



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

**ENTRY INTO MEMORANDUM OF UNDERSTANDING RELATING TO THE
PROPOSED ACQUISITION OF SHAREHOLDING INTERESTS IN (I) YATAI SECURITY &
COMMUNICATIONS PTE. LTD.; AND (II) AVAC SYSTEMS PTE. LTD.**

1. INTRODUCTION

The Board of Directors (the **"Board"** or **"Directors"**) of IPS Securex Holdings Limited (the **"Company"** and, together with its subsidiaries, the **"Group"**) wishes to announce that the Company has entered into a memorandum of understanding (the **"MOU"**) on 28 October 2015, pursuant to which the Company or such other party or parties as may be nominated by the Company (the **"Purchaser"**) will acquire such number of shares representing in aggregate, 40.0% of the issued share capital (the **"Sale Shares"**) of each of Yatai Security & Communications Pte. Ltd. (**"Target Company I"**) and Avac Systems Pte. Ltd. (**"Target Company II"**) (collectively, the **"Target Companies"**) from Mr Lim Ang Seng and Mr Lim Bang Quan, the existing shareholders of the Target Companies (the **"Vendors"**, and together with the Company, the **"Parties"**) (the **"Proposed Acquisition"**).

2. INFORMATION ON THE TARGET COMPANIES AND THE VENDORS

Target Company I is a private company limited by shares incorporated in Singapore on 13 December 2011 and carries on the business of general contracting for non-building construction, including the supply, installation and commissioning of public address, communication and security surveillance systems.

Target Company II is a private company limited by shares incorporated in Singapore on 16 May 1985 and carries on the business of general wholesale trade (general importing and exporting), including the provision of maintenance services for public address, communication and security surveillance systems.

Based on the unaudited management accounts of the Target Companies for the financial year ended 31 December 2014, the net profits of Target Company I and Target Company II were approximately S\$481,000 and S\$33,000, respectively.

The Vendors have been in the business of supplying and installing public address, communication and security systems to customers since 1984. In their 30 years of experience in the security industry, the Vendors have rendered services to more than 3,000 clients ranging from government agencies, shopping malls and hospitals to developers of commercial and residential properties. The Target Companies have been involved in various large scale projects in Singapore such as the supply and installation of public address systems for the Kallang Paya Lebar Express Way, the upgrade and servicing of CCTV systems for Capitaland Raffles City and the servicing of public address and CCTV systems for the Ministry of Home Affairs.

As at the date of the MOU, each of Target Company I and Target Company II has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.

As at the date of the MOU, Mr Lim Ang Seng and Mr Lim Bang Quan hold such number of shares constituting 70.0% and 30.0% of the issued share capital of Target Company I, respectively, and Mr Lim Ang Seng holds 100.0% of the issued share capital of Target Company II.

As at the date of the MOU, Mr Lim Ang Seng and Mr Lim Bang Quan are the directors of Target Company I, and Mr Lim Ang Seng is the sole director of Target Company II. Mr Lim Ang Seng is the father of Mr Lim Bang Quan.

The Vendors are unrelated to any of the Directors and substantial shareholders of the Company.

3. PURCHASE CONSIDERATION FOR THE SALE SHARES

The purchase consideration payable by the Purchaser to the Vendors for the Sale Shares (the "**Purchase Consideration**") shall be the amount based on the net asset value ("**NAV**") of the Target Companies attributable to the Sale Shares as at 31 October 2015 which may be adjusted pursuant to, *inter alia*, the financial due diligence exercises to be carried out by the Purchaser and/or its professional advisers on the Target Companies. As at 31 August 2015, the NAV of Target Company I and Target Company II is S\$1,470,000 and S\$438,000, respectively.

The Purchaser Consideration shall be satisfied fully in cash and payable to the Vendors based on an agreed payment schedule.

The Purchase Consideration shall be payable as follows:

- (a) 60.0% of the Purchase Consideration shall be payable upon Completion (as defined below);
- (b) 20.0% of the Purchase Consideration shall be payable three (3) months from Completion; and
- (c) 20.0% of the Purchase Consideration shall be payable seven (7) months from Completion.

Prior to Completion, the Vendors and the Target Companies shall fully settle the Outstanding Sum from Yatai Surveillance Electronics ("**YSE**") and the Outstanding Sum due to directors. For the purpose of this announcement, "**Outstanding Sum from YSE**" shall refer to the outstanding sum owed from YSE to the Target Companies as disclosed in the Target Companies' accounts as at 31 October 2015 and "**Outstanding Sum due to directors**" shall refer to the outstanding sum owed to the directors of the Target Companies as disclosed in the Target Companies' accounts as at 31 October 2015.

The Purchase Consideration was arrived at after taking into account, *inter alia*, the expected unaudited NAV of the Target Companies as at 31 October 2015, and the track record and business prospects of the Target Companies.

The Purchase Consideration will be funded by a combination of the Group's internal resources and bank financing.

4. KEY PROVISIONS OF THE MOU

The MOU is subject to the Parties entering into a definitive sale and purchase agreement (the "**SPA**"). The Parties shall negotiate in good faith to agree on the terms and conditions of the SPA within four (4) months from the date of the MOU.

Under the Proposed Acquisition, the Purchaser will acquire 10.0% and 30.0% of the issued share capital of Target Company I from Mr Lim Ang Seng and Mr Lim Bang Quan, respectively, and 40.0% of the issued share capital of Target Company II from Mr Lim Ang Seng.

Upon the completion of the SPA (the "**Completion**"), Mr Lim Ang Seng shall remain as a shareholder in Target Company I holding 60.0% of the issued share capital of Target Company I, and Mr Lim Bang Quan shall cease to be a shareholder of Target Company I (the "**Exiting Vendor**"). Upon Completion, Mr Lim Ang Seng shall remain as a shareholder in Target Company II holding 60.0% of the issued share capital of Target Company II. For the purpose of this announcement, Mr Lim Ang Seng shall be referred to as the "**Remaining Vendor**" in relation to the Target Companies on Completion.

The Completion shall be subject to the following conditions precedent:

- (a) the Purchaser being satisfied, in its sole discretion, with the results of legal, tax and financial due diligence exercises to be carried out by the Purchaser and/or its professional advisers on the Target Companies;
- (b) all statutory, regulatory and other consents, approvals, permits, licences, actions or the filing or giving of notice to, any governmental body or any other person required in connection with the sale and purchase of the Sale Shares, including but not limited to the approvals of the shareholders of the Purchaser and Vendors, having been obtained without conditions deemed unacceptable by the Purchaser and the Purchaser having been furnished with satisfactory documentation evidencing the granting of such approvals, authorisations and consents;
- (c) if applicable, approval from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") having been obtained, if the Proposed Acquisition constitutes a "*major transaction*" pursuant to Chapter 10 of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Listing Manual**");
- (d) all existing statutory, regulatory and other approvals, permits and licences necessary for the conduct of the business of the Target Companies remaining valid and effective as at the date of Completion and shall not be rendered void or invalid by the occurrence of Completion;
- (e) the Target Companies having procured the issuance of new approvals, permits and/or licences to such relevant persons as may be nominated by the Purchaser, if such approvals, permits and/or licences previously issued to the Target Companies in relation to the Target Companies' operations were issued in the names of individuals; and
- (f) the entry into this MOU and the SPA and consummation of the transactions contemplated hereunder and thereunder not resulting in a breach of any law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory body to which any of the Vendor or each Target Company is a party or by which such Target Company or its respective shares are bound.

The Remaining Vendor shall grant an irrevocable call option (the "**Call Option**") to the Purchaser in respect of his remaining 60.0% interest in each of the Target Companies ("**Remaining Shares**"). Upon exercise of the Call Option by the Purchaser, the Remaining Vendor shall be obliged to sell the Remaining Shares to the Purchaser.

The purchase consideration payable by the Purchaser to the Remaining Vendor for the Remaining Shares shall be the amount based on the NAV of the Remaining Shares at the time of exercise of the Call Option, which shall be determined, *inter alia*, by the financial due diligence exercises to be carried out by the Purchaser and/or its professional advisers on the Target Companies.

The Call Option shall remain exercisable at any time within a period of two (2) years from the date of the SPA, unless extended by the mutual agreement of the Purchaser and the Remaining Vendor (the "**Call Option Period**").

Prior to the exercise of the Call Option and expiry of the Call Option Period, the Remaining Vendor shall not transfer all or any part of the shares held by him in the capital of the Target Companies or otherwise sell, dispose of or deal with all or any part of his interest in such shares.

Prior to the exercise of the Call Option and expiry of the Call Option Period, the Remaining Vendor shall not, without the prior written consent of the Purchaser, create any pledge, lien, charge or other encumbrance or security interest on or over any shares held by the Remaining Vendor or any part of his interest in such shares.

5. RATIONALE FOR THE PROPOSED ACQUISITION

Taking into consideration the reputation, track record and experience of the Target Companies in the general security sector, the Company believes that the security business of the Target Companies will complement and further boost the Group's existing security business, allowing the Group to establish its market presence and expand its market share in Singapore and could potentially derive synergies within the Group from the Proposed Acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1. Bases and Assumptions

The pro forma financial effects of the Proposed Acquisition on the earnings and net tangible assets ("**NTA**") of the Group have been prepared based on the latest announced audited financial statements of the Group for the financial year ended 30 June 2015 ("**FY2015**") and the unaudited financial statements of each of the Target Companies for the six (6) months ended 31 December 2014 and six (6) months ended 30 June 2015.

The pro forma financial effects of the Proposed Acquisition are for illustration purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Acquisition.

For illustration purposes only, the financial effects of the Proposed Acquisition have been computed based on the following assumptions:

- (a) the financial effects on the Group's NTA attributable to the shareholders of the Company ("**Shareholders**") and the NTA per ordinary share in the capital of the Company ("**Share**") are computed assuming that the Proposed Acquisition was completed on 30 June 2015;
- (b) the financial effects on the Group's earnings attributable to the Shareholders and earnings per Share have been computed assuming that the Proposed Acquisition was completed on 1 July 2014; and
- (c) the number of Shares have been computed assuming that (i) the share split of every one (1) then-existing Share held by Shareholders into two (2) Shares which was completed on 21 January 2015; and (ii) the subsequent share split of every one (1) Share into three (3) Shares, which was completed on 1 October 2015, had been completed on 1 July 2014.

6.2. Share Capital

The Proposed Acquisition will not have any effect on the Share capital of the Company as the Purchase Consideration is to be satisfied in cash.

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
Number of Shares	486,000,000	486,000,000
Issued and paid-up Share capital (\$'000)	9,406	9,406

6.3. NTA per Share

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
NTA attributable to Shareholders (S\$'000)	11,804	11,971
Number of Shares (excluding treasury shares)	486,000,000	486,000,000
NTA per Share attributable to Shareholders (cents)	2.43	2.46

6.4. Earnings per Share ("EPS")

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
Net profit attributable to Shareholders (S\$'000)	2,254	2,422
Weighted average number of Shares (excluding treasury shares)	475,643,836	475,643,836
EPS (cents)	0.47	0.51

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest announced audited financial statements of the Group for FY2015 and the unaudited financial statements of each of the Target Companies for the six (6) months ended 31 December 2014 and six (6) months ended 30 June 2015, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Listing Rule	Content	Target Companies (S\$'000)	Group (S\$'000)	Percentage (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable		
1006(b)	The net profits attributable to the assets acquired, compared with the group's net profits. ⁽¹⁾	218	2,557	8.53
1006(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	763 ⁽²⁾	138,947 ⁽³⁾	0.55

1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) For the purpose of computation of these figures, "*net profits*" means profit or loss before income tax, minority interests and extraordinary items.
- (2) The Purchase Consideration under the MOU is based on the NAV of the Target Companies attributable to the Sale Shares as at 31 October 2015. For the purpose of this announcement, the NAV of Target Company I and Target Company II attributable to the Sale Shares as at 31 August 2015 of S\$588,000 and S\$175,200, respectively, have been used instead.
- (3) The Company's market capitalisation of approximately S\$138.9 million is based on its total number of issued shares of 486,000,000 shares and the volume weighted average price of S\$0.2859 per Share on 27 October 2015, being the last trading day for the shares prior to the date of the MOU. (Source: Bloomberg L.P.)

The relative figure computed under Rule 1006(b) of the Listing Manual exceeds 5.0% but is less than 75.0%. Accordingly, the Proposed Acquisition constitutes a "*Discloseable Transaction*" as defined under Chapter 10 of the Listing Manual.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company, none of the Directors or controlling Shareholders of the Company has any interest, directly or indirectly, in the Proposed Acquisition.

9. SERVICE AGREEMENT

The Remaining Vendor shall enter into a services agreement with Target Company I to provide his services as the Chief Operating Officer of both Target Company I and Target Company II on terms to be agreed.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The MOU shall be available for inspection at the Company's registered office at 71 Tech Park Crescent, Singapore 638072 during normal business hours for a period of three (3) months from the date of this announcement.

12. FURTHER ANNOUNCEMENTS

The Company will make such further announcement(s) to keep Shareholders informed, as and when there are further updates or developments in due course.

13. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company should exercise caution when trading in the shares of the Company, as there is no certainty that the Parties will execute the SPA or complete the Proposed Acquisition. In the event of any doubt as to the action they should take, Shareholders should consult their financial, tax, legal or other professional advisers.

BY ORDER OF THE BOARD

Kelvin Lim Ching Song
Executive Director and Chief Executive Officer
29 October 2015

*This announcement has been prepared by IPS Securex Holdings Limited (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 announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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.

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