553	11,149,515
Liabilities		
Total liabilities for reportable segments	(4,058,807)	(1,948,912)
Unallocated amounts:		
– Bank borrowings	–	(410,921)
– Finance lease liabilities	(70,809)	(88,960)
– Other payables	(783,043)	(926,734)
– Deferred tax liabilities	(5,874)	(15,404)
Consolidated total liabilities	(4,918,533)	(3,390,931)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

22 SEGMENT REPORTING (CONTINUED)

Other material items

	Reportable segment	Unallocated amounts	Consolidated
	$	$	$
2019			
Other income	90	61,643	61,733
Interest income	–	15,455	15,455
Interest expense	(14,906)	(9,332)	(24,238)
Depreciation of plant and equipment	(766,566)	(291,347)	(1,057,913)
Impairment loss on trade receivables and contract assets, net	(324,039)	–	(324,039)
Capital expenditure	–	(53,626)	(53,626)
2018			
Other income	91,706	114,696	206,402
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)
Impairment loss on trade receivables and contract assets, net	(1,081,311)	–	(1,081,311)
Capital expenditure	(37,391)	(89,871)	(127,262)

Geographical information

The Security Solutions and Maintenance and Leasing segments are managed and operate primarily 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 non-current assets are based on the geographical location of the assets.

	2019	2018
	$	$
Revenue		
Singapore	7,638,703	8,388,591
East Asia [(1)]	91,619	167,759
Indochina [(2)]	458,602	750,708
Rest of Southeast Asia [(3)]	793,680	1,567,237
Consolidated revenue	8,982,604	10,874,295
Non-current assets [(4)]		
Singapore	2,192,290	3,197,057

(1) Includes China, Hong Kong and Japan.

(2) Includes Thailand and Vietnam.

(3) Includes Indonesia, Brunei and Malaysia.

(4) Non-current assets presented consist of plant and equipment and other investment.

Major customers

Revenue from two (2018: two) customers of the Group collectively represents 45.9% (2018: 36.4%) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

23 COMMITMENTS

Operating lease income commitments – As lessor

The Group leases out its alert alarm systems under cancellable operating lease arrangements for a period of 7 years. At the end of the reporting period, the Group's future minimum lease income receivables are as follows:

	Group	
	2019	2018
	$	$
Within one year	1,134,967	1,480,776
Between one and five years	1,753,449	2,929,483
	2,888,416	4,410,259

The lease terms are negotiated on fixed terms till the expiry of the lease. There are no renewal option and no contingent rent arrangement. During the year, $1,482,766 (2018: $1,482,766) was recognised as rental income in profit or loss by the Group.

Operating lease expense commitments – 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 for future minimum lease payments in respect of non-cancellable operating lease as follows:

	Group	
	2019	2018
	$	$
Within one year	166,020	217,860
Between one and five years	7,360	165,875
	173,380	383,735

The leases typically run for an average term of two years. Rentals are fixed for duration of the lease and none of the leases includes contingent rental.

Contingent liabilities (unsecured)

	Group	
	2019	2018
	$	$
In respect of performance guarantee issued by a subsidiary in favour of the subsidiary's customer	350,694	–

The Group assessed that the probability of an outflow of economic benefits arising from the outstanding guarantee is low.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

24 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes the following critical accounting policies involved judgements and estimates used in the preparation of the financial statements.

Valuation of trade receivables and contract assets

Trade receivables and contract assets balances are subjected to the expected credit loss model. Measurement of ECLs allowance for trade receivables and key assumptions in determining the expected loss rate is disclosed in Note 25.

The Group evaluates whether there is any objective evidence that trade receivables and contract assets are impaired, and determine the amount of impairment loss as a result of the debtor's inability to make the required payments. The Group determines their estimates based on the ageing of the trade receivables balance, credit quality of the debtors and historical write-off experience. If, however, the financial conditions of the trade receivables were to deteriorate, actual write-offs would be higher than estimated.

Valuation of plant and equipment

The Group assess at each reporting period whether there are any indicators of impairment for plant and equipment. In performing its assessment, the Group 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 assets or cash-generating unit and choose a suitable discount rate and growth rate in order to compute the present value of those cash flows. The estimation of future cash flows requires judgement and the computed recoverable amount could change significantly if actual market conditions deviates from management's judgement.

Valuation of inventories

The Group's inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs 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.

NOTES TO THE FINANCIAL STATEMENTS

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25 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

Risk management is integral to the whole business of the Group. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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, and arises principally from the Group's trade and other receivables, contract assets and cash and cash equivalents. The Company's exposure to credit risk arises primarily from loan to subsidiary, trade and other receivables, contract assets and cash and cash equivalents.

The carrying amounts of financial assets in the statement of financial position represent the Group's maximum exposures to credit risk, before taking into account any collateral held. The Group does not hold any collateral in respect of their financial assets.

Impairment losses on financial assets recognised in profit or loss were as follows:

	Group	
	2019	**2018**
	$	**$**
Impairment loss on trade receivables and contract assets arising from contract with customers	324,039	1,081,311

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, performing credit risk assessment for new customers and regular monitoring of customers' financial standing.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade and other receivables for which no loss allowance is recognised because of collateral.

Exposure to credit risk profile

The Group monitors credit risk by the country and industry sector exposures for its trade receivables and contract assets. The credit risk concentration profile of the Group's trade receivables and contract assets at the respective reporting dates are as follows:

	Group		
	2019	**2018**	**1 July 2017**
	$	**$**	**$**
By country			
Singapore	2,033,965	2,231,991	1,139,866
Indonesia	–	–	1,663,487
Malaysia	–	198,424	195,850
Brunei	–	–	2,325
Hong Kong	338	2,224	–
	2,034,303	2,432,639	3,001,528
By business segment			
Sale of goods	1,313,171	1,740,745	2,239,033
Maintenance services	589,097	559,859	630,460
Rental	132,035	132,035	132,035
	2,034,303	2,432,639	3,001,528

A summary of the Group's exposure to credit risk for trade receivables and contract assets are as follows:

	Group			
	2019			
	Not credit-impaired	**Credit-impaired**	**2018**	**1 July 2017**
	$	**$**	**$**	**$**
Customer within:				
Two or more years trading history with the Group	1,374,335	4,182,110	5,207,820	5,484,195
Less than two years trading history with the Group	803,090	–	1,262,751	515,229
Total gross carrying amount	2,177,425	4,182,110	6,470,571	5,999,424
Loss allowance	(143,122)	(4,182,110)	(4,037,932)	(2,997,896)
	2,034,303	–	2,432,639	3,001,528

As at year end, the Group has concentration of credit risk on 5 (2018: 6; 1 July 2017: 5) customers, which accounted for 36.4% (2018: 56.6%; 1 July 2017: 65.1%) of the total trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Comparative information under FRS 39

An analysis of the credit quality of trade receivables and contract assets that were not impaired is as follows:

	Gross 2018	Impairment loss 2018	Gross 1 July 2017	Impairment loss 1 July 2017
	$	$	$	$
Group				
Not past due	1,890,326	–	1,168,995	–
Past due 0 to 30 days	411,833	–	82,584	–
Past due 31 to 90 days	72,589	–	31,309	–
Past due 91 to 180 days	55,465	–	1,718,640	–
More than 180 days past due	4,040,358	(4,037,932)	2,997,896	(2,997,896)
	6,470,571	(4,037,932)	5,999,424	(2,997,896)

Expected credit loss assessment as at 1 July 2018 and 30 June 2019

The Group identified trade receivables and contract assets that are credit-impaired and for which default event(s) has occurred. For such receivables, the Group assessed specifically the probability of recovery to the trade receivables and contract assets balances and recognised the difference as impairment loss.

The Group uses an allowance matrix to measure the ECLs for the remaining of trade receivables and contract assets which comprises a large customer base with small balances and which are not credit impaired. The loss rates applied to the allowance matrix are calculated based on historical credit loss experience in the past 3 years. The Group assessed that the past credit loss experience adequately reflect the credit risk exposure of the Group.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 30 June 2019:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
	%	$	$
Group			
Credit impaired receivables	100	4,182,110	(4,182,110)
Remaining receivables:			
– Not past due	0.1	1,184,468	(1,747)
– Past due 0 – 30 days	0.5	52,791	(267)
– Past due 31 – 90 days	0.8	538,098	(4,395)
– Past due 91 to 180 days	4.9	129,321	(6,374)
– Past due more than 180 days	47.8	272,747	(130,339)
		6,359,535	(4,325,232)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment losses in respect of trade receivables and contract assets during the year was as follows:

	Group Individual impairment
	$
At 1 July 2017 per FRS 39	2,997,896
Impairment loss recognised, net	1,081,311
Impairment utilised	(5,479)
Effect of movement in exchange rates	(35,796)
At 30 June 2018 per FRS 39	4,037,932

	Group Lifetime ECLs
	$
At 1 July 2018 per FRS 39	4,037,932
Adjustment on initial application of SFRS(I) 9	–
At 1 July 2018 per SFRS(I) 9	4,037,932
Impairment loss recognised	324,039
Effect of movement in exchange rates	(36,739)
At 30 June 2019 per SFRS(I) 9	4,325,232

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $3,869,130 and $122,106 respectively at 30 June 2019 (2018: $3,582,866 and $257,731; 1 July 2017: $4,905,677 and $946,353, respectively). The cash and cash equivalents are held with bank, which are rated AA1 to A3 based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Other receivables and deposits

Other receivables and deposits are short-term in nature. Impairment on other receivables and deposits have been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its other receivables and deposits to have low credit risk and the amount of the allowance on other receivables and deposits is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Non-trade amount due from subsidiaries and loan to subsidiary

The Company held receivables from its subsidiaries of $2,702,829 (2018: $3,261,832; 1 July 2017: $2,415,614) and loan to subsidiary of $1,545,000 (2018: $1,508,400; 1 July 2017: $2,968,400). These balances are amounts extended to subsidiaries to satisfy short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

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.

Exposure to liquidity risk

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

			Cash Flows			
	Note	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**Within 2 to 5 years**	**More than 5 years**
		$	**$**	**$**	**$**	**$**
Group						
30 June 2019						
Non-derivative financial liabilities						
Trade and other payables	15	2,448,366	2,448,366	2,448,366	–	–
Finance lease liabilities	14	70,809	81,219	20,795	60,424	–
		2,519,175	2,529,585	2,469,161	60,424	–
30 June 2018						
Non-derivative financial liabilities						
Trade and other payables	15	2,507,768	2,507,768	2,507,768	–	–
Finance lease liabilities	14	88,960	102,014	20,795	73,143	8,076
Bank borrowings	13	410,921	427,042	427,042	–	–
		3,007,649	3,036,824	2,955,605	73,143	8,076

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

			Cash Flows			
	Note	Carrying amount	Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
		$	$	$	$	$
Company						
30 June 2019						
Non-derivative financial liabilities						
Other payables [1]	15	217,452	217,452	217,452	–	–
		217,452	217,452	217,452	–	–
30 June 2018						
Non-derivative financial liabilities						
Other payables [1]	15	287,154	287,154	287,154	–	–
Bank borrowings	13	410,921	427,042	427,042	–	–
		698,075	714,196	714,196	–	–

[1] Excludes deposits received.

The maturity analysis above show the contractual undiscounted cash flows of the Group's and the Company's financial liabilities on the basis of their earliest possible contracted maturity.

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 and Company'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 and Company 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

Exposure to foreign currency risk

At the reporting date, the Group's and the Company's exposure to foreign currency, other than the respective functional currencies of the Group's entities, is as follows:

	Group			Company		
	2019 USD	2018 USD	1 July 2017 USD	2019 USD	2018 USD	1 July 2017 USD
	$	$	$	$	$	$
Cash and cash equivalents	343,242	1,301,233	2,011,203	20,475	20,634	20,829
Trade and other receivables	338	200,648	1,664,320	–	–	–
Trade and other payables	(805,079)	(376,360)	(1,075,878)	–	–	–
Net exposure	(461,499)	1,125,521	2,599,645	20,475	20,634	20,829

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the USD at reporting date would have (increased) decreased the loss before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2018 as indicated below.

	Group Loss before tax	Company Loss before tax
	$	$
30 June 2019		
USD	46,150	(2,048)
30 June 2018		
USD	(112,552)	(2,063)
1 July 2017		
USD	(259,965)	(2,083)

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

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate 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 Carrying amount			Company Carrying amount		
	2019	2018	1 July 2017	2019	2018	1 July 2017
	$	$	$	$	$	$
Fixed rate instruments						
Finance lease liabilities	70,809	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 liabilities at fair value through profit or loss. Therefore, 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 loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (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 debt to total equity ratio at the reporting date was as follows:

	2019	2018	1 July 2017
	$	$	$
Total liabilities	4,918,533	3,390,931	4,731,688
Less: Cash and cash equivalents	3,869,130	3,582,866	4,905,677
Net debt/(cash)	1,049,403	(191,935)	(173,989)
Equity attributable to owners of the Company	6,547,020	7,758,584	9,138,755
Net debt/(cash) to equity ratio	0.16	(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.

Measurement of fair values

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 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Measurement of fair values (Continued)

The following methods and assumptions are used to estimate the fair values of the following significant class of financial instruments:

Type of financial instruments	Valuation method
Cash and cash equivalents and short-term receivables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
Short-term borrowings and other current payables	
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	Estimated based on the expected cash flows discounted to present value, at an average market rate of 3.27% as at 1 July 2017. In FY2018, the receivable had been reclassified to `current assets' and its carrying amount approximates its fair value.

Accounting classifications and fair values

The fair values of financial assets and financial liabilities together with the carrying amounts shown in the statements of financial position, including their fair value hierarchy are as follows:

	Note	Carrying amount Amortised cost	 Other financial liabilities	 Total carrying amount
		$	$	$
Group				
30 June 2019				
Financial assets not measured at fair value				
Trade and other receivables ^	8	2,442,135	–	2,442,135
Cash and cash equivalents	11	3,869,130	–	3,869,130
		6,311,265	–	6,311,265
Financial liabilities not measured at fair value				
Trade and other payables	15	–	2,448,366	2,448,366
Finance lease liabilities	14	–	70,809	70,809
		–	2,519,175	2,519,175

^ Excludes prepayments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values (Continued)

		Carrying amount			Fair value
	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Level 3
		$	$	$	$
Group					
30 June 2018					
Financial assets not measured at fair value					
Trade and other receivables ^	8	2,541,239	–	2,541,239	193,963
Cash and cash equivalents	11	3,582,866	–	3,582,866	
		6,124,105	–	6,124,105	
Financial liabilities not measured at fair value					
Trade and other payables	15	–	2,507,768	2,507,768	
Finance lease liabilities	14	–	88,960	88,960	
Bank borrowings	13	–	410,921	410,921	
		–	3,007,649	3,007,649	
1 July 2017					
Financial assets not measured at fair value					
Trade and other receivables ^	8	3,028,615	–	3,028,615	191,185
Cash and cash equivalents	11	4,905,677	–	4,905,677	
		7,934,292	–	7,934,292	
Financial liabilities not measured at fair value					
Trade and other payables	15	–	2,593,451	2,593,451	
Finance lease liabilities	14	–	180,438	180,438	
Bank borrowings	13	–	1,290,269	1,290,269	
		–	4,064,158	4,064,158	

^ Excludes prepayments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values (Continued)

	Note	Carrying amount		
		Amortised cost	Other financial liabilities	Total carrying amount
		$	$	$
Company				
30 June 2019				
Financial assets not measured at fair value				
Other receivables ^	8	2,740,344	–	2,740,344
Loan to subsidiary	10	1,545,000	–	1,545,000
Cash and cash equivalents	11	122,106	–	122,106
		4,407,450	–	4,407,450
Financial liabilities not measured at fair value				
Other payables ~	15	–	217,452	217,452
		–	217,452	217,452

	Note	Carrying amount		
		Loans and receivables	Other financial liabilities	Total carrying amount
		$	$	$
Company				
30 June 2018				
Financial assets not measured at fair value				
Other receivables ^	8	3,229,406	–	3,229,406
Loan to subsidiary	10	1,508,400	–	1,508,400
Cash and cash equivalents	11	257,731	–	257,731
		4,995,537	–	4,995,537
Financial liabilities not measured at fair value				
Other payables ~	15	–	287,154	287,154
Bank borrowings	13	–	410,921	410,921
		–	698,075	698,075
1 July 2017				
Financial assets not measured at fair value				
Other receivables ^	8	2,454,853	–	2,454,853
Loan to subsidiary	10	2,968,400	–	2,968,400
Cash and cash equivalents	11	946,353	–	946,353
		6,369,606	–	6,369,606
Financial liabilities not measured at fair value				
Other payables ~	15	–	801,063	801,063
Bank borrowings	13	–	856,937	856,937
		–	1,658,000	1,658,000

^ Excludes prepayments.

~ Excludes deposits received.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

26 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.

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and senior management are considered as key management personnel of the Group.

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

	Group	
	2019	**2018**
	$	**$**
Short-term employee benefits	1,281,453	1,292,584
Post-employment benefits (including contribution to defined contribution plan)	65,379	76,518
Total key management personnel compensation	1,346,832	1,369,102

Other related party transactions

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

	Group	
	2019	**2018**
	$	**$**
Related parties		
Sales	(3,642)	(610)
Accounting and administrative services	75,156	69,168
Rental expenses	216,000	216,000
Recharge of expenses	11,152	9,509

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

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.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied 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* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial statements is detailed below.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 15 on the Group's financial positions as at 1 July 2017, 30 June 2018 and 1 July 2018. There were no material adjustments to the Group's statement of comprehensive income and statement of cash flows for the year ended 30 June 2018 and the Company's statements of financial position as at 1 July 2017, 30 June 2018 and 1 July 2018 arising on the transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position

	30 June 2018		
	FRS framework	SFRS(I) 15	SFRS(I) framework
	$	$	$
Assets			
Plant and equipment	3,189,452	–	3,189,452
Other investment	7,605	–	7,605
Non-current assets	3,197,057	–	3,197,057
Inventories	1,036,746	153,518	1,190,264
Trade and other receivables	3,332,846	(470,993)	2,861,853
Contract costs	–	152,666	152,666
Contract assets	–	164,809	164,809
Cash and cash equivalents	3,582,866	–	3,582,866
Current assets	7,952,458	–	7,952,458
Total assets	11,149,515	–	11,149,515
Equity			
Share capital	9,405,906	–	9,405,906
Reserves	(679,352)	–	(679,352)
Accumulated losses	(967,970)	–	(967,970)
Equity attributable to owners of the Company	7,758,584	–	7,758,584
Liabilities			
Finance lease liabilities	70,809	–	70,809
Deferred tax liabilities	15,404	–	15,404
Non-current liabilities	86,213	–	86,213
Bank borrowings	410,921	–	410,921
Trade and other payables	2,875,646	(367,878)	2,507,768
Contract liabilities	–	367,878	367,878
Finance lease liabilities	18,151	–	18,151
Current liabilities	3,304,718	–	3,304,718
Total liabilities	3,390,931	–	3,390,931
Total equity and liabilities	11,149,515	–	11,149,515

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position (Continued)

	1 July 2017		
	FRS framework	SFRS(I) 15	SFRS(I) framework
	$	$	$
Assets			
Plant and equipment	4,138,365	–	4,138,365
Other investment	6,000	–	6,000
Deferred tax assets	39,775	–	39,775
Trade and other receivables	195,850	–	195,850
Non-current assets	4,379,990	–	4,379,990
Inventories	862,578	56,512	919,090
Trade and other receivables	3,722,198	(557,219)	3,164,979
Contract costs	–	200,079	200,079
Contract assets	–	300,628	300,628
Cash and cash equivalents	4,905,677	–	4,905,677
Current assets	9,490,453	–	9,490,453
Total assets	13,870,443	–	13,870,443
Equity			
Share capital	9,405,906	–	9,405,906
Reserves	(589,999)	–	(589,999)
Accumulated losses	322,848	–	322,848
Equity attributable to owners of the Company	9,138,755	–	9,138,755
Liabilities			
Bank borrowings	387,009	–	387,009
Finance lease liabilities	88,960	–	88,960
Non-current liabilities	475,969	–	475,969
Bank borrowings	903,260	–	903,260
Trade and other payables	3,167,765	(574,314)	2,593,451
Contract liabilities	–	574,314	574,314
Finance lease liabilities	91,478	–	91,478
Income tax payable	93,216	–	93,216
Current liabilities	4,255,719	–	4,255,719
Total liabilities	4,731,688	–	4,731,688
Total equity and liabilities	13,870,443	–	13,870,443

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 1

In adopting SFRS(I) in 2019, the Group has applied the transition requirements in SFRS(I) 1 with 1 July 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 30 June 2019 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not 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 specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2018 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I) 1.

- Completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 July 2017 are not restated.

- For the year ended 30 June 2018, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The adoption of SFRS(I) 15 did not have any significant impact on the financial statements.

Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

	30 June 2018	1 July 2017
	$	$
Consolidated statement of financial position		
Increase in inventories	153,518	56,512
Decrease in trade and other receivables	(470,993)	(557,219)
Increase in contract costs	152,666	200,079
Increase in contract assets	164,809	300,628
Decrease in trade and other payables	(367,878)	(574,314)
Increase in contract liabilities	367,878	574,314

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9

SFRS(I) 9 sets out requirements for recognising and measuring financial assets and financial liabilities. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 July 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences (if any) in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated (losses)/profits and reserves as at 1 July 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

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

The following assessments were 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; and
- The determination of whether the 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 impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories measured at amortised cost or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, refer to Note 3.3.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

Classification of financial assets and financial liabilities (Continued)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 July 2018.

			1 July 2018	
	Classification under FRS 39	**Classification under SFRS(I) 9**	**Carrying amount under FRS 39**	**Carrying amount under SFRS(I) 9**
			$	**$**
Group				
Financial assets				
Trade and other receivables *	Loans and receivables	Amortised cost	2,541,239	2,541,239
Cash and cash equivalents	Loans and receivables	Amortised cost	3,582,866	3,582,866
Total financial assets			6,124,105	6,124,105
Company				
Financial assets				
Trade and other receivables *	Loans and receivables	Amortised cost	3,299,406	3,299,406
Cash and cash equivalents	Loans and receivables	Amortised cost	257,731	257,731
Total financial assets			3,557,137	3,557,137

* Excluding prepayments

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, but not to equity investments.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately disclosed in the statement of comprehensive income. As a result, the Company reclassified impairment loss amounting to $1,081,311, recognised under FRS 39, from "other operating expenses" to "impairment loss on trade and other receivables" in the consolidated statement of comprehensive income for the year ended 30 June 2018.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Company measures the allowance for impairment and the impact of the new impairment model on the financial statement is described in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

28 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to 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)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

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's assessment of SFRS(I) 16 and its impact on the Group as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

28 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16 (Continued)

The Group and the Company plan to apply SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated (losses)/profits at 1 July 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group as lessee

The Group has entered into the lease agreement for rental of office and foreign workers accommodation.

The lease rental of office and all other lease agreement were signed for a period of 12 months with no renewal options. Applying the exemption for short-term leases, there is no right-of-use asset and lease liability being disclosed. The lease rental will be charged out to the statement of profit or loss as and when incurred.

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, and to account for this type of lease using the existing operating lease accounting model.

Based on the information currently available, no significant impact on the financial statements is expected for the Group's activity as a lessor. However, additional disclosures might be required when the Group adopts the new standard.

29 SUBSEQUENT EVENT

On 8 July 2019, the Group completed the strike-off process of its wholly-owned subsidiary, AVAC Systems Pte. Ltd.. The strike-off of the subsidiary does not have a significant impact to the Group's financial statements.

STATISTICS OF SHAREHOLDINGS

As at 23 September 2019

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	9	1.69	5,300	0.00
1,001 – 10,000	88	16.54	572,900	0.12
10,001 – 1,000,000	407	76.51	48,099,900	9.92
1,000,001 AND ABOVE	28	5.26	436,166,000	89.96
TOTAL	**532**	**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	38,000,000	7.84
4	DBS NOMINEES PTE LTD	21,199,600	4.37
5	OCBC SECURITIES PRIVATE LIMITED	14,220,900	2.93
6	RAMESH S/O PRITAMDAS CHANDIRAMANI	6,800,000	1.40
7	UOB KAY HIAN PRIVATE LIMITED	4,500,900	0.93
8	LIM KOK LENG	3,500,000	0.72
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,478,100	0.72
10	PHILLIP SECURITIES PTE LTD	3,256,500	0.67
11	LOW SOW KUAN	3,175,700	0.65
12	LEE SIEW HAN	3,075,000	0.63
13	LOW SAU CHAN	2,700,000	0.56
14	RAFFLES NOMINEES (PTE) LIMITED	2,476,200	0.51
15	SIM YONG MUI	2,276,000	0.47
16	GAN SUAT LUI	2,264,000	0.47
17	CITIBANK NOMINEES SINGAPORE PTE LTD	2,000,000	0.41
18	TRUGEM CAPITAL PTE LTD	1,836,200	0.38
19	PEH KIAM CHOON	1,822,300	0.38
20	LIM CHIN HENG	1,320,000	0.27
	TOTAL	**426,806,400**	**88.02**

STATISTICS OF SHAREHOLDINGS

As at 23 September 2019

SUBSTANTIAL SHAREHOLDERS AS AT 23 SEPTEMBER 2019

(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	38,000,000	7.84	–	–

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 23 September 2019, 28.19% 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 Company's 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 Tuesday, 22 October 2019 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 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$205,216 for the financial year ending 30 June 2020, payable quarterly in arrears. (2019: S$245,216) **(Resolution 2)**

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

   Regulation 91

   Mr. Chan Tien Lok **(Resolution 3)**

   Mr. Joseph Tan Peng Chin **(Resolution 4)**

   [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 5)**

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,

   ("**Share Issue Mandate**")

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED ALWAYS that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100.0%) of the total number of issued Shares (excluding treasury shares 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 6)**

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 7)**

NOTICE OF ANNUAL GENERAL MEETING

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 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 8)**

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;

NOTICE OF ANNUAL GENERAL MEETING

"**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 9)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 4 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

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

Please refer to pages 53 to 60 of the Annual Report for the detailed information for Mr. Chan Tien Lok and Mr. Joseph Tan Peng Chin required pursuant to Rule 720(5) of the Catalist Rules.

(ii) Resolution 6 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 7 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.

(iv) 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 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 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, 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.

NOTICE OF ANNUAL GENERAL MEETING

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.

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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 (the "**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 Tuesday, 22 October 2019 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 2019		
2	Approval of Directors' fees amounting to S$205,216 for the financial year ending 30 June 2020, payable quarterly in arrears.		
3	Re-election of Mr. Chan Tien Lok as a Director		
4	Re-election of Mr. Joseph Tan Peng Chin as a Director		
5	Re-appointment of Messrs KPMG LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Businesses			
6	Authority to allot and issue shares		
7	Authority to issue shares under the IPS Securex Employee Share Option		
8	Authority to issue shares under the IPS Securex Performance Share Plan		
9	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 ______________ 2019

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 authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. 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 authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore, 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 4 October 2019.

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