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*This 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.*

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# 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, “Group”) was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX”) in 2014 and has established itself as one of Singapore’s leading providers of security products and integrated security solutions to commercial entities and government bodies and agencies in the Asia-Pacific.

Since 2000, the Group has been providing a diverse base of customers with security products and integrated security solutions which are deployed to address various security requirements including checkpoint security, law enforcement and the protection and surveillance of buildings and critical infrastructure. The Group carries over 100 types of security products with distribution rights for certain of these products spanning coverage of 10 countries in 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

The Group's position as a one-stop premier security solutions provider in the Asia-Pacific allows us to provide customers countermeasure solutions to tackle these rising threats by offering early detection and prevention to meet their security infrastructure needs.

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am delighted to present the inaugural annual report of IPS Securex Holdings Limited ("IPS Securex" and together with its subsidiaries, the "Group") for the financial year ended 30 June 2014 ("FY2014").

### INITIAL PUBLIC OFFERING

The year 2014 has been a significant milestone for IPS Securex. The listing on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX") on 30 June 2014 was a defining moment, connecting us to the broader investment community. The strong response for the Initial

Public Offering ("IPO") served as an endorsement from the shareholders in our business as a leading provider of security products and integrated security solutions. The IPO raised net proceeds of approximately S\$2.7 million which has been utilised for the business expansion and working capital.

### GROWTH OF SECURITY INDUSTRY

In the words of Sun Tzu: *"In crisis, there is also opportunity"*, and the opportunities abound for IPS Securex.

The threat of terrorism is very much alive today and no country is spared, if you look at the impact of

the Islamic State of Iraq and Syria ("ISIS"), which has emerged as one of the most dangerous terrorist groups. Coupled with recent tensions globally in Thailand and the South China Sea, as well as the riots in Little India in Singapore, security has been a top priority for governments around the world. This has driven many governments to increase their defence budgets and improve their security infrastructures in order to ensure the security and safety of their citizens.

The Group's position as a one-stop premier security solutions provider in





the Asia-Pacific allows us to provide customers countermeasure solutions to tackle these rising threats by offering early detection and prevention to meet their security infrastructure needs.

#### **BUSINESS DEVELOPMENTS**

IPS Securex is constantly kept abreast of the latest technologies and systems to help customers monitor and react to changing security situations. We have provided a suite of security products such as the Hyperspike Acoustic Hailing Systems to customers in various parts of the Asia-Pacific. In addition, we have offered security infrastructure solutions to commercial entities such as the Housing and Development Board (“HDB”), the Singapore Institute of Technology (“SIT”) and polytechnics in Singapore, and have provided consultancy for the design of airport security in Ethiopia.

#### **LOOKING AHEAD**

Currently, we have two business segments, the (i) Security Solutions Business; and (ii) Maintenance and Leasing Business. The Group is looking to build up the Maintenance and Leasing Business, broaden the range of security products and integrated security solutions, and undertake larger projects while increasing the customer base geographically beyond Singapore. We are also actively considering to develop a new business segment by entering into co-manufacturing arrangements with our major suppliers. The Group’s expansion plans would also potentially involve acquisitions, joint ventures or strategic alliances with potential candidates to grant us access to newer markets and customers. We have shared these plans in the IPO offer document and will announce more details at the appropriate juncture as and when these plans are more firm.

#### **IN APPRECIATION**

In closing and on behalf of the Board, we would like to take this opportunity to express our appreciation to the management and staff for their dedication and support to the Group, as well as the professional parties involved in the successful listing of IPS Securex.

Last, but not least, we would like to thank our shareholders who saw the value in us and gave us their support. I look forward to an exciting year ahead as more investors uncover and better understand the value that we bring as a premier security solutions provider.

**CHAN TIEN LOK**  
NON-EXECUTIVE CHAIRMAN



## CEO'S STATEMENT

Excluding one-off IPO expenses and share based payments relating to a charge on the fair value of the Company's shares as part of the restructuring exercise undertaken by the Group prior to the IPO of approximately S\$1.1 million and S\$0.2 million, respectively, we would have experienced a growth of 41% in net profit to S\$2.4 million instead of S\$1.1 million for FY2014.

### Dear Shareholders,

On behalf of the Board and Management, I am pleased to present IPS Securex's FY2014 business review.

FY2014 proved to be a good year for IPS Securex operationally. Excluding one-off IPO expenses and share based payments relating to a charge on the fair value of the Company's shares as part of the restructuring exercise undertaken by the Group prior to the IPO of approximately S\$1.1 million and S\$0.2 million, respectively, we would have experienced a growth of 41% in net profit to S\$2.4 million instead of S\$1.1 million for FY2014. We also registered significant growth in revenue for both Security Solutions and Maintenance and Leasing Businesses, while gross profit and gross profit margins also increased mainly due to higher margins from the sales of security products. Our best selling product, the Acoustic Hailing System, saw an increase in demand from customers in Malaysia, Indonesia and Singapore as compared to FY2013. As at the date of this Annual Report, our outstanding order book is S\$24.5 million.

During the year, we won numerous projects for Security Solutions and Maintenance and Leasing Businesses. We were recently awarded a contract worth approximately S\$4.5 million by

HDB for the installation, leasing and maintenance of Alert Alarm System ("AAS") for several blocks of residential housing across Singapore. The AAS is for the elderly's use during an emergency. This is the third AAS contract that HDB has awarded to the Group, the first being in September 2011 and the second in February 2014 with contract values of approximately S\$2.6 million and S\$3.7 million, respectively. This third HDB contract is an affirmation of the efficacy of the AAS solutions and further contributes to the Maintenance and Leasing Business, which provides us with a source of recurring income.

The SIT project ("SIT Project") for the supply of surveillance and monitoring systems to Honeywell Pte Ltd. for installation on the grounds of SIT and all the five polytechnics in Singapore that began in 2012 has also been successfully completed in FY2014, contributing to the revenue growth in the Security Solutions Business for FY2014.

To increase the Group's presence in the Brunei market, we incorporated IPS Securex (B) Sdn Bhd ("IPS Brunei") in the second half of 2013. IPS Brunei was set up for the purpose of engaging in the distribution, installation and commissioning of security products and integrated security solutions and

provision of maintenance support and leasing services.

### OTHER HIGHLIGHTS

We bagged the first contract with SMRT Trains Ltd, a wholly-owned subsidiary of SMRT Corporation Ltd, worth approximately S\$1.8 million for the supply, fabrication, installation, testing and commissioning of closed-circuit television ("CCTV") systems at 54 mass rapid transit stations in Singapore. The contract will cover approximately half of the train stations in Singapore's mass rapid transit network and commenced on 24 July 2014, with completion expected to be by 1 October 2015.

The Group is now the authorised distributor of the PepperBall Technologies brand of products and services within Vietnam, Indonesia, Malaysia and Cambodia. We supply Pepperball Technologies Inc.'s non-lethal PAVA ("Pelargonic Acid Vanillylamide")-based launchers and projectiles, which seeks to address crowd control problems and provide non-lethal countermeasure solutions. The distribution of PepperBall products and services is expected to contribute positively to the financial performance for the financial year ending 30 June 2015 ("FY2015").

In September 2014, the Group signed two Memorandums of Understanding (“MOU”) with Ultra Electronics Undersea Sensor System, Inc. (“USSI”). Currently, we have an existing reseller agreement with USSI to market and distribute their HyperSpike line of Acoustic Hailing Devices (“HyperSpike AHD”) in Singapore, Sri Lanka, Brunei Darussalam, Indonesia, Malaysia, Vietnam, Thailand, Macua, Hong Kong, Australia and India. In Australia and India, the sales (“Reseller Agreement”) are undertaken exclusively with certain customers with whom the Group has existing relationships with.

Under the terms of the first MOU, USSI will support IPS Securex for the Group’s marketing and business expansion in countries that are not currently listed in the Reseller Agreement. We will be evaluating the potential and feasibility of business expansion into Japan, Korea, Taiwan, South Africa, Cambodia, Myanmar and the Philippines and if we choose to expand into any of these countries, the existing Reseller Agreement will be amended accordingly to provide IPS Securex with exclusivity as the master distributor in these new markets.

The Group’s second MOU with USSI is for a new venture to perform service and repair works on HyperSpike AHD, where product returns and servicing will be sent to our service repair centers in the respective countries. This new venture will provide a new source of recurring income for the Group, and the signing of both MOUs is a clear indication of the strong business relationship that we have with USSI.

Additionally, the Group will also be exploring business opportunities in virtual healthcare systems and solutions (“Secured Virtual HealthCare Systems and Solutions”) with its investment partner, Mr Goh Khoo

Lim (“Mr Goh”), under another MOU. With Singapore’s increasing aging population, we foresee a greater demand on healthcare infrastructures and professionals to support the medical needs of the elderly. Secured Virtual HealthCare Systems and Solutions can help meet this demand by interconnecting patients’ homes with their hospitals, doctors, healthcare staff and volunteers to ensure efficient and effective communication channels between all parties. Both Mr Goh and the Group shall endeavour to negotiate definitive binding agreements related to the cooperation and collaboration within six months from the date of the signing of the MOU.

The Group has also announced a proposed placement of 6 million new shares at a subscription price of S\$0.42 to Mr Goh, which will raise net proceeds of approximately S\$2.5 million. The net proceeds will be used for the development of the new Secured Virtual Healthcare Systems and Solutions business, for capital expenditure on service centre facilities for the HyperSpike AHD business, and for general working capital.

We were one of the main sponsors for Safety & Security Asia 2014, the 13th International Safety & Security Technology and Equipment Exhibition which was held from 27 to 29 August 2014 at the Marina Bay Sands. The exhibition presented an array of issues and challenges faced by governments and civilians on the issue of security and helped raise awareness. The Group took the opportunity to showcase a number of security solutions including those of PepperBall Technologies, hyperspike, CCTV systems, building access control systems and many others to the industry and general public at the exhibition.

I am also proud to announce that IPS Securex has won the Midas

Touch Asia 2014 Enterprise Platinum Award. The award seeks to recognise enterprises in the Asia-Pacific which have the potential for growth in the next decade. The award serves as an acknowledgement of the business growth and position as a leading provider of security products and integrated security solutions in the Asia-Pacific.

## FUTURE OUTLOOK

According to Mr Masagos Zulkifli, Singapore’s Senior Minister of State for Home Affairs and Foreign Affairs at the 2nd ASEAN Counter-Terrorism Workshop on Joint Incident Management held at the Orchard Hotel, Singapore in July 2014, Singapore is adopting a counter-terrorism strategy involving a network of government bodies and agencies working in partnership with the private sector to address critical areas such as border control, crisis and consequence management. Looking forward, IPS Securex will actively broaden its range of security products and integrated security solutions to meet such needs in Singapore and the Asia-Pacific. Having access to the capital markets will allow us to expand the business and grow by capitalising on the increasing opportunities in Asia. We will also be expanding the long-term Maintenance and Leasing Business by securing more contracts with new and existing customers that will offer us a source of recurring income.

## IN APPRECIATION

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

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

# BOARD OF DIRECTORS



**CHAN TIEN LOK**  
NON-EXECUTIVE CHAIRMAN

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

Chan Tien Lok has over 13 years of experience in the security products and solutions industry. He is currently the chairman of IPS Group Pte. Ltd. ("IPSG"), which was founded by him in 1986. He is responsible for the overall business development and strategic planning within IPSG.

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

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



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

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

Kelvin Lim Ching Song has more than 13 years of experience in the security products and solutions industry. He joined the Group in 2008 as division manager of the general security division in IPS Securex, and was promoted to senior vice president in 2012. In January 2013, he was appointed as the CEO of IPS Technologies Pte. Ltd. ("IPST"). In July 2013, he stepped down as CEO of IPST and was appointed as CEO of IPS Securex.

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

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



**ONG CHIN HIN**  
NON-EXECUTIVE DIRECTOR

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

Ong Chin Hin is currently the Group managing director of IPSG, and assists Chan Tien Lok in managing the businesses, operations and business developments of IPSG.

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

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

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



**ONG BENG CHYE**  
LEAD INDEPENDENT DIRECTOR

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

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

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



**PETER BOO SONG HENG**  
INDEPENDENT DIRECTOR

Peter Boo Song Heng is the Independent Director of the Group. He was appointed to the Board on 6 June 2014.

He was a director of ROL Conveyors Pte. Ltd. from 1971 to 1975, where he was in charge of all engineering aspects in the manufacture of material handling systems. In 1975, he founded Material Handling Engineering Pte Ltd and led the company to its listing on the Stock Exchange of Singapore Dealing and Automated Quotation ("SESDAQ") in 1989. The company subsequently changed its name to MHE Holdings Ltd. In May 2000, he divested off his controlling interest in MHE Holdings Ltd and retired from the company. Peter Boo Song Heng is currently an independent director of Hoe Leong Corporation

Ltd. and also sits on the board of other companies in Singapore as well as overseas. He received the National Productivity Award for Material Handling Engineering Pte Ltd in 1989 and the First Entrepreneurship Excellence Award in 1990. Peter Boo Song Heng was the chairman of Mechanical Engineering Advisory Committee in Ngee Ann Polytechnic from 1992 to 2006. He was also a board member of Singapore Corporation of Rehabilitative Enterprises (a statutory board under the Ministry of Home Affairs) from 2000 to 2006, Industrial & Services Co-operative Society Ltd from 2004 to 2006 and Bizlink Centre Singapore Ltd from 2005 to 2010.

Peter Boo Song Heng obtained a Diploma in Mechanical Engineering from Singapore Polytechnic in 1974.



**JOSEPH TAN PENG CHIN**  
INDEPENDENT DIRECTOR

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

Joseph Tan Peng Chin has over 30 years of experience in legal practice. He was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1982 and thereafter practiced as a legal associate at Freshfields from 1983 to 1987, before joining Wong Yoong Tan & Molly Lim as managing partner in 1987. In 1994, he founded Tan Peng Chin LLC and oversaw the company's practice as managing partner/senior director until 2014 when he became a consultant in the company. In addition, Joseph Tan Peng Chin was an Independent Director of Armstrong Industrial Corporation from 1995 to 2014 and since 2007, he has

been an Independent Director of OM Holdings Limited, a company listed on the Australia Stock Exchange. He also sits on the board of other companies in Singapore as well as overseas, and is a Notary Public and Commissioner of Oaths in Singapore.

Joseph Tan Peng Chin graduated with a Bachelor of Laws (Hons) from the National University of Singapore. He is a member of the Law Society of Singapore and the Singapore Academy of Law.

# MANAGEMENT TEAM

## LEE YEOW KOON

GENERAL MANAGER – OPERATIONS

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

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

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

## LEE SIEW HAN

FINANCIAL CONTROLLER

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

Lee Siew Han has more than 22 years of experience in accounting and finance-related matters. She has worked in the finance and administration department of IPSPG as deputy general manager and financial controller with the responsibility of the management of the accounts and finance, sales administration support, purchasing, stock control and compliance functions of IPSPG and its subsidiaries. Before joining IPSPG, between 2004 and 2010, Lee Siew Han gained experience in the management of accounting and finance matters from managerial positions held in KS Distribution Pte. Ltd., Aqua-Terra Supply Co., Ltd., and National University Hospital. Prior to this, from 1984 to 2009, she held accounting positions at Sunshine Welfare Action Mission, NTUC Club, VICOM Ltd., AGRA Baymont Pte. Ltd. and Trident Travels Ltd.

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

## LEE CHEA SIANG

OPERATIONS MANAGER

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

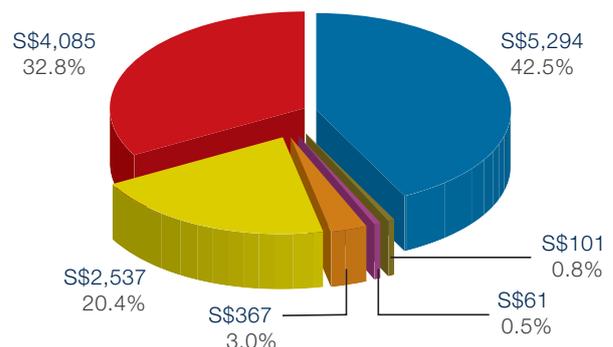
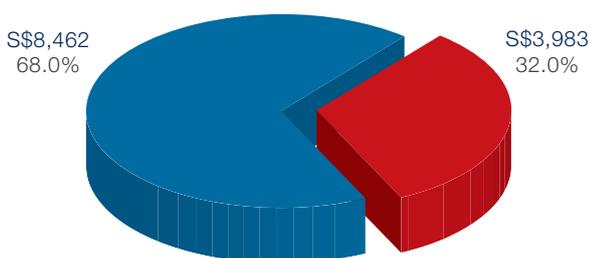
Prior to joining the Group, Lee Chea Siang gained project management experience as a project engineer for Wilson Parking (Singapore) Pte. Ltd. from 2003 to 2005, where he worked on systems integration and specialised in carpark systems. From 2001 to 2003, he was involved in research and development as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

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

# FINANCIAL HIGHLIGHTS

(S\$'000)	FY2014	FY2013
<b>Results</b>		
<b>Revenue</b>	<b>12,445</b>	9,488
– Security Solutions business	<b>8,462</b>	6,712
– Maintenance and Leasing business	<b>3,983</b>	2,776
Gross profit	<b>6,004</b>	4,025
Profit before income tax	<b>1,580</b>	1,719
Profit for the year	<b>1,114</b>	1,718
<b>Asset &amp; Liabilities</b>		
Total assets	<b>14,101</b>	4,532
Total liabilities	<b>5,855</b>	1,498
Total equity	<b>8,247</b>	3,034
Cash and cash equivalents	<b>4,531</b>	1,465
<b>Key ratios (%)</b>		
Gross profit margin	<b>48.2</b>	42.4
Net profit margin	<b>9.0</b>	18.1
Return on assets	<b>7.9</b>	37.9
Return on equity	<b>13.5</b>	56.6

## FY2014 REVENUE BREAKDOWN (S\$'000)



■ Security Solutions Business ■ Maintenance & Leasing Business

■ Singapore ■ Indonesia ■ Malaysia  
 ■ Brunei ■ Thailand ■ Vietnam

# 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 2014 ("FY2014"), the Group recorded an increase of approximately 31.2% in revenue to S\$12.4 million from S\$9.5 million in the Financial Year ended 30 June 2013 ("FY2013").

The revenue from the Group's Security Solutions Business increased by approximately 26.1% to S\$8.5 million from S\$6.7 million in FY2013. The increase was mainly attributable to the increased sale of security products and integrated security solutions due to an increased demand for Acoustic Hailing Systems from customers in Malaysia, Indonesia and Singapore and the SIT Project. The SIT Project was entered into by IPS Securex and Spiraltech Pte Ltd in 2012 for the supply of Surveillance and Monitoring Systems to Honeywell Pte Ltd. for installation at the grounds of the SIT and all the five polytechnics in Singapore.

The revenue contributed by the Group's Maintenance and Leasing Business increased by approximately 43.5% to S\$4.0 million in FY2014 from S\$2.8 million in FY2013. The increase was mainly attributable to the replacement of a component in a security system for a public sector customer in Singapore, new contracts secured for the provision of maintenance support services in Thailand and Indonesia, and consultancy fees earned for the design of security systems for an airport in Ethiopia.

## COST OF SALES

The Group's cost of sales increased by approximately 17.9% to S\$6.4 million in FY2014, which was mainly due to the increase in the direct material costs of the SIT Project and the amortisation costs in relation to the maintenance support services provided for customers and dealers in South East Asia. This was partially offset by the decrease in sub-contracting cost of approximately S\$1.5 million with the decrease in revenue from the Vietnam market, as the Group did not engage any third party service providers for Vietnam in FY2014.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit for FY2014 increased by approximately 49.2% to S\$6.0 million with an improvement in 5.8 percentage points in gross profit margins from 42.4% to 48.2%. The improvement in gross profit margin was mainly due to the higher margins secured from the sales of security products in FY2014.

## OTHER OPERATING INCOME

Other operating income increased by approximately 19-fold to S\$299,000, which was mainly due to forfeiture of customer's sales deposit, various government grants and provision of IT services and maintenance to a related party, IPSG.

## ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative expenses increased by approximately 106.3% to S\$4.7 million in FY2014. This was mainly due to IPO expenses, distribution and marketing expenses, directors' and employees' remuneration and other professional fees. Other operating expenses remained relatively stable in FY2014 and FY2013 at approximately S\$28,000.

## FINANCE COSTS

Finance costs decreased by approximately 96.1% to S\$600 in FY2014 from S\$16,000 in FY2013 due to the full repayment of loans in FY2013 from the Group's holding company, IPS Technologies Pte. Ltd. and related company, IPS Perfex Holdings.



### INCOME TAX EXPENSES

Income tax expenses for FY2014 increased to S\$466,000 from S\$500 in FY2013. This was due to non-deductible expenses from the Group's IPO, and the timing differences in tax and accounting depreciation of the Alert Alarm Systems that the Group owns and leases to customers under its Maintenance and Leasing Business.

### PROFIT FOR THE YEAR

As a result of the above, the Group's net profit for the year decreased by approximately 35.2% to S\$1.1 million in FY2014 from S\$1.7 million in FY2013. Excluding the one-off expenses from the Group's IPO (approximately S\$1.1 million) and share based payments relating to a charge on the Company's shares allotted and issued to certain directors as part of a pre-IPO restructuring exercise (approximately S\$0.2 million), the Group would have recorded a net profit of S\$2.4 million.

### FINANCIAL POSITION

As at 30 June 2014, we had current assets of S\$11.2 million compared to S\$3.3 million as at 30 June 2013. The increase was mainly due to unutilised net proceeds raised from the IPO, trade receivables from sales made on credit terms from the Security Solutions Business, other receivables from the prepayment of Sponsor's fees, insurance premiums and deferred expenditure pertaining to prepaid subcontracting costs for maintenance support services.

Non-current assets were recorded at S\$2.9 million (30 June 2013: S\$1.2 million). The increase was mainly due to purchases made for the HDB project, upgrading of the Group's Microsoft Dynamics-Navison software and sale of security products to a dealer in Malaysia under a progressive payment schedule with the final payment in FY2019. The HDB



project relates to projects entered into between IPS Securex and HDB in 2011 and 2014 for the installation, leasing and maintenance of AAS for several residential blocks for senior citizens in Singapore with tenures of at least seven years.

As at 30 June 2014, we had current liabilities of S\$5.8 million compared to S\$1.5 million as at 30 June 2013. The increase was mainly attributable to the purchases made for Acoustic Hailing Systems, the provision of maintenance support services, bills payable to the bank, the fees for professionals, directors and employees remuneration expenses and income tax payable.

Non-current liabilities were recorded at S\$104,000 (30 June 2013: S\$nil). The increase in deferred tax liabilities was mainly due to the timing difference for the accounting treatment of the AAS under plant and equipment.

Due to the net proceeds from the IPO and profits from FY2014, the capital and reserves of the Group increased by S\$5.2 million from S\$3.0 million as at 30 June 2013 to S\$8.2 million as at 30 June 2014.

### CASH FLOWS

The Group's cash and cash equivalents increased significantly from S\$1.5 million as at 30 June 2013 to S\$4.5 million as at 30 June 2014.

The net cash used in operating activities was approximately S\$41,000, which consisted mainly of operating cash flows before working capital changes of S\$2.0 million, offset by net working capital outflow of S\$2.1 million. The net working capital outflow was mainly attributable to the increase in trade and other receivables, inventories, and partially offset by the increase in trade and other payables.

The net cash used in investing activity amounted to approximately S\$767,000 in FY2014, which was mainly due to purchases made in relation to the HDB project and upgrading of the Group's Microsoft Dynamics-Navison software. Due to the net proceeds from IPO, net cash from financing activity amounted to approximately S\$3.9 million.

## SECURITY SOLUTIONS BUSINESS

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

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

infrastructure facilities in townships such as train stations and roads, and in vehicles.

We also offer integrated security solutions that meet the customers' security system requirements. In designing such solutions, we would typically integrate various security products from suppliers to create customised integrated security solutions that meet a customer's specific needs. For integrated security systems, we will normally design, supply and install the systems, including developing the proprietary software to operate the systems if necessary. Alternatively, we are also able to design and supply the integrated security systems while customers engage their appointed contractors to install the systems. In both instances, we would

conduct a comprehensive testing and commissioning of the integrated security systems before handing them over to the customers. Customers who procure the integrated security solutions include commercial entities, government bodies and agencies.

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

## MAINTENANCE AND LEASING BUSINESS

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

The extended maintenance support services are provided to the customers under a separate maintenance contract of between one and five years upon the expiry of the warranty period.

In addition, we provide ad-hoc maintenance support services at the request of customers with whom we do not have maintenance support services contracts with.

We are also able to provide long-term lease-and-maintenance services to customers on a case-by-case basis for the integrated security solutions that we design and supply. Under a lease-and-maintenance arrangement, we will design, supply, install, test, commission

and maintain the security systems for customers but would retain ownership of the systems, as well as the proprietary software that we develop. The customers would typically pay us an agreed monthly fee for the lease and maintenance of such systems and such lease-and-maintenance contracts typically are for a period of at least seven years.

# OUR DISTRIBUTION RIGHTS



## AWARDS AND CERTIFICATIONS

2004/2010	ISO 9001:2000/ISO 9001:2008
2009	Enterprise 50 Award
2010	Singapore SME 500 Company
2010	Ultra Electronics – USSI Hyperspike Excellence in Sales Award
2011	Ultra Electronics – USSI Hyperspike Excellence in Sales Award
2012	Ultra Electronics – USSI Hyperspike Reseller of the Year 2012 MOBOTIX AG Project of the Year 2012 in Singapore
2013	Top 100 Singapore Excellence Award (Platinum) Ultra Electronics – USSI Reseller of the Year 2013
2014	Asia-Pacific Brands Award 2014
2014	Midas Touch Asia 2014 Platinum Award

# HOMELAND SECURITY PRODUCTS

**Iscon Imaging Inc.** ("Iscon") is the developer and marketer of a new security scanning solutions for safe, fast detection of concealed objects in airports, prisons, courthouses and corporations.

The **Iscon Model 1000D** is remarkably effective in quickly identifying virtually all types of contraband-metal and plastic weapons, box-cutters, pills and powdered substances, tobacco, precious metals, gemstones, and other items that a standard X-ray scanner simply can not see. It has the capability of integrating various ID and biometric technologies such as fingerprint, facial recognition, magnetic card and barcode readers to provide a 'one stop' personal identity and contraband check.



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



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

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



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

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



**PepperBall Technologies Inc.** (“PepperBall Technologies”) is a privately held company in the development, manufacturing and distribution of less-lethal weapons for military, government, law enforcement, corrections, private security and consumer markets. It supplies thousands of users and major agencies including the Federal Bureau of Prisons, the United States Border Patrol, thousands of police and sheriff departments in major United States cities, as well as private entities, security services and bail enforcement agencies around the world.

The PepperBall Technologies **FlashLauncher** combines a 100 lumen flashlight and a launcher into a single device. It features a semi-automatic firing system and integrated laser sight for rapid target acquisition.

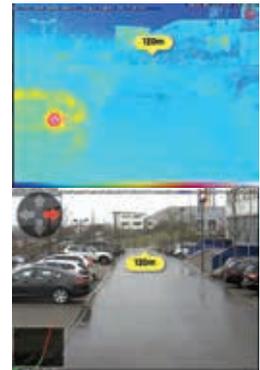


# GENERAL SECURITY PRODUCTS

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



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



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



**Primion Technology AG (“Primion”) (Frankfurt Stock Exchange Code: P4T)** is a supplier of complete solutions in the areas of security systems, access control, time and attendance as well as security monitoring and surveillance. It develops and implements customised systems for companies that are straightforward and easy to use. Its intelligent security technology enables all forms of security management at the highest level.

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



With its sleek design and integrated display, **Carus ORIGO** offers first-class video communication in a classic yet elegant design. In accordance with the Carus standard, the housing is made of solid aluminum housing with all surfaces hand-finished with an elaborate structure. Together with its intuitive menu, all audio and video functions can be controlled through it and it can either be surface mounted or placed on a desk using a solid aluminum tabletop stand.



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

# CORPORATE GOVERNANCE REPORT

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

The Board of Directors (the “Board”) confirms that the Company has since its listing on Catalist on 30 June 2014, adhered to the guidelines as set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

## (A) BOARD MATTERS

### The Board’s Conduct of its Affairs

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

Since the listing of the Company up to the date of this annual report, the frequency of meetings and the attendance of each Director at every Board and Board Committee meetings are disclosed in the table reflected below:

Name	Board		Nominating Committee		Remuneration Committee		Audit Committee	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Chan Tien Lok	1	1	1	1*	1	1	1	1*
Kelvin Lim Ching Song	1	1	1	1*	1	–	1	–
Ong Chin Hin	1	1	1	1*	1	–	1	–
Ong Beng Chye	1	1	1	1	1	1	1	1
Peter Boo Song Heng	1	1	1	1	1	1	1	1
Joseph Tan Peng Chin	1	1	1	1	1	1	1	1

\* By invitation

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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 the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet with the Management so as to gain a better understanding of the Group's business.

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

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

## BOARD COMPOSITION AND GUIDANCE

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

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

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

The Board has appointed Ong Beng Chye as its Lead Independent Director. There is presently a strong and independent element on the Board. Half of the Board is made up of Independent Directors and the independence of each Independent Director is reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code. The Board considers an Independent Director as one who has no relationship with the Company,

# CORPORATE GOVERNANCE REPORT

its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Directors' independent judgement of the Group's affairs. The NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent.

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

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

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

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

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

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

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

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

The Company practices a clear division of responsibilities between the Chairman and the CEO. This ensures that an appropriate balance of power between the Chairman and the CEO and thereby allows for increased accountability and greater capacity of the Board for independent decision making. The Group keeps the posts of the Chairman and CEO separate. Chan Tien Lok is the Non-Executive Chairman while Kelvin Lim Ching Song is the CEO. The Non-Executive

# CORPORATE GOVERNANCE REPORT

Chairman is responsible for the formulation of the Group's strategic direction and expansion plans while the CEO is responsible for the conduct of the Group's daily business operations. The Non-Executive Chairman and the CEO are not related.

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

The Board has appointed Ong Beng Chye as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison person on Board issues between the Independent Directors and the Non-Executive Chairman. He is available to shareholders where they have concerns which contact through the channels of the Non-Executive Chairman and/or CEO has failed to resolve such concerns or where it is inappropriate to do so.

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

## **BOARD MEMBERSHIP**

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

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

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

### **Nominating Committee**

Peter Boo Song Heng (Chairman)  
Ong Beng Chye  
Joseph Tan Peng Chin  
Chan Tien Lok

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

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

# CORPORATE GOVERNANCE REPORT

- 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 CEO;
- Determining whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting (“AGM”) of the Company, having regard to each Director’s contribution and performance, including the Independent Directors;
- Determining whether a Director is independent as guided by the Code and any other salient factors; and
- Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. 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) and his/her independence.

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

The Company’s Articles of Association requires that all Directors retire at the first annual general meeting (“AGM”) of the Company and one-third of the Board retire from office at every subsequent AGM. Accordingly, the NC has recommended that all Directors be nominated for re-election at the forthcoming AGM. The Board has accepted the NC’s recommendations. Peter Boo Song Heng has expressed to the Board that he will not be seeking re-election as a Director at the forthcoming AGM due to personal commitments and the Board has noted his desire and would like to express their appreciation to Peter Boo Song Heng for his past contributions to the Company. Upon Peter Boo Song Heng Relinquishing his directorship in the Company, he will also cease to be the Chairman of the NC and member of the AC and RC. In connection with this, the Company is in the process of identifying and evaluating suitable candidates as independent director and will inform shareholders in due course.

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

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

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

# CORPORATE GOVERNANCE REPORT

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 in page 36 of this annual report.

## Board Performance

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

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

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

## ACCESS TO INFORMATION

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

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

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

# CORPORATE GOVERNANCE REPORT

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

## **(B) REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

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

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

#### **Remuneration Committee**

Joseph Tan Peng Chin (Chairman)  
Ong Beng Chye  
Peter Boo Song Heng

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

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

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

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

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

# CORPORATE GOVERNANCE REPORT

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

## Level and Mix of Remuneration

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

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

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

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, Independent Directors, Non-Executive Directors and key management personnel are eligible to participate in the IPS Securex ESOS and IPS Securex PSP.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate them. The Independent Directors and Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for shareholders' approval at the AGM of the Company.

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

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and 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 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 key management personnel in the event of such breach of their fiduciary duties.

# CORPORATE GOVERNANCE REPORT

## DISCLOSURE ON REMUNERATION

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

A breakdown showing the level and mix of remuneration of Directors and Top 5 key management personnel of the Group (who are not Directors or the CEO) for FY2014 is set out below:

Name of Director	Salary	Bonus	Directors' fees	Allowances and Other	Total
				Benefits	
	%	%	%	%	%
<u>Above S\$500,000</u>					
Kelvin Lim Ching Song	39	26	–	35	100
<u>Below S\$250,000</u>					
Chan Tien Lok	16	–	83	1	100
Ong Chin Hin	15	–	83	2	100
Ong Beng Chye	–	–	100	–	100
Peter Boo Song Heng	–	–	100	–	100
Joseph Tan Peng Chin	–	–	100	–	100

Key Management Personnel	Salary	Bonus	Allowances and Other	Total
			Benefits	
	%	%	%	%
<u>Below S\$250,000</u>				
Lee Yeow Koon	66	16	18	100
Lee Siew Han	66	25	9	100
Lee Chea Siang	67	16	17	100
Koh Tian Siang	69	11	20	100
Affendi Bin Ali	73	6	21	100

For FY2014, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to S\$524,836.

# CORPORATE GOVERNANCE REPORT

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2014.

The Company does not have any employee who is an immediate family member of a Director or the CEO whose remuneration in FY2014 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 Company has entered into a fixed period service contracts with the Executive Director and CEO, Kelvin Lim Ching Song, governing the terms and conditions of his employment within the Group. The remuneration package of Kelvin Lim Ching Song includes a profit sharing scheme that is performance related to align his interests with those of the Company's shareholders. The IPS Securex ESOS and the IPS Securex PSP will also provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

## **(C) ACCOUNTABILITY AND AUDIT**

### **Accountability**

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Group had embarked on the implementation of a structured Enterprise Risk Management framework which will provide documented guidance on how the Group should identify and assess risks, determine if countermeasures are adequate and frequency of risk reports to be submitted to the Board and Audit Committee. The first stage risk assessment has been completed and submitted to the Board while the full programme will be implemented by phases for the whole Group over the next financial year.

Relying on the above risk report and reports from the internal auditors, BDO LLP ("IA") and EA, the AC carried out assessments of the effectiveness of key internal controls during the year. Weaknesses in the internal controls or recommendations from the IA and EA to further improve the internal controls of the Group were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the IA and EA. Based on the reports submitted by the IA and EA received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls are not satisfactory for the type and size of business conducted. This is also supported by the assurance from the Executive Director and CEO and the Financial Controller that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems has been put in place.

Based on the work performed by both the EA and IA, the risk reports and assurance from the Executive Director and CEO and the Financial Controller and the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that there are adequate internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks. The Board will look into the need for establishment of a separate board risk committee at the relevant time.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

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

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

### Audit Committee

Ong Beng Chye (Chairman)  
Peter Boo Song Heng  
Joseph Tan Peng Chin

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

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

- review the periodic consolidated financial statements of the Company and results announcements before submission to the Board for approval, focusing on, in particular, the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by the external auditors, and compliance with financial reporting standards, the Listing Manual and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of the Company and results announcements;
- review, with the EA and IA, their audit plans, scope of work, evaluation of the adequacy of our internal controls, audit reports, management letters on internal controls and Management's response, where applicable;
- at least annually, review and report to the Board, the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks prior to the incorporation of such results in the annual report;
- review the independence and objectivity of the EA;
- review and discuss with the EA, and commission and review the findings of internal investigations relating to any suspected fraud or irregularity, or failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- monitor and review the implementation of the EA's and IA's recommendations concurred with management in relation to the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks;
- review the co-operation given by Management to the EA and IA, where applicable;
- make recommendations to the Board on proposals to shareholders of the Company for the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the EA;

# CORPORATE GOVERNANCE REPORT

- make recommendations to our Board on proposals for the appointment, re-appointment, removal, remuneration and terms of engagement of the IA;
- review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual (if any);
- review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- review and recommend foreign exchange hedging policies, if any, to the Board for approval;
- review the policy and arrangements by which staff or any other person may, in confidence, raise concerns about possible improprieties on matters of our business operations, financial reporting or any other matters and to ensure that arrangements are in place for the independent investigation of such matter and for appropriate follow-up;
- investigate any matters within its terms of reference; and
- undertake generally such other functions and duties as may be requested by our Board or required by statute or the Listing Manual and by such amendments made thereto from time to time.

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

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

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

The AC has met with the EA and the IA without the presence of Management as and when necessary to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the EA in August 2014.

The AC conducted a review of all non-audit services provided by the EA and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the EA. For FY2014, the fees that are charged to the Group by the EA for audit services and non-audit services were approximately S\$116,000 and S\$234,000 respectively. The non-audit services were mostly incurred in relation to the listing exercise undertaken by the Company.

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

# CORPORATE GOVERNANCE REPORT

## WHISTLE BLOWING POLICY

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

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

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

## INTERNAL AUDIT

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

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

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed BDO LLP, an external risk advisory consultancy firm to undertake the functions of an IA for the Group. The IA has unfettered access to all the Group's documents, records, properties and personnel including access to the AC. The IA reports directly to the AC and administratively to the Executive Director and 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. On an ongoing basis, the IA reports to the AC any significant weaknesses and risks identified in the course of internal audits conducted. Recommendations to address control weaknesses are further reviewed by the IA based on implementation dates agreed with the Management. The AC also reviews, at least annually, the adequacy and effectiveness of the internal audit function.

# CORPORATE GOVERNANCE REPORT

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS

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

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

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper as may be required in accordance with the Articles of Association of the Company. All shareholders are encouraged to attend and participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's current Memorandum and Articles of Association does not include the nominee and custodial services to appoint more than two proxies.

### COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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.

The Company does not practise 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.

## CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Catalist Rules where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

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

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

# CORPORATE GOVERNANCE REPORT

## **(E) CORPORATE SOCIAL RESPONSIBILITY**

Subsequent to the Initial Public Offering (“IPO”) of the Company on 30 June 2014, the Board will be establishing a corporate social responsibility policy with reference to the SGX-ST’s Guide to Sustainability Reporting for Listed Companies published on 27 June 2011, which will include the review of the following areas of our Group’s activities:

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

## **(F) DEALING IN COMPANY’S SECURITIES**

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

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

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

The Company 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 half year and full year financial statements and ending on the date of the announcement of the relevant results.

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

## **(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.

# CORPORATE GOVERNANCE REPORT

The AC has reviewed the following significant transactions entered into by the Company with its interested persons for the FY2014 in accordance with its existing procedures:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
IPS Group Pte. Ltd. ("IPSG")	Provision of group services (such as finance, corporate secretarial and human resources) – S\$112,200	Nil

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

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

## (H) MATERIAL CONTRACTS AND LOANS

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

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

## (I) USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING ("IPO")

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

The net proceeds raised from the IPO, after deducting the expenses in relation to the IPO of approximately S\$1.5 million, was S\$2.7 million.

The following table sets out the breakdown of the use of net proceeds from the IPO as at the date of this annual report:

Intended Usage of Net Proceeds in accordance with the Offer Document	Allocation of Net Proceeds (S\$'000)	Reallocation of the use of Net Proceeds (S\$'000)	Net Proceeds utilised (S\$'000)	Net Proceeds Unutilised (S\$'000)
To build our long-term Maintenance and Leasing Business in Singapore and Asia-Pacific	2,000	(882)	(1,118)	–
Working capital	693	882	(1,575)	–
<b>Total</b>	2,693	–	(2,693)	–

# CORPORATE GOVERNANCE REPORT

## (J) NON-SPONSOR FEES

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

In compliance with Rule 1204(21) of the Catalist Rules, the nature of and amount of fees for non-sponsor services rendered by the Company's sponsor, United Overseas Bank Limited to the Group in FY2014 were as follows:

#### Non-sponsor Services

	S\$'000
Placement commission in relation to the Company's listing	126
Receiving bank fees in relation to the Company's listing	20
<b>Total</b>	<b>146</b>

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

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Chan Tien Lok	<ul style="list-style-type: none"> <li>Cambridge General Certificate of Education Ordinary Level certificate</li> </ul>	Non-Executive Chairman	Chairman of the Board and Member of the Nominating Committee	10 October 2013	Nil	Nil	Nil
Kelvin Lim Ching Song	<ul style="list-style-type: none"> <li>Diploma in Marketing and Public Relations from Thames Business School</li> <li>Certificate in Office Skills from Institute of Technical Education</li> </ul>	Executive Director and Chief Executive Officer	Board Member	10 October 2013	Nil	Nil	Nil
Ong Chin Hin	<ul style="list-style-type: none"> <li>Bachelor of Accountancy from the National University of Singapore</li> <li>Non practising Chartered Accountant</li> </ul>	Non-Executive Director	Board Member	10 October 2013	Nil	Nil	Nil
Ong Beng Chye	<ul style="list-style-type: none"> <li>Bachelor of Science with Honours from The City University, United Kingdom</li> <li>Fellow of the Institute of Chartered Accountants in England and Wales</li> <li>Chartered Financial Analyst</li> <li>Non-practising member of the Institute of Singapore Chartered Accountants</li> </ul>	Lead Independent Director	Board Member, Chairman of the Audit Committee, Member of Remuneration Committee and Nominating Committee	6 June 2014	Nil	<ul style="list-style-type: none"> <li>Geo Energy Resources Limited</li> <li>Hafary Holdings Limited</li> <li>Kitchen Culture Holdings Ltd</li> <li>Heatec Jietong Holdings Ltd.</li> </ul>	Nil
Peter Boo Song Heng	<ul style="list-style-type: none"> <li>Diploma in Mechanical Engineering</li> </ul>	Independent Director	Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	6 June 2014	Nil	<ul style="list-style-type: none"> <li>Hoe Leong Corporation Ltd.</li> </ul>	Nil
Joseph Tan Peng Chin	<ul style="list-style-type: none"> <li>Bachelor of Laws (Hons) from the National University of Singapore</li> <li>Member of the Law Society of Singapore and the Singapore Academy of Law</li> </ul>	Independent Director	Chairman of the Remuneration Committee and Member of the Nominating Committee and Audit Committee	6 June 2014	Nil	<ul style="list-style-type: none"> <li>OM Holdings Limited</li> </ul>	Armstrong Industrial Corporation

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# REPORT OF THE DIRECTORS

The directors of the Company present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2014. The financial year of the Company covers the period from 10 October 2013 (date of incorporation) to 30 June 2014.

## 1 DIRECTORS

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

Chan Tien Lok	(Appointed on 10 October 2013)
Kelvin Lim Ching Song	(Appointed on 10 October 2013)
Ong Chin Hin	(Appointed on 10 October 2013)
Ong Beng Chye	(Appointed on 6 June 2014)
Peter Boo Song Heng	(Appointed on 6 June 2014)
Joseph Tan Peng Chin	(Appointed on 6 June 2014)

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

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At date of incorporation or date of appointment, if later	At end of year <sup>(1)</sup>	At date of incorporation or date of appointment, if later	At end of year <sup>(1)</sup>
The Company (Ordinary shares)				
Chan Tien Lok	–	–	1	46,620,000
Kelvin Lim Ching Song	–	12,600,000	–	–
Ong Chin Hin	–	3,790,000	–	–
Ong Beng Chye	–	100,000	–	–
Peter Boo Song Heng	–	100,000	–	–
Joseph Tan Peng Chin	–	100,000	–	–

# REPORT OF THE DIRECTORS

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

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At date of incorporation or date of appointment, if later	At end of year	At date of incorporation or date of appointment, if later	At end of year
Ultimate holding company – IPS Technologies Pte. Ltd. (Ordinary shares)				
Chan Tien Lok	2,080,000	2,080,000	–	–

Note:

- (1) This represents shareholdings pursuant to sub-division of shares on 29 May 2014, each share in the issued and paid-up share capital of the Company was sub-divided into 21 ordinary shares.

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.

The directors' interests in the shares of the Company as at 21 July 2014 were the same as at 30 June 2014.

### 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

### 5 SHARE OPTIONS AND SHARE-BASED INCENTIVE

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

- (i) The PSP and the ESOS are administered by the committee whose members are Joseph Tan Peng Chin, Peter Boo Song Heng and Ong Beng Chye (the "Committee").

# REPORT OF THE DIRECTORS

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

- (ii) Both the PSP and the ESOS will continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing on the date of the PSP and the ESOS were adopted by the Company in general meeting. However, the PSP and the ESOS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities that may then be required.
- (iii) The total number of new shares which may be issued or shares which may be delivered pursuant to awards granted under the PSP or options granted under the ESOS, when added to the total number of new shares issued and issuable in respect of:
  - (a) all awards granted under the PSP;
  - (b) all options granted under the ESOS; and
  - (c) all shares, options, or awards granted under such share-based incentive schemes of the Company then in force, shall not exceed 15.0% of the issued capital of the Company (including treasury shares) on that day preceding the relevant date of award.
- (iv) The PSP awards participants fully paid shares free of charge, upon the participant achieving prescribed performance targets which will be set by the Committee depending on each individual participant's job scope and responsibilities.
- (v) The options under the ESOS may have exercise prices that are, at the Committee's discretion, which may be at market price or discount to the market price. The options which are at market price may be exercised after the first anniversary of the date of grant of the option while the options exercisable at a discount to the market price may only be exercised after the second anniversary from the date of grant of the option. The options granted under the ESOS will expire upon the tenth anniversary of the date of grant of the option.
- (vi) During the year, no awards and options have been granted by the Company or its subsidiaries 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 subsidiaries.
- (viii) There were no unissued shares of the Company or of its subsidiaries under options as at the end of the financial year.

# REPORT OF THE DIRECTORS

## 6 AUDIT COMMITTEE

The members of the Audit Committee of the Company, comprise the Independent Directors, Ong Beng Chye (Chairman), Peter Boo Song Heng (Member) and Joseph Tan Peng Chin (Member). The Audit Committee has met once since the listing of the Company on 30 June 2014 and up to the date of this report, and has reviewed the following, where relevant, with the Executive directors and external and internal auditors of the Company:

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

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

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

# REPORT OF THE DIRECTORS

## 7 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

**Chan Tien Lok**

*Director*

**Kelvin Lim Ching Song**

*Director*

2 October 2014

# STATEMENT BY DIRECTORS

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and of the results, changes in equity and cash flows of the Group for the year then ended and the changes in equity of the Company for the financial year from 10 October 2013 (date of incorporation) to 30 June 2014; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS

**Chan Tien Lok**

*Director*

**Kelvin Lim Ching Song**

*Director*

2 October 2014

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of IPS Securex Holdings Limited (the "Company") and its 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 2014, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended and the statement of changes in equity of the Company for the financial year from 10 October 2013 (date of incorporation) to 30 June 2014 and a summary of significant accounting policies and other explanatory information as set out on pages 46 to 84.

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

## **AUDITORS' RESPONSIBILITY**

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IPS SECUREX HOLDINGS LIMITED

## **OPINION**

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014, and of the results, changes in equity and cash flows of the Group for the year then ended and changes in equity of the Company for the financial year from 10 October 2013 (date of incorporation) to 30 June 2014.

## **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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

2 October 2014

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Group		Company
		2014	2013	2014
		\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	4,531,440	1,465,079	3,580,791
Trade receivables	7	5,330,591	887,563	-
Other receivables	8	795,059	519,673	811,044
Inventories	10	495,480	429,936	-
Total current assets		<b>11,152,570</b>	3,302,251	<b>4,391,835</b>
<b>Non-current assets</b>				
Long term trade receivables	7	1,214,932	-	-
Plant and equipment	11	1,734,055	1,200,722	-
Investment in subsidiaries	12	-	-	3,000,199
Deferred tax asset	15	-	29,485	-
Total non-current assets		<b>2,948,987</b>	1,230,207	<b>3,000,199</b>
<b>Total assets</b>		<b>14,101,557</b>	4,532,458	<b>7,392,034</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	13	3,440,797	276,177	-
Other payables	14	1,946,364	1,190,594	667,838
Income tax payable		363,814	31,172	-
Total current liabilities		<b>5,750,975</b>	1,497,943	<b>667,838</b>
<b>Non-current liability</b>				
Deferred tax liability	15	103,756	-	-
<b>Capital and reserves</b>				
Share capital	16	6,888,165	2,200,000	6,888,165
Reserves		(589,999)	-	210,000
Accumulated profits (losses)		1,948,660	834,515	(373,969)
Total equity		<b>8,246,826</b>	3,034,515	<b>6,724,196</b>
<b>Total liabilities and equity</b>		<b>14,101,557</b>	4,532,458	<b>7,392,034</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2014

	Note	Group	
		2014	2013
		\$	\$
<b>Revenue</b>	18	<b>12,445,668</b>	9,488,090
Cost of sales		<b>(6,441,117)</b>	(5,463,374)
<b>Gross profit</b>		<b>6,004,551</b>	4,024,716
Other operating income	19	<b>298,836</b>	14,386
Administrative expenses		<b>(4,694,637)</b>	(2,276,012)
Other operating expenses		<b>(28,090)</b>	(28,080)
Finance costs	20	<b>(632)</b>	(16,130)
<b>Profit before income tax</b>	21	<b>1,580,028</b>	1,718,880
Income tax expense	22	<b>(465,883)</b>	(500)
<b>Profit for the year, representing total comprehensive income for the year</b>		<b>1,114,145</b>	1,718,380
Basic and diluted earnings per share (cents)	23	<b>1.77</b>	2.73

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2014

	Share capital \$	Merger reserve \$	Other reserve \$  (Note 17)	Accumulated (losses) profits \$	Total \$
<u>Group</u>					
Balance at 1 July 2012	2,200,000	–	–	(883,865)	1,316,135
Total comprehensive income for the year	–	–	–	1,718,380	1,718,380
Balance at 30 June 2013	2,200,000	–	–	834,515	3,034,515
Issuance of shares at date of incorporation of the Company (Note 16)	1	–	–	–	1
Adjustment pursuant to the restructuring exercise (Note 16)	(2,200,000)	(799,999)	–	–	(2,999,999)
Issuance of ordinary shares pursuant to the restructuring exercise (Note 16)	2,999,999	–	–	–	2,999,999
Issuance of ordinary shares pursuant to the Initial Public Offering (“IPO”), net (Note 16)	3,888,165	–	–	–	3,888,165
Deemed capital contribution	–	–	210,000	–	210,000
Total comprehensive income for the year	–	–	–	1,114,145	1,114,145
Balance at 30 June 2014	<u>6,888,165</u>	<u>(799,999)</u>	<u>210,000</u>	<u>1,948,660</u>	<u>8,246,826</u>
	Share capital \$	Other reserve \$  (Note 17)	Accumulated losses \$	Total \$	
<u>Company</u>					
Issuance of shares at date of incorporation (Note 16)		1	–	–	1
Issuance of ordinary shares pursuant to the restructuring exercise (Note 16)		2,999,999	–	–	2,999,999
Issuance of ordinary shares pursuant to the IPO, net (Note 16)		3,888,165	–	–	3,888,165
Deemed capital contribution		–	210,000	–	210,000
Total comprehensive income for the period		–	–	(373,969)	(373,969)
Balance at 30 June 2014		<u>6,888,165</u>	<u>210,000</u>	<u>(373,969)</u>	<u>6,724,196</u>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2014

	Group	
	2014	2013
	\$	\$
<b>Operating activities</b>		
Profit before income tax	1,580,028	1,718,880
Adjustments for:		
Interest income	(512)	(567)
Interest expense	632	16,130
Depreciation of plant and equipment	233,129	222,551
Loss on disposal of plant and equipment	947	-
Inventories written off	210	4,981
Inventories written back	(7,398)	-
Allowance for inventories obsolescence	6,341	-
Net foreign exchange loss	13,754	1,185
Share based payments	210,000	-
Operating cash flows before working capital changes	2,037,131	1,963,160
Trade receivables	(5,657,960)	95,555
Other receivables	(275,386)	(223,272)
Inventories	(64,697)	(49,401)
Trade payables	3,164,620	(100,352)
Other payables	755,138	372,545
Cash (used in) generated from operations	(41,154)	2,058,235
Interest received	512	567
Net cash (used in) from operating activities	(40,642)	2,058,802
<b>Investing activity</b>		
Purchase of plant and equipment, representing net cash used in investing activity	(767,409)	(259,035)
<b>Financing activities</b>		
Decrease in restricted cash	10,509	-
Proceeds from incorporation of company	1	-
Proceeds from issuance of shares, net of issuance costs	3,888,165	-
Interest paid	-	(25,324)
Loan repayment from holding company	-	(524,233)
Loan repayment from related company	-	(175,486)
Net cash from (used in) financing activities	3,898,675	(725,043)
Net increase in cash and cash equivalents	3,090,624	1,074,724
Cash and cash equivalents at beginning of the year	1,454,570	381,031
Effect of exchange rates changes on the balance of cash held in foreign currencies	(13,754)	(1,185)
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<b>4,531,440</b>	<b>1,454,570</b>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 1 GENERAL

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

The principal activity of the company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

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

### (a) Incorporation of the Company

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

### (b) Acquisition of IPS Securex Pte. Ltd.

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 1 GENERAL (CONTINUED)

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2014 were authorised for issue by the Board of Directors on 2 October 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ADOPTION OF NEW AND REVISED STANDARDS** – On 1 July 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 32 *Financial Instruments: Presentation and FRS 107 Financial Instruments Disclosure – Offsetting Financial Assets and Financial Liabilities*
- *Annual Improvements to FRS 2012*
- Amendments to FRS 36 *Impairment of Assets*

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

The management anticipates that the adoption of the above/other FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date disposal, as appropriate.

Where necessary, adjustments are made to the financials statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

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

### *Effective interest method*

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Financial assets**

#### *Trade and other receivables*

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

#### *Derecognition of financial assets*

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

### **Financial liabilities and equity instruments**

#### *Classification as debt or equity*

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

#### *Equity instruments*

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

#### *Trade and other payables*

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

#### *Derecognition of financial liabilities*

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**INVENTORIES** – Inventories are stated at the lower of cost (first-in first-out method) and net realisable value. Costs comprise cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

### *The Group as lessor*

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

### *The Group as lessee*

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF ASSETS – Assets of the Group are subject to impairment requirements as stated below.

### *Trade and other receivables*

The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount is reduced through the use of an allowance account. If the receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

### *Plant and equipment*

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

### *Sale of goods*

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Rendering of services*

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

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

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

### *Interest income*

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

### *Rental income*

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year.

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

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

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

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

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

The Group has entered into a supply, installation and maintenance arrangement for alert alarm systems with total sales contract value of \$3,688,888 (2013: \$2,562,000). At the inception of the agreement, management has assessed whether substantially all risk and rewards have been transferred to the lessee in accordance with FRS 17 *Leases* and concluded that this arrangement should be accounted for as an operating lease (Note 25).

### (ii) Key sources of estimation uncertainty

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

#### (a) *Inventory valuation method*

Inventory is valued at the lower of the actual cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group reviews annually its inventory levels in order to identify slow-moving and obsolete items which have a market price that is lower than its carrying amount. The Group then estimates the amount of inventory loss as an allowance on inventory. The carrying amount of inventory is disclosed in Note 10 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

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

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

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

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

In addition, the valuation of construction contracts can be subject to uncertainty in respect of variation works and estimation of future costs. The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 9 to the financial statements. The contract revenue recognised as revenue amounted to \$529,462 (2013: \$740,722).

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

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss. The carrying amount of the trade receivables is disclosed in Note 7 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

### (a) Categories of financial instruments

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

	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
	<u>                    </u>	<u>                    </u>
<u>Financial assets</u>		
Loans and receivables (including cash and cash equivalents)	<b>11,456,546</b>	2,715,340
	<u>                    </u>	<u>                    </u>
<u>Financial liabilities</u>		
Amortised cost	<b>5,020,181</b>	834,506
	<u>                    </u>	<u>                    </u>

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

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

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

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

#### (i) Credit risk management

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

As at year end, the Group has concentration of credit risk on 2 (2013: 3) customers, which accounted for 80.6% (2013: 91.7%) of the total trade receivables.

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

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

#### (ii) Foreign currency risk management

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

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

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

	Group				Company	
	Liabilities		Assets		Liabilities	Assets
	2014	2013	2014	2013	2014	2014
	\$	\$	\$	\$	\$	\$
United States dollars	<u>3,381,117</u>	<u>256,539</u>	<u>6,045,007</u>	<u>932,417</u>	<u>12,493</u>	<u>12,496</u>

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

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

#### Group

	2014	2013
	\$	\$
Profit or loss	<u>266,389</u>	<u>67,588</u>

#### Company

No sensitivity analysis is prepared at Company level as the impact is not significant.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

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

#### (iii) *Liquidity risk management*

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

#### Non-derivative financial liabilities

All financial liabilities of the Group and the Company in 2014 and 2013 are interest-free, repayable on demand or current except those trade payables under trade financing as disclosed in Note 13 to the financial statements.

#### Non-derivative financial assets

All the financial assets of the Group and the Company in 2014 and 2013 are repayable on demand or due within 1 year from the end of the reporting period and interest-free except for long term trade receivables as disclosed in Note 7 to the financial statements.

#### (iv) *Fair values of financial assets and financial liabilities*

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

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

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group comprises only of issued capital, reserves and accumulated profits. The Group's overall strategy remains unchanged from 2013.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

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

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

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

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

	2014 \$	2013 \$
<u>Former ultimate holding company</u>		
Sales	-	(5,095)
Miscellaneous expense	-	227
<u>Holding company</u>		
Accounting and administrative services	-	360,000
Rental expense	<b>32,435</b>	77,844
Warehouse operation services	-	21,600
Interest expense	-	13,272
<u>Related companies</u>		
Purchases	-	421
Interest expense	-	2,858
<u>Related parties</u>		
Sales	<b>(300)</b>	-
Other income	<b>(45,450)</b>	-
Accounting and administrative services	<b>112,200</b>	-
Rental expense	<b>45,837</b>	-
Warehouse operation services	<b>31,520</b>	-
Purchases	<b>6,708</b>	2,409

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

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

As at 30 June 2014, the former ultimate holding company provided performance guarantees of \$Nil (2013: \$66,632) to third parties in relation to the Group's performance obligations for the projects.

### Compensation of directors and key management personnel

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

	Group	
	2014	2013
	\$	\$
Short-term employee benefits	891,841	385,908
Post-employment benefits	47,465	22,653
Share-based payments	210,000	–
Total compensation	<u>1,149,306</u>	<u>408,561</u>

## 6 CASH AND CASH EQUIVALENTS

	Group		Company
	2014	2013	2014
	\$	\$	\$
Cash on hand	6,322	7,227	–
Cash at bank	<u>4,525,118</u>	<u>1,457,852</u>	<u>3,580,791</u>
	<b>4,531,440</b>	1,465,079	<b>3,580,791</b>
Less:			
Restricted cash	–	(10,509)	–
Cash and cash equivalents in the statement of cash flows	<u>4,531,440</u>	<u>1,454,570</u>	<u>3,580,791</u>

In 2013, included in the cash at bank of the Group was amount of \$10,509, withdrawals from which were restricted for project purposes.

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

	Group		Company
	2014	2013	2014
	\$	\$	\$
United States dollars	<u>266,107</u>	<u>932,417</u>	<u>12,496</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 7 TRADE RECEIVABLES

	Group	
	2014	2013
	\$	\$
Trade receivables due from third parties	6,278,729	581,258
Accrued revenue	137,063	161,211
	<b>6,415,792</b>	742,469
Amount due from contract customers (Note 9)	129,731	145,094
	<b>6,545,523</b>	887,563
Analysed as:		
Current	5,330,591	887,563
Non-current	1,214,932	–
	<b>6,545,523</b>	887,563

The average credit period on sale of goods and rendering of services are 30 days (2013: 30 days) terms. No interest is charged on the outstanding balance. They are recognised at their original invoice amounts which represent their fair values on initial recognition except for the long term trade receivables amounting to \$1,214,932 (2013: \$Nil) which is due by six pre-agreed instalments commencing from July 2016 to March 2019. These long term trade receivables are discounted based on cost of borrowing and carried at amortised cost as at end of reporting period. Management estimates that the carrying amount of long term trade receivables approximate its fair value as the effective interest rate approximates to the market rate.

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

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

	Group	
	2014	2013
	\$	\$
Not past due and not impaired	4,609,841	369,300
Past due but not impaired <sup>(i)</sup>	1,805,951	373,169
Total trade receivables, net	<b>6,415,792</b>	742,469

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 7 TRADE RECEIVABLES (CONTINUED)

(i) Aging of receivables that are past due but not impaired:

	Group	
	2014	2013
	\$	\$
<3 months	1,788,117	33,962
3 months to 6 months	-	104,005
6 months to 12 months	613	227,121
>12 months	17,221	8,081
	<u>1,805,951</u>	<u>373,169</u>

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

	Group	
	2014	2013
	\$	\$
United States dollars	<u>5,586,233</u>	<u>-</u>

## 8 OTHER RECEIVABLES

	Group		Company
	2014	2013	2014
	\$	\$	\$
Other receivables due from:			
Third parties	81,312	11,650	-
Subsidiary (Note 5)	-	-	809,294
	<u>81,312</u>	11,650	<u>809,294</u>
Deposits	428,002	496,142	250
Deferred expenditure	169,234	-	-
Prepayments	116,511	11,881	1,500
	<u>795,059</u>	<u>519,673</u>	<u>811,044</u>

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

**8 OTHER RECEIVABLES (CONTINUED)**

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

	Group		Company
	2014	2013	2014
	\$	\$	\$
United States dollars	<u>192,667</u>	<u>-</u>	<u>-</u>

**9 CONTRACT WORK-IN-PROGRESS**

	Group	
	2014	2013
	\$	\$
Contracts work-in-progress at the end of the reporting period:		
Amount due from contract customers included in trade receivables (Note 7)	<u>129,731</u>	<u>145,094</u>
Cumulative contract cost incurred and cumulative attributable profit recognised to date	<u>460,370</u>	431,266
Less: Cumulative progress billings	<u>(330,639)</u>	(286,172)
Net	<u>129,731</u>	<u>145,094</u>
Retention monies held by customer for contract work (unbilled)	<u>31,573</u>	<u>61,777</u>

**10 INVENTORIES**

	Group	
	2014	2013
	\$	\$
Inventories, net of allowance for inventory obsolescence	<u>481,559</u>	335,915
Work-in-progress	<u>13,921</u>	94,021
	<u>495,480</u>	<u>429,936</u>

Movement in the allowance for inventory obsolescence:

	Group	
	2014	2013
	\$	\$
Balance at beginning of the year	<u>99,944</u>	99,944
Write back during the year	<u>(7,398)</u>	-
Provision during the year	<u>6,341</u>	-
Balance at end of the year	<u>98,887</u>	<u>99,944</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 11 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture, fixtures and office renovation	Tools and equipment	Motor vehicles	Alert alarm systems	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$
<u>Group</u>							
Cost:							
At 1 July 2012	266,159	38,639	105,738	62,707	1,127,750	6,129	1,607,122
Additions	21,536	-	3,880	-	233,619	-	259,035
Disposals	(3,965)	(5,879)	-	-	-	-	(9,844)
Transfers	-	-	-	-	6,129	(6,129)	-
At 30 June 2013	283,730	32,760	109,618	62,707	1,367,498	-	1,856,313
Additions	73,192	14,150	-	-	162,138	517,929	767,409
Disposals	(252,429)	(24,489)	(76,040)	-	-	-	(352,958)
At 30 June 2014	104,493	22,421	33,578	62,707	1,529,636	517,929	2,270,764
Accumulated depreciation:							
At 1 July 2012	255,367	34,095	76,487	42,067	34,868	-	442,884
Depreciation for the year	14,926	2,574	10,753	5,760	188,538	-	222,551
Disposal	(3,965)	(5,879)	-	-	-	-	(9,844)
At 30 June 2013	266,328	30,790	87,240	47,827	223,406	-	655,591
Depreciation for the year	25,700	3,070	6,648	5,760	191,951	-	233,129
Disposal	(252,429)	(24,489)	(75,093)	-	-	-	(352,011)
At 30 June 2014	39,599	9,371	18,795	53,587	415,357	-	536,709
Carrying amount:							
At 30 June 2014	64,894	13,050	14,783	9,120	1,114,279	517,929	1,734,055
At 30 June 2013	17,402	1,970	22,378	14,880	1,144,092	-	1,200,722

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 12 INVESTMENT IN SUBSIDIARIES

	<b>Company 2014 \$</b>
Unquoted equity shares, at cost	<b><u>3,000,199</u></b>

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2014	2013	
		%	%	
IPS Securex Pte. Ltd. <sup>(a)</sup>	Singapore	<b>100</b>	100	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.
IPS Securex (B) Sdn Bhd <sup>(b)</sup>	Brunei	<b>100</b>	–	Distribution, installation and commissioning of security equipment and provision of maintenance support and leasing services.

Notes:

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Incorporated on 26 October 2013. Not audited for consolidation purposes as the management is of the opinion that the result of the subsidiary for the year is insignificant.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 13 TRADE PAYABLES

	Group	
	2014	2013
	\$	\$
Third parties	<u>3,440,797</u>	<u>276,177</u>

Trade payables are normally settled within 90 days (2013: 30 days) terms. No interest is charged on the trade payables except those under trade financing.

As at year end, the trade payables under trade financing amounted to \$332,952 (2013: \$Nil) with an interest rate at 2.21% (2013: \$Nil) per annum, are repayable within one year. The trade financing facilities are secured by personal guarantees by the Non-Executive Chairman and Controlling Shareholder, Chan Tien Lok and the other Controlling Shareholder, Tan Suan Yap.

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

	Group	
	2014	2013
	\$	\$
United States dollars	<u>3,190,453</u>	<u>256,539</u>

## 14 OTHER PAYABLES

	Group		Company
	2014	2013	2014
	\$	\$	\$
Other payables:			
Third parties	432,835	7,780	-
Former ultimate holding company (Note 5)	-	243	-
Holding company (Note 5)	-	42,783	-
Subsidiary (Note 5)	-	-	367,705
Related party (Note 5)	105,551	-	-
Loan due to subsidiary (Note 5)	-	-	22,493
Accruals	1,040,998	507,523	277,640
Advance from customers	366,980	632,265	-
	<u>1,946,364</u>	<u>1,190,594</u>	<u>667,838</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

**14 OTHER PAYABLES (CONTINUED)**

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

	<b>Group</b>		<b>Company</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
United States dollars	<u>190,664</u>	<u>–</u>	<u>12,493</u>

**15 DEFERRED TAX LIABILITY (ASSET)**

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

	<b>Group</b>
	<b>\$</b>
At 1 July 2012	1,187
Credit to profit or loss for the year (Note 22)	<u>(30,672)</u>
At 30 June 2013	(29,485)
Charge to profit or loss for the year (Note 22)	61,454
Underprovision in respect of prior years (Note 22)	<u>71,787</u>
At 30 June 2014	<u><b>103,756</b></u>

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

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liability (asset)	<u>103,756</u>	<u>(29,485)</u>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 16 SHARE CAPITAL

	Group			
	2014	2013	2014	2013
	<u>Number of ordinary shares</u>		<u>\$</u>	<u>\$</u>
Issued and paid up:				
At beginning of the year <sup>(1)</sup>	2,200,000	2,200,000	2,200,000	2,200,000
Issue of shares at incorporation of the Company	1	–	1	–
Adjustment pursuant to the Restructuring Exercise (Note 1)	(2,200,000)	–	(2,200,000)	–
Issue of shares pursuant to the Restructuring Exercise (Note 1)	<u>2,999,999</u>	–	<u>2,999,999</u>	–
	<b>3,000,000</b>		<b>3,000,000</b>	
Sub-division of shares <sup>(2)</sup>	63,000,000	–	–	–
Issue of shares pursuant to the IPO, net of IPO expenses capitalised <sup>(3)</sup>	<u>12,000,000</u>	–	<u>3,888,165</u>	–
At end of the year	<u><b>75,000,000</b></u>	<u>2,200,000</u>	<u><b>6,888,165</b></u>	<u>2,200,000</u>

	Company	
	2014	2014
	<u>Number of ordinary shares</u>	<u>\$</u>
Issued and paid up:		
Issue of shares on incorporation	1	1
Issue of shares pursuant to the Restructuring Exercise (Note 1)	<u>2,999,999</u>	<u>2,999,999</u>
	<u><b>3,000,000</b></u>	<u><b>3,000,000</b></u>
Sub-division of shares <sup>(2)</sup>	63,000,000	–
Issue of shares pursuant to the IPO, net of IPO expenses capitalised <sup>(3)</sup>	<u>12,000,000</u>	<u>3,888,165</u>
At end of the year	<u><b>75,000,000</b></u>	<u><b>6,888,165</b></u>

## Notes:

- (1) The Company was incorporated on 10 October 2013. As at 1 July 2013, the share capital represents the aggregate amount of the Group's share of the share capital of its subsidiary, IPSS as at 30 June 2013.
- (2) At the Extraordinary General Meeting held on 29 May 2014, the shareholders approved the sub-division of each ordinary share in the existing issued and paid up share capital of the Company into 21 ordinary shares.
- (3) On 30 June 2014, pursuant to the IPO, 12,000,000 ordinary shares were issued at \$0.35 per share, which resulted to a net proceed of \$3,888,165 after deducting share issuance expenses of \$311,835.

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

**17 OTHER RESERVE**

Other reserve pertains to deemed capital contribution by the Controlling Shareholders of the holding company for issuance of shares to directors as share based payment as disclosed in Note 1. The holding company issued and granted 16.38 million shares, adjusted for subdivision of ordinary shares, to certain directors for their past services to the holding company and its former ultimate holding company's group of entities at no consideration, with no vesting conditions. Management estimated the fair value of shares granted by the Controlling Shareholders is based on the services provided by the directors to the holding company.

**18 REVENUE**

	Group	
	2014	2013
	\$	\$
Sales of goods	7,932,829	5,971,175
Rendering of services	4,154,022	3,168,940
Rental income	358,817	347,975
	<b>12,445,668</b>	<b>9,488,090</b>

**19 OTHER OPERATING INCOME**

	Group	
	2014	2013
	\$	\$
Government grants	33,419	8,023
Interest income	512	567
Inventories written back	7,398	-
Charges to related party (Note 5)	45,450	-
Forfeiture of customer's sales deposit <sup>(1)</sup>	185,000	-
Others	27,057	5,796
	<b>298,836</b>	<b>14,386</b>

Note:

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 20 FINANCE COSTS

	Group	
	2014	2013
	\$	\$
Interest expense		
Trade financing	632	–
Holding company (Note 5)	–	13,272
Related company (Note 5)	–	2,858
	<b>632</b>	<b>16,130</b>

## 21 PROFIT BEFORE INCOME TAX

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

	Group	
	2014	2013
	\$	\$
Directors' remuneration		
– of the Company	259,050	–
– of a subsidiary	530,399	260,215
Total directors' remuneration	<b>789,449</b>	<b>260,215</b>
Employee benefits expense (inclusive of directors' remuneration):		
Share-based payments	210,000	–
Defined contribution plans	263,722	151,555
Salaries and related expenses	2,232,910	1,324,574
Total employee benefits expense	<b>2,706,632</b>	<b>1,476,129</b>
Audit fees paid to auditors of the Company	116,000	50,000
Depreciation of plant and equipment <sup>(1)</sup>	233,129	222,551
Loss on disposal of plant and equipment	947	–
Inventories written off	210	4,981
Allowance for inventory obsolescence	6,341	–
Inventories recognised as an expenses in cost of sales	5,069,607	2,341,733
Net foreign exchange loss	14,295	11,974
Expenses relating to the Company's IPO <sup>(2)</sup>	1,101,889	–
Forfeiture of customer's sales deposit	<b>(185,000)</b>	–

Notes:

(1) Included in cost of sales and administrative expenses.

(2) This included non-audit fees of \$196,560 (2013: \$Nil) paid to the auditors of the Company in connection with the Company's IPO.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

**22 INCOME TAX EXPENSE**

	Group	
	2014	2013
	\$	\$
Current tax expense	357,103	31,172
Overprovision for current tax of prior years	(24,461)	–
Deferred tax expense (benefit) (Note 15)	61,454	(30,672)
Underprovision for deferred tax of prior years (Note 15)	71,787	–
	<b>465,883</b>	<b>500</b>

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

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

	Group	
	2014	2013
	\$	\$
Profit before income tax	<b>1,580,028</b>	1,718,880
Income tax expense calculated at 17% (2013: 17%)	<b>268,605</b>	292,210
Effect of different tax rate of subsidiary operating in other jurisdiction	<b>(282)</b>	–
Effect of expenses that are not deductible	<b>261,194</b>	9,827
Effect of income that are not taxable	<b>(136)</b>	(850)
Effect of utilisation of previously unrecognised and unused tax losses and capital allowances	–	(238,033)
Effect of tax concessions and partial exemption	<b>(110,824)</b>	(62,654)
Net underprovision of tax in prior years	<b>47,326</b>	–
Tax expense for the year	<b>465,883</b>	<b>500</b>

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 23 EARNINGS PER SHARE

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

	Group	
	2014	2013
	\$	\$
Profit attributable to owners of the Company (\$)	<u>1,114,145</u>	<u>1,718,380</u>
Weighted average number of ordinary shares for purpose of earnings per share	<u>63,032,877</u>	<u>63,000,000<sup>(1)</sup></u>

Note:

- (1) For comparative purpose, the issued and paid up share capital of the Company as at 30 June 2013 adjusted for the subdivision of ordinary share (Note 16) of 63,000,000 ordinary shares.

There were no dilutive equity instruments for 2014 and 2013.

## 24 SEGMENT INFORMATION

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 24 SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results

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

	Revenue		Net profit	
	2014	2013	2014	2013
	\$	\$	\$	\$
Security solutions business <sup>(1)</sup>	<b>8,462,291</b>	6,711,948	<b>3,792,767</b>	1,955,063
Maintenance and leasing business <sup>(2)</sup>	<b>3,983,377</b>	2,776,142	<b>2,397,631</b>	2,064,672
	<b>12,445,668</b>	9,488,090	<b>6,190,398</b>	4,019,735
Other operating income			<b>106,438</b>	14,386
Administrative expenses			<b>(4,694,637)</b>	(2,276,012)
Other operating expenses			<b>(21,539)</b>	(23,099)
Finance costs			<b>(632)</b>	(16,130)
Profit before income tax			<b>1,580,028</b>	1,718,880
Income tax expense			<b>(465,883)</b>	(500)
Profit for the year			<b>1,114,145</b>	1,718,380

Notes:

- (1) Included sales to related parties and former holding company of \$Nil (2013: \$2,700).  
(2) Included sales to related parties and former holding company of \$300 (2013: \$2,395).

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

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

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

**24 SEGMENT INFORMATION (CONTINUED)****Segment assets**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Security solutions business	<b>5,725,688</b>	969,268
Maintenance and leasing business	<b>3,505,350</b>	1,986,410
Total segment assets	<b>9,231,038</b>	2,955,678
Unallocated assets	<b>4,870,519</b>	1,576,780
Total consolidated assets	<b>14,101,557</b>	4,532,458

**Segment liabilities**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Security solutions business	<b>3,026,093</b>	645,383
Maintenance and leasing business	<b>830,108</b>	322,435
Total segment liabilities	<b>3,856,201</b>	967,818
Unallocated liabilities	<b>1,998,530</b>	530,125
Total consolidated liabilities	<b>5,854,731</b>	1,497,943

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

**Other segment information**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Depreciation:		
Maintenance and leasing business	<b>191,951</b>	188,538
Unallocated	<b>41,178</b>	34,013
	<b>233,129</b>	222,551
Additions to plant and equipment:		
Maintenance and leasing business	<b>621,972</b>	239,748
Unallocated	<b>145,437</b>	19,287
	<b>767,409</b>	259,035

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 24 SEGMENT INFORMATION (CONTINUED)

### Geographical information

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

	Revenue		Non-current assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
Singapore	<b>5,294,405</b>	3,538,668	<b>1,734,055</b>	1,200,722
Vietnam	<b>61,466</b>	4,468,761	-	-
Brunei	<b>367,351</b>	373,044	-	-
Thailand	<b>100,742</b>	1,602	-	-
Indonesia	<b>4,084,693</b>	845,882	-	-
Malaysia	<b>2,537,011</b>	260,133	<b>1,214,932</b>	-
Total	<b>12,445,668</b>	9,488,090	<b>2,948,987</b>	1,200,722

### Information about major customers

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

	2014	2013
	\$	\$
<u>Security solutions business</u>		
Customer A	-	2,595,686
Customer B	-	2,227,878
Customer C	<b>3,744,393</b>	-
Customer D	<b>2,537,011</b>	-
Customer E	<b>1,376,880</b>	-
<u>Maintenance and leasing business</u>		
Customer F	<b>2,452,680</b>	2,043,695

## 25 OPERATING LEASE ARRANGEMENTS

### The Group as lessor

The Group rents out its alert alarm systems under operating lease. The rental income earned during the financial year is disclosed in Note 18.

# NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2014

## 25 OPERATING LEASE ARRANGEMENTS (CONTINUED)

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

	2014 \$	2013 \$
Within one year	392,802	353,988
In the second to fifth year inclusive	1,571,208	1,415,952
More than five years	157,592	403,224
	<b>2,121,602</b>	<b>2,173,164</b>

### The Group as lessee

The Group has operating lease payments for provision of group services and office and warehouse space with a related party and inventory storage management with another related party. The lease payments during the period are disclosed in Note 5.

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

	2014 \$	2013 \$
Within one year	97,452	-

## 26 CAPITAL EXPENDITURE COMMITMENTS

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

	Group	
	2014 \$	2013 \$
Construction for alert alarm systems	1,228,255	-

## 27 EVENTS AFTER THE REPORTING PERIOD

On 26 September 2014, the Company entered into a subscription agreement with a third party individual to allot and issue 6,000,000 new ordinary shares in the capital of the Company at a subscription price of \$0.42 for each new share. The completion of the subscription is subject to the terms and conditions set out in the Subscription Agreement.

## 28 COMPARATIVE FIGURES

The financial statements of the Group for the years ended 30 June 2013 and 2014 are prepared based on merger accounting method as if the Group, who is ultimately controlled collectively by the same Group of shareholders has been in existence prior to the Restructuring Exercise.

The financial statements of the Company cover the financial year since incorporation on 10 October 2013 to 30 June 2014. This being the first set of financial statements for the Company, there are no comparative figures.

# STATISTICS OF SHAREHOLDINGS

AS AT 19 SEPTEMBER 2014

Issued and fully paid-up capital	-	S\$6,888,165.00
Class of Shares	-	Ordinary shares
No. of Shares	-	75,000,000
Voting Rights	-	One vote per share

As at 19 September 2014, the Company does not have any treasury shares.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF		NO. OF SHARES	
	SHAREHOLDERS	%		%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	59	36.42	454,000	0.61
10,001 – 1,000,000	100	61.73	11,536,000	15.38
1,000,001 AND ABOVE	3	1.85	63,010,000	84.01
<b>TOTAL</b>	<b>162</b>	<b>100.00</b>	<b>75,000,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IPS TECHNOLOGIES PTE. LTD.	46,620,000	62.16
2	KELVIN LIM CHING SONG	12,600,000	16.80
3	ONG CHIN HIN	3,790,000	5.05
4	NEW EASTERN (1971) PTE LTD	1,000,000	1.33
5	LOW SOW KUAN	850,000	1.13
6	PAUL YIP BOON TIONG	680,000	0.91
7	UOB KAY HIAN PRIVATE LIMITED	661,000	0.88
8	LIM KOK LENG	530,000	0.71
9	LEE CHON WAH BRENDA	480,000	0.64
10	LEE SIEW HAN	400,000	0.53
11	ANGELA G TAN	380,000	0.50
12	KOH TIAN SIANG (XU TIANXIANG)	361,000	0.48
13	ANG SWEE BOON	350,000	0.47
14	CHUA CHING LAM	350,000	0.47
15	SIM YONG MUI	310,000	0.41
16	TSAO SAN	215,000	0.29
17	PHILLIP SECURITIES PTE LTD	207,000	0.28
18	KEW SOO KIONG	200,000	0.27
19	MAH HONG WOON	150,000	0.20
20	TOH TENG SENG (ZHUO JINGSHENG)	150,000	0.20
	<b>TOTAL</b>	<b>70,284,000</b>	<b>93.71</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 19 SEPTEMBER 2014

## **SUBSTANTIAL SHAREHOLDERS AS AT 19 SEPTEMBER 2014**

(As recorded in the Register of Substantial Shareholders)

No.	Name	Direct Interest		Deemed Interests	
		No. of shares held	%	No. of shares held	%
1.	IPS Technologies Pte. Ltd.	46,620,000	62.20	–	–
2.	Chan Tien Lok <sup>(1)</sup>	–	–	46,620,000	–
3.	Tan Suan Yap <sup>(2)</sup>	–	–	46,620,000	–
4.	Kelvin Lim Ching Song	12,600,000	16.80	–	–
5.	Ong Chin Hin	3,790,000	5.05	–	–

**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 the 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 shareholding in IPST.

## **PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

Based on information available to the Company as at 19 September 2014, approximately 15.59% 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.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of IPS Securex Holdings Limited (the “Company”) will be held at Albatross, Raffles Country Club, 450 Jalan Ahmad Ibrahim Singapore 639932 on Thursday, 30 October 2014 at 10 a.m. to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the financial year ended 30 June 2014 together with the Auditors’ Report thereon. **Resolution 1**
2. To approve the payment of Directors’ fees of S\$105,250 for the financial year ended 30 June 2014. **Resolution 2**
3. To approve the payment of Directors’ fees of S\$312,818 for the financial year ending 30 June 2015. **Resolution 3**
4. (i) To re-elect the following Directors retiring pursuant to Article 97 of the Articles of Association of the Company:
 

Mr. Chan Tien Lok	<b>Resolution 4</b>
Mr. Kelvin Lim Ching Song	<b>Resolution 5</b>
Mr. Ong Chin Hin	<b>Resolution 6</b>
Mr. Ong Beng Chye	<b>Resolution 7</b>
Mr. Joseph Tan Peng Chin	<b>Resolution 8</b>

[See Explanatory Note (i)]
- (ii) To note that Mr. Peter Boo Song Heng will be retiring pursuant to Article 97 of the Articles of Association of the Company and he will not be seeking re-election at this AGM.
5. To re-appoint Messrs Deloitte & Touche LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**
6. To transact any other ordinary business which may be properly transacted at an AGM.

## SPECIAL BUSINESS

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

### 7. AUTHORITY TO ALLOT AND ISSUE SHARES

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors 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 while this Resolution was in force,

(the “**Share Issue Mandate**”)

PROVIDED ALWAYS that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (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 10**

# NOTICE OF ANNUAL GENERAL MEETING

## 8. **AUTHORITY TO ISSUE SHARES UNDER THE IPS SECUREX EMPLOYEE SHARE OPTION SCHEME**

That pursuant to Section 161 of the Companies Act, Chapter 50, and the provisions of the IPS Securex Employee Share Option Scheme (the “**IPS Securex ESOS**”) the Directors of the Company be authorised and empowered to offer and grant share options under the IPS Securex ESOS and to issue from time to time such number of shares in the capital of the Company 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%) of the total number of issued shares (excluding treasury shares) in the capital of the Company 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 (iii)]

**Resolution 11**

## 9. **AUTHORITY TO ISSUE SHARES UNDER THE IPS SECUREX PERFORMANCE SHARE PLAN**

That pursuant to Section 161 of the Companies Act, Chapter 50, and the provisions of the IPS Securex Performance Share Plan (the “**IPS Securex PSP**”) the Directors of the Company be authorised and empowered to offer and grant share awards under the IPS Securex PSP and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of share awards under the IPS Securex PSP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company 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 12**

By Order of the Board

Shirley Tan Sey Liy  
Company Secretary  
Singapore, 14 October 2014

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

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

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

- (ii) Resolution 11 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%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) 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 in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company 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 12 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 in the Company 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%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

- (iv) Resolution 13 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 in the Company 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%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

# NOTICE OF ANNUAL GENERAL MEETING

**Notes:**

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

**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 the Republic of Singapore)

## IMPORTANT:

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

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

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

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

Name	NRIC/Passport Number	Proportion of Shareholdings to be presented by Proxy	
		No of Shares	%
Address			

\*and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings to be presented by Proxy	
		No of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Albatross, Raffles Country Club, 450 Jalan Ahmad Ibrahim Singapore 639932 on Thursday, 30 October 2014 at 10 am 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.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as \*he/they may think fit, as he/they will on any other matter arising at the AGM.)

No.	Resolutions relating to:	For	Against
<b>Ordinary Business</b>			
1	Directors' Report and Audited Accounts for the financial year ended 30 June 2014		
2	Approval of Directors' fees amounting to S\$105,250 for the financial year ended 30 June 2014		
3	Approval of Directors' fees amounting S\$312,818 for the financial year ending 30 June 2015		
4	Re-election of Mr. Chan Tien Lok as a Director		
5	Re-election of Mr. Kelvin Lim Ching Song as a Director		
6	Re-election of Mr. Ong Chin Hin as a Director		
7	Re-election of Mr. Ong Beng Chye as a Director		
8	Re-election of Mr. Joseph Tan Peng Chin as a Director		
9	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
<b>Special Business</b>			
10	Authority to issue new shares		
11	Authority to issue shares pursuant to exercise of options under the IPS Securex Employee Share Option Scheme		
12	Authority to issue shares under the IPS Securex Performance Share Plan		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

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

\_\_\_\_\_  
Signature of Member or,  
Common Seal of Corporate Shareholder

\* Delete where inapplicable

**IMPORTANT:** Please read notes overleaf

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100.0% of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 71 Tech Park Crescent Singapore 638072 not less than forty-eight (48) hours before the time fixed for holding the AGM.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting 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 14 October 2014.

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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **CHAN TIEN LOK**

(Non-Executive Chairman)

### **KELVIN LIM CHING SONG**

(Executive Director and Chief Executive Officer)

### **ONG CHIN HIN**

(Non-Executive Director)

### **ONG BENG CHYE**

(Lead Independent Director)

### **PETER BOO SONG HENG**

(Independent Director)

### **JOSEPH TAN PENG CHIN**

(Independent Director)

## **AUDIT COMMITTEE**

### **ONG BENG CHYE**

(Chairman)

### **PETER BOO SONG HENG**

### **JOSEPH TAN PENG CHIN**

## **NOMINATING COMMITTEE**

### **PETER BOO SONG HENG**

(Chairman)

### **CHAN TIEN LOK**

### **ONG BENG CHYE**

### **JOSEPH TAN PENG CHIN**

## **REMUNERATION COMMITTEE**

### **JOSEPH TAN PENG CHIN**

(Chairman)

### **PETER BOO SONG HENG**

### **ONG BENG CHYE**

## **COMPANY SECRETARY**

### **SHIRLEY TAN SEY LIY (ACIS)**

## **REGISTERED OFFICE**

71 Tech Park Crescent  
Singapore 638072

## **COMPANY REGISTRATION NUMBER**

201327639H

## **AUDITORS**

### **DELOITTE & TOUCHE LLP**

6 Shenton Way  
OUE Downtown 2 #32-00  
Singapore 068809

Partner-in-charge:

### **TAY HWEE LING**

(A member of the Institute of  
Singapore Chartered Accountants)

Date of Appointment:

9th January 2014

## **SHARE REGISTRAR AND SHARE TRANSFER OFFICE**

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

50 Raffles Place  
Singapore Land Tower #32-01  
Singapore 048623

## **PRINCIPAL BANKERS**

### **UNITED OVERSEAS BANK LIMITED**

80 Raffles Place  
UOB Plaza  
Singapore 048624

### **OVERSEA-CHINESE BANKING CORPORATION LIMITED**

65 Chulia Street  
OCBC Centre #09-00  
Singapore 049513

### **DBS BANK LTD.**

12 Marina Boulevard, Level 46  
DBS Asia Central @ MBFC Tower 3  
Singapore 018982

## **INVESTOR RELATIONS**

### **COGENT COMMUNICATIONS PTE LTD**

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



**IPS SECUREX HOLDINGS LIMITED**

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

71 Tech Park Crescent | Singapore 638072 | <http://www.ips-securex.com/> | Tel: +(65) 6863 4385 | Fax: +(65) 6863 6270