



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

PROPOSED ACQUISITION OF 100.0% OF THE ISSUED SHARE CAPITAL OF (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**”) refers to the announcement released by the Company on 29 October 2015 (the “**29 October 2015 Announcement**”) in relation to the Company entering into a memorandum of understanding on 28 October 2015 (the “**MOU**”), pursuant to which the Company or such other party or parties as may be nominated by the Company will acquire such number of shares representing in aggregate, 40.0% of the issued share capital 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**”).

Since the Parties entered into the MOU and subsequent to further negotiations between the Parties and due diligence carried out by the Company on the Target Companies, the Vendors have agreed to sell 100.0% of the issued share capital of the Target Companies, and the Company has agreed to purchase 100.0% of the issued share capital of the Target Companies.

Accordingly, the Board wishes to announce that further to the 29 October 2015 Announcement, the Company has entered into a conditional sale and purchase agreement (the “**Agreement**”) on 24 February 2016, pursuant to which the Company will acquire 100.0% of the issued share capital (the “**Sale Shares**”) of each of Target Company I and Target Company II from the Vendors (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:

- (a) the net profit (before income tax, minority interests and extraordinary items) of Target Company I and net loss (before income tax, minority interests and extraordinary items) of Target Company II for the financial year ended 31 December 2015 was approximately S\$828,000 and S\$34,000, respectively; and
- (b) the book value and the net tangible asset value of Target Company I and Target Company II as at 31 December 2015 were approximately S\$1,638,000 and S\$404,000, 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 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 system for the Kallang Paya Lebar Express Way, the upgrade and servicing of CCTV system 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 Agreement, 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 Agreement, 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 Agreement, 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 Company to the Vendors for the Sale Shares (the “**Purchase Consideration**”) is S\$1,866,000 which represents the aggregate unaudited net asset value (“**NAV**”) of the Target Companies as at 31 October 2015. The unaudited NAV of Target Company I and Target Company II as at 31 October 2015 was approximately S\$1,444,000 and S\$422,000, respectively, while the unaudited NAV of Target Company I and Target Company II as at 31 August 2015, which had been disclosed in the 29 October 2015 Announcement for the purposes of the MOU, was approximately S\$1,470,000 and S\$438,000, respectively. The Purchase Consideration was arrived at after taking into consideration, *inter alia*, the unaudited NAV of the Target Companies as at 31 October 2015, the track record and business prospects of the Target Companies.

The Purchase 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 of the Proposed Acquisition (“**Completion**”);
- (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 twelve (12) months from Completion.

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

4. KEY PROVISIONS OF THE AGREEMENT

Pursuant to the Agreement, the Company will acquire 70.0% and 30.0% of the issued share capital of Target Company I from Mr Lim Ang Seng and Mr Lim Bang Quan, respectively, and 100.0% of the issued share capital of Target Company II from Mr Lim Ang Seng.

Completion will take place on 1 April 2016 or such other date as may be agreed in writing between the Parties (“**Completion Date**”), subject to the following conditions precedent (“**Conditions Precedent**”):

- (a) the approval of the board of directors of each Party to enter into the Agreement and any transactions contemplated by the Agreement and other related transactions as may be required in relation thereto;
- (b) the Company being satisfied, in its sole discretion, with the results of the legal, tax and financial due diligence exercises to be carried out by the Company and/or its professional advisers on the Target Companies;
- (c) the Company being satisfied, in its sole discretion, that the accounting and other records of the Target Companies will sufficiently explain the transactions and financial position of the Target Companies and enable true and fair financial statements;
- (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 Completion and shall not be rendered void or invalid by the occurrence of Completion or otherwise;
- (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 Company, if such approvals, permits and/or licences previously issued to the Target Companies in relation to the operations of the Target Companies were issued in the names of individuals;
- (f) the entry into the Agreement and the consummation of the transactions contemplated 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 of the Target Companies is a party or by which such Target Company or its respective shares are bound;
- (g) the Vendors and the Target Companies shall fully settle the Outstanding Sum due to directors. For the purpose of this announcement, **“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;
- (h) duly executed service contracts entered into by all the employees of each of the Target Companies; and
- (i) closing and termination of the sole-proprietorship under the name of Yatai Surveillance Electronics.

If the Conditions Precedent are not satisfied or waived on or before 1 April 2016, save as expressly provided in the Agreement, the Company may, in its sole discretion, terminate the Agreement and no Party shall have any claim against any other under the Agreement, save for any claim arising from the breach of the undertaking provided by the Parties to use their best endeavours to ensure the satisfaction of the Conditions Precedent as soon as possible.

The Company had announced in the 29 October 2015 Announcement that prior to Completion, the Vendors and the Target Companies shall fully settle the outstanding sum owed from Yatai Surveillance Electronics to the Target Companies as disclosed in the Target Companies’ accounts as at 31 October 2015. For the avoidance of doubt, this outstanding sum has been fully settled as at the date of this announcement.

If the Completion obligations of the Parties are not fully complied with by the Parties on the Completion Date, the Company, in the case of non-compliance by any of the Vendors, or the Vendors, in the case of non-compliance by the Company, shall be entitled (in addition to and without prejudice to all other rights or remedies available to the terminating Party including the right to claim damages) by written notice to the other Party or Parties served on such date:

- (a) to elect to terminate the Agreement (save for the clauses in the Agreement which shall survive termination) without liability on the part of the terminating Party; or

- (b) to effect Completion so far as practicable having regard to the defaults which have occurred; or
- (c) to fix a new date for Completion (not being more than 15 business days after the Completion Date), in which case paragraphs (a) or (b) above shall apply to Completion as so deferred but provided such deferral may only occur once.

5. NON-COMPETITION OBLIGATIONS

Each of the Vendors undertake that for a period of 3 years from such date which he ceases to be a shareholder of each of the Target Company (the “**Change in Control Date**”), he shall not, and shall procure that any companies in which he has any shareholdings and/or management control shall not, in each of the Prohibited Territories, whether on his own, through his family members or jointly with any third party or family members, either directly or indirectly operate, participate, enter into, or be involved in, any business, venture, collaboration or activity in any capacity that competes in any way with the business of the Target Companies. Each of the Vendors further undertakes that he shall not (either on his own behalf or for or with any other person), whether directly or indirectly, canvass, deal with or otherwise accept in competition with the Target Companies the custom of any person who was at any time a client of, or in the habit of dealing with, the Target Companies, or entice or try to entice away from the Target Companies any person who was an employee, director, officer, agent, consultant or associate. The term “**Prohibited Territories**” shall refer to Singapore, Malaysia, Thailand, Vietnam, Indonesia and all other territories in which the Target Companies carry on business from time to time.

None of the Vendors or any entities controlled by the Vendors shall (whether alone, jointly with another, directly or indirectly), at any time after the Completion Date, use or display any trademark, business name or mark, domain name or any website containing:

- (a) the words “Yatai” and “Avac” or anything which is substantially or confusingly similar;
- (b) any business or trade name used exclusively by either of the Target Companies as at the Completion Date; and
- (c) any other words closely resembling the words or names set out in the foregoing.

6. 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.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1. 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 Completion.

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**”)

have been 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.

7.2. 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 (S\$'000)	9,406	9,406

7.3. NTA per Share

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
NTA attributable to Shareholders (S\$'000)	11,804	13,142
Number of Shares (excluding treasury shares)	486,000,000	486,000,000
NTA per Share attributable to Shareholders (cents)	2.43	2.70

Further to the adjustments made to the management accounts of the Target Companies pursuant to the due diligence on them and for the avoidance of doubt, the pro forma financial effect on the NTA attributable to Shareholders and NTA per Share attributable to Shareholders as disclosed above is different from that disclosed in the 29 October 2015 Announcement as the Company is acquiring 100.0%, instead of 40.0%, of the issued share capital of the Target Companies.

7.4. 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	2,703
Weighted average number of Shares (excluding treasury shares)	475,643,836	475,643,836
EPS (cents)	0.47	0.57

Further to the adjustments made to the management accounts of the Target Companies pursuant to the due diligence on them and for the avoidance of doubt, the pro forma financial effect on the net profit attributable to Shareholders and EPS as disclosed above is different from that disclosed in the 29 October 2015 Announcement as the Company is acquiring 100.0%, instead of 40.0%, of the issued share capital of the Target Companies.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest announced unaudited financial statements of the Group for the six months ended 31 December 2015 and the unaudited financial statements of each of the Target Companies for the six months ended 31 December 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⁾	534	1,109	48.15
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.	1,866	90,882 ⁽²⁾	2.05
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 Company’s market capitalisation of approximately S\$90.9 million is based on its total number of issued Shares of 486,000,000 Shares and the volume weighted average price of S\$0.187 per Share on 24 February 2016, being the last trading day for the Shares prior to the date of the Agreement. (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.

9. 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.

10. SERVICE AGREEMENT

Mr Lim Ang Seng shall enter into service agreements with each of the Target Companies to provide his services as the Chief Operating Officer of the Target Companies for a period of one year on Completion, such service agreements to be on terms and conditions as may be substantially provided in accordance with the Agreement.

11. 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement 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.

13. 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.

14. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company should exercise caution when trading in the Shares, as there is no certainty that Completion will take place. 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
24 February 2016

*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.

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