



IPS SECUREX HOLDINGS LIMITED
(Company Registration No. 201327639H)
(Incorporated in Singapore)
(the "Company")

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
("SIAS")**

The Board of Directors ("**Board**" or "**Directors**") of IPS Securex Holdings Limited ("**Company**" and, together with its subsidiaries, "**Group**") refers to the questions raised from SIAS in relation to the Company's annual report for financial year ended 30 June 2024 ("**FY2024**").

The Company sets out below our responses to questions raised by the SIAS.

Q1. In the chairman's statement, it was mentioned that the company subsidiaries are registered under the GSR with the financial grades of S7 and S9 which provide them tendering capacities of up to \$5 million and \$30 million respectively. He further added that the entities are also registered with BCA and its CRS, with various tendering limits.

- (i) **Can the chairman clarify that the registrations mentioned refer to the "Government Supplier Registration (GSR)" and Building and Construction Authority's "Contractors Registration System (CRS)"?**

Company's response: Yes. The definitions are provided on page 1 of the annual report.

Have there been any changes to the subsidiaries' tendering limits or workheads?

Company's response: No.

Given that this was a business highlight in the chairman's statement, could the chairman provide more clarity on how this directly impacts the group's business prospects moving forward?

Company's response: The GSR registration of a financial grade of S9 with a tendering capacity of up to S\$30,000,000 held by IPS Securex Pte. Ltd. enables the Group to participate in bigger tenders for government contracts in Singapore which would contribute positively towards the Group's business prospects.

Management also showcased two projects involving data centres on pages 18 and 19.

- (ii) **How differentiated are the group's products and services in the data centre space? What portion of the group's revenue is driven by data centre projects, and how does the company plan to expand this segment profitably? How does management secure new clients in this segment?**

Company's response: The products and services as listed in the project reference of the annual report represent typical security solutions that data centres may require for setting up integrated security systems. Based on the Group's audited financial statements for the year ended 30 June 2024, approximately 38.7% of the Group's revenue was driven by data centre projects. As part of our marketing efforts, we would reach out to potential customers by showcasing our proven track record and highlighting our expertise and solutions with the latest and proven technologies.

Q2. For the financial year ended 30 June 2024, while revenue increased from \$11.5 million to \$13.7 million, the cost of sales barely changed, increasing from \$7.87 million to \$7.91 million. In addition, administrative expenses (mainly salaries and related expenses) increased marginally, from \$5.56 million to \$5.77 million.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue	5	13,687,667	11,543,086
Cost of sales		(7,911,636)	(7,865,350)
Gross profit		5,776,031	3,677,736
Other income and gains	6	293,735	90,104
Administrative expenses	9	(5,772,933)	(5,563,499)
Allowance for expected credit loss – reversal/(loss)	19	3,662	(31,572)
Other losses	6	(327)	–
Other operating expenses		(117,564)	(88,682)
Finance income	7	1,513	576
Finance costs	8	(68,674)	(104,509)
Profit/(loss) before tax		115,443	(2,019,846)
Income tax (expense)/benefit	10	(11,802)	8,555
Total comprehensive income/(loss)		103,641	(2,011,291)
Earnings/(loss) per share		Cents	Cents
Basic and diluted	11	0.02	(0.41)

9. ADMINISTRATIVE EXPENSES

Major and selected components include the following:

	Group	
	2024 \$	2023 \$
Employee benefits expense (inclusive of directors' remuneration):		
– Salaries and related expenses	3,778,991	3,707,941
– Defined contribution plan	498,343	439,551
– Staff benefits	32,753	34,452
Depreciation of plant and equipment	134,874	105,484

- (i) **Can management elaborate on how margins differ across the various projects? Which types of projects or sectors tend to command higher margins, and what factors contribute to these variations?**

Company's response: As explained on page 9 of the annual report, the Group's gross margin increased from 31.9% in FY2023 to 42.2% in FY2024 due to higher margins from the Security Solutions Business and the Maintenance and Leasing Business. We are, however, unable to disclose any project related details due to the Official Secrets Act 1935 and client confidentiality.

- (ii) **In addition, what operational efficiencies or technology implementations enabled the group to achieve higher revenue without a proportional increase in salary costs? Is the current workforce fully utilised, are how much more growth can the team support?**

Company's response: We have implemented digital timesheet systems to oversee and manage staff deployment more efficiently and we are also reviewing our existing office systems to further digitalize some of the processes which are currently performed manually. These are some of the strategic initiatives focused on cost containment referred to in the Company's results announcement dated 23 August 2024 which have enabled the Group to achieve higher revenue without a proportional increase in salary costs.

The group continues to be Singapore-centric, with 93% of revenue coming from Singapore.

- (iii) **Could the board provide further clarity on its ambitions for regional expansion? What specific strategies are in place to grow the business outside of Singapore?**

Company's response: We plan to expand regionally to reach out to more potential customers outside of Singapore and will announce more details in due course when there are material developments.

On 19 August 2024, the company announced the award of a security contract with value of \$12.0 million to design, supply and install security systems for completion by February 2026.

- (iv) **Given the relatively large size of a single contract, has the board evaluated the risk management framework? With the recent leadership transition, does the new management team have sufficient bandwidth and expertise to execute this major project effectively?**

Company's response: The Board has evaluated the contract within the Group's internal risk assessment framework and risk tolerance level having regard to the creditworthiness of the customer. The Group had in the past secured contracts of similar size, and had successfully completed such contracts. Despite the recent leadership transition, the current management team remains intact and relevant as these individuals have been with the Group for at least 7 years.

The company was the victim of a ransomware incident. As noted in the 2 January 2024 announcement, an unknown party gained unauthorised access to the group's servers and rendered its network inaccessible.

- (v) **Has the board carried out a thorough investigation to determine the cause of the incident? What specific improvements have been made to strengthen the group's cybersecurity protocols and prevent future incidents?**

Company's response: We refer to the announcements made on 2 January 2024, 5 January 2024 and 1 February 2024 in relation to the incident. The Group had reported the incident to the Singapore Police Force for assistance and the cause of the incident is still under investigation. With the assistance of its external experts, the Group had conducted a thorough review of its systems and processes and further enhanced and improved its cybersecurity measures and has implemented and enhanced its anti-virus protection and proactive cybersecurity monitoring.

Q3. On 15 August 2024, the company announced that the resignation of executive director and chief executive officer, Mr Kelvin Lim Ching Song¹ with effect from 30 August 2024.

¹<https://links.sgx.com/1.0.0/corporate-announcements/E4G69AC6N7ERP58N/bddad3fe40a5de89c44ad0640d25281f2b7a2dd44524885ee6eaf185fd7cebdd>

Mr Boey Teik Heng was appointed the acting chief executive officer of the company on 20 September 2024².

²<https://links.sgx.com/1.0.0/corporate-announcements/2LQ9VP5M5CGO74O4/acb8f8801b92278e8e3e0452b1519a319a06e2083900a65f5de511fa5577e8be>

- (i) **What has been the total shareholder return for the past 5 and 10 years?**

Company's response: Based on data extracted from Bloomberg L.P., the Company generated negative total shareholder returns for the past 5 and 10 years of approximately 42% and 66% respectively, assuming that any cash dividends received were not reinvested.

Bloomberg L.P. has not provided its consent to the inclusion of the returns quoted above and is thereby not liable for such information.

In respect of the data that has been extracted from Bloomberg L.P. above, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such source and/or reproduced in this announcement in its proper form and context.

- (ii) **Can the nominating committee (NC) elaborate further on the succession plans for key management personnel? What specific leadership qualities, strategic experience, and industry expertise are prioritised in the search for a new CEO, and what progress has been made in the search process? Is the company still actively looking for a permanent CEO?**

Company's response: As announced by the Company on 20 September 2024, the NC having reviewed and assessed Mr. Boey Teik Heng's credentials, qualifications and working experiences is, with the concurrence of the Board, of the view that he has the requisite experience and capabilities to assume the role and responsibility as the acting CEO of the Company. To clarify, the acting CEO role is meant to be an interim position to allow Mr. Boey to transition into his role from Deputy Chief Operating Officer of Securex GS Pte. Ltd. to permanent CEO of the Group and, hence, based on the Board and NC's current assessment, there is no present intention to search for a new candidate for the CEO role.

In addition, Mr Ong Beng Chye, who will retire pursuant to Regulation 91 of the company's constitution will seek his re-election at the annual general meeting scheduled to be held on 25 October 2024. If re-elected, the director will be redesignated as non-independent director.

SGX has introduced a 9-year limit on the tenure of independent directors.

As at 30 June 2024, the company has accumulated losses of \$(3.5) million. Equity stood at just \$6.0 million at the end of the financial year. The company has not paid a dividend since 2016.

- (iii) **Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

Company's response: The NC has regularly reviewed the composition of the Board and is of the view that the Board consists of persons who, as a group, provides core competencies such as business and management experience, industry knowledge, legal expertise, financial and strategic planning experience and knowledge that are necessary to meet the Company's objectives. In light of the retirement of Chan Tien Lok and Joseph Tan Peng Chin at the upcoming AGM, the NC has recommended to the Board 2 new independent director candidates as disclosed on pages 66 - 69 of the Annual Report, namely, Mr Barney Lau Tai Chiau and Ms Lee Li Ing. Mr Barney Lau Tai Chiau has over 30 years of experience in leadership positions such as the Managing Director of Microsoft Singapore and Country Director of Cisco Systems. Ms Lee Li Ing has strong competencies in human resources and had served as Group Chief Human Resources Officer in Singapore Post Pte Ltd before.

- (iv) **Can the director help shareholders better understand his past contributions and how has he helped to create long-term, sustainable value for shareholders during his tenure on the board?**

Company's response: Mr Ong Beng Chye has been serving as the Audit Committee Chairman, a member of the Remuneration Committee and a member of the Nominating Committee since 2014. Since August 2023, the Board had appointed Mr Ong to be its Non-Executive Independent Chairman. Mr. Ong has over 28 years of experience in the financial, business management and consultancy sector, and has been and continues to be an independent director of various SGX-listed companies, allowing him to contribute to the Group with valuable views and guidance based on his wealth of experience. He has also actively promoted a culture of openness and debate at board meetings, facilitating effective contribution of all directors; and promoting high standards of corporate governance.

- (v) **If re-elected, how will the director contribute as non-executive director? How is he able to provide fresh perspective to the board given his long tenure?**

Company's response: Given that the Board composition is expected to change, subject to shareholders' approvals at the AGM, with the introduction of 2 new independent non-executive directors and together with the current non-executive chairman (if re-elected), the Board is of the opinion that the new Board composition of directors provides sufficient diversity of experiences with the right balance of past knowledge and fresh perspectives.

- (vi) **Would the director's redesignation cause the company to not comply with Provision 2.2 of the Code of Corporate Governance 2018?**

Company's response: The director's redesignation will not cause non-compliance with Provision 2.2 of the Code of Corporate Governance 2018. Subject to shareholders' approvals at the AGM, the Board will comprise 3 directors (majority independent): a non-independent Chairman and 2 independent directors.

- (vii) **Does the director believe his continued appointment on the board hinders the progressive renewal of the board?**

Company's response: At the forthcoming AGM, with the retirement of Mr Chan Tien Lok and Joseph Tan Peng Chin, Mr Ong Beng Chye's agreement to stand for election at the AGM as non-executive non-independent director will provide continuity to the Board which, together with the proposed renewal of the Board and the proposed appointment of 2 new independent directors will provide a fresh diversity of experiences, knowledge and perspectives.

BY ORDER OF THE BOARD

Ong Beng Chye
Independent Non-Executive Chairman
18 October 2024

*This announcement has been prepared by IPS Securex Holdings Limited ("**Company**") and has been reviewed by the Company's sponsor, United Overseas Bank Limited ("**Sponsor**"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

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

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