

## ANNOUNCEMENT REGARDING THE PROPOSED ACQUISITION OF KIAN ANN ENGINEERING LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

### 1. INTRODUCTION

Further to the cautionary announcement issued on Stock Exchange News Service on 2 August 2012 and renewed on 14 September 2012, Invicta's shareholders are advised that an indirect wholly-owned subsidiary of Invicta, Invicta Asian Holdings Pte Ltd ("the Acquiror" or "the Offeror") and Kian Ann Engineering Limited ("Kian Ann") have entered into an implementation agreement dated 15 October 2012 ("the Agreement") under which the Acquiror will acquire all the issued and paid-up ordinary shares in the capital of Kian Ann ("Shares") through a scheme of arrangement ("the Scheme"), pursuant to Section 210 of the Companies Act (Chapter 50 of Singapore) ("the Act") and the Singapore Code on Take-overs and Mergers ("the Code") ("the Acquisition"). The Scheme is subject to the fulfilment of the conditions precedent as set out in paragraph 4.4 below.

### 2. BACKGROUND INFORMATION ON KIAN ANN

Kian Ann was incorporated in Singapore on 6 October 1971. Kian Ann was listed on the Official List of the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 12 November 1996.

Kian Ann is a distributor of heavy equipment parts and diesel engine spares. Its products are used for bulldozers, wheel loaders, trucks, motor graders, excavators, power generation sets and marine engines. It has the capacity to distribute more than 1.3 million line items covering over 270 brands from 220 suppliers, to a global customer base of dealers and end-users in infrastructure development, construction, forestry, agriculture and mining to marine industries.

### 3. RATIONALE

Invicta is pursuing a selective international expansion strategy focused on investing in opportunities in stable countries with the most attractive growth fundamentals.

Invicta believes that Kian Ann will be an excellent strategic fit and that the Acquisition will create a source hub in Asia and enable the combined group to leverage on operations in Africa to create a more sizeable spare parts group. With Singapore, Malaysia and Indonesia offering a unique combination of industry growth potential and stable macro economic backdrop, Invicta believes it will be able to use Kian Ann as a platform for further expansion in the region.

### 4. TERMS OF THE ACQUISITION

#### 4.1 The Scheme

The Scheme will involve, amongst other things, the following:

- the transfer of all the Shares held by the shareholders of Kian Ann ("Shareholders") to the Acquiror; and
- in consideration of such transfer:
  - the Shareholders will receive from the Acquiror a cash consideration of S\$0.44 (ZAR3.11') per Share (the "Offer Price"); and
  - LPK (as defined in paragraph 4.2(a)) and LCC (as defined in paragraph 4.2 (b)) will swap their respective interests in Kian Ann for a shareholding interest in the Acquiror as set out in paragraph 4.2 below.

Pursuant to the Scheme, the Shares are to be transferred by the Shareholders to the Acquiror (A) fully paid; (B) free from any mortgage, assignment of receivables, debenture, lien, hypothecation, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or other similar right, right of first refusal, restriction, third-party right or interest, any other encumbrance, condition or security interest whatsoever or any other type of preferential arrangement (including without limitation, a title transfer or retention arrangement) having similar effect ("Encumbrance"); and (C) together with all rights, benefits and entitlements as of the date of the announcement by the Acquiror and Kian Ann on the Acquisition ("the Joint Announcement") and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared by Kian Ann on or after the date of the Joint Announcement but not including the dividend of S\$0.82 cents (ZAR5.79') per Share announced by Kian Ann in its full year financial statement released on the SGX-NET on 24 August 2012, which is expected to be paid on or about 14 November 2012.

At present, Kian Ann has no intention of declaring any other dividends. However, in the event that any dividend, other distribution or return of capital is declared by Kian Ann on or after the date of the Joint Announcement, the Acquiror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital.

#### 4.2 Management equity arrangements

It is the intention of the Acquiror that the following personnel, who are part of the key management team of Kian Ann and its subsidiaries ("the Group"), will continue to be involved in the business of the Group:

- Mr Law Peng Kwee ("LPK") (Co-Founder and Managing Director);
  - Mr Kevin Law Cher Chuan ("LCC") (Group General Manager and Executive Director); and
  - Mr Loy Soo Chew ("LSC") (General Manager and Executive Director),
- (collectively, "the Key Personnel").

Each of the Key Personnel has entered into a subscription agreement ("the Subscription Agreement") with the Acquiror pursuant to which such Key Personnel will subscribe for ordinary shares in the capital of the Acquiror ("the Acquiror Shares") ("the Subscription"). The Subscription is conditional upon the Scheme becoming effective and binding in accordance with its terms, and the subscription price for each Acquiror Share shall be the same price as that paid by the Acquiror for each Acquiror Share.

Upon the Scheme becoming effective in accordance with its terms and following the completion of the Subscription, it is envisaged that the resultant shareholding in the Acquiror would be as follows:

Shareholder	Shareholding percentage in Acquiror	Number of Acquiror shares
Invicta Offshore Holdings	75.39	7 500
LPK	20.10	2 000
LCC	2.51	250
LSC	2.00	199
<b>Total</b>	<b>100.00</b>	<b>9 949</b>

#### 4.3 Purchase consideration

As mentioned in paragraph 4.1(b) above, pursuant to the Scheme, in consideration of the transfer of all the Shares held by Shareholders to the Acquiror:

- the Shareholders will receive from the Acquiror the Offer Price of S\$0.44 per Share (approximately ZAR3.11') other than in respect of LPK and LCC as contemplated in 4.3 (b) below; and
- LPK and LCC will swap their respective interests in Kian Ann for a shareholding interest in the Acquiror as set out in paragraph 4.2 above.

The aggregate consideration payable by the Acquiror for the Acquisition is S\$192.64 million (approximately ZAR1.360' billion).

#### 4.4 Conditions precedent

The Acquisition conditions upon the following:

- Scheme Meeting:** the approval of the Scheme by the Shareholders in compliance with the requirements of Section 210(3) of the Act;
- Court Order:** the grant of the order of the Court sanctioning the Scheme under Section 210 of the Act ("the Court Order") and the Court Order having become final;
- No Injunctions:** no injunction or other order being issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Scheme or the Acquisition or any part thereof;
- ACRA Registration:** the registration of the Court Order with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA");
- Regulatory Approvals:** all regulatory approvals having been obtained prior to the Record Date, and not withdrawn or revoked on or before the Record Date (the date falling on the business day immediately preceding the Effective Date (as defined below)), including without limitation, the following:
  - confirmation from the Securities Industry Council ("SIC") that Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) to Rule 19 of the Code shall not apply to the proposed Scheme subject to any conditions the SIC may deem fit to impose;
  - the approval-in-principle from the SGX-ST of the Scheme document and the proposed delisting of Kian Ann from the Main Board of the SGX-ST;
  - confirmation from SIC that the arrangement whereby the Key Personnel will swap all or part of their respective shareholding interests in Kian Ann for an equivalent stake in the Acquiror would not be regarded as a prohibited special deal for the purpose of Rule 10 of the Code and would not prevent such Key Personnel from voting their Shares at the Scheme meeting; and
  - any requisite approvals to the extent required under the applicable law of the Republic of South Africa having regard to the transaction contemplated in terms of the Agreement, including the JSE Limited and the South African Reserve Bank;
- Authorisations:** prior to the Record Date, in addition to the approvals mentioned in paragraph (e) above:
  - in relation to the Acquiror all other authorisations, consents, waivers, clearances, permissions and approvals as are necessary or required by the Acquiror under any and all applicable laws, from any other relevant governmental agencies, and under any instrument, contract, document or agreement to which the Acquiror is a party, for or in respect of the implementation of the Scheme and the Acquisition; and
  - in relation to Kian Ann, all other authorisations, consents, waivers, clearances, permissions and approvals as are necessary or required by Kian Ann under any and all applicable laws, from any other relevant governmental agencies, and under any instrument, contract, document or agreement to which Kian Ann is a party, for or in respect of the implementation of the Scheme and the Acquisition;

having been obtained, and not withdrawn or revoked on or before the Record Date;
- No Prescribed Occurrence:** between the date of the Agreement and the Record Date, no Prescribed Occurrence (as defined in the Agreement) in relation to the Group or the Acquiror, as the case may be, occurring other than as required or contemplated by the Agreement or pursuant to the Acquisition;

#### (h) Kian Ann's Representations, Warranties and Covenants:

- the representation and warranties of Kian Ann set out in the Agreement being true and correct in all respects as of the date of the Agreement and as of the Record Date as though made on and as of that date and for this purpose only; and
  - Kian Ann having, as of the Record Date, performed and complied in all respects with all covenants and agreements contained in the Agreement which are required to be performed by or complied with by it, on or prior to the Record Date;
- The Acquiror's Representations, Warranties and Covenants:**
    - the representations and warranties of the Acquiror set out in the Agreement being true and correct in all respects as of the date of the Agreement and as of the Record Date as though made on and as of that date; and
    - the Acquiror having, as of the Record Date, performed and complied in all respects with all covenants and agreements contained in the Agreement which are required to be performed by or complied with by it, on or prior to the Record Date;
  - Irrevocable Undertakings: contemporaneous with the execution of the Agreement:** certain shareholders (as set out in the Agreement) delivering to the Acquiror their respective irrevocable undertaking, to vote all their Shares in favour of the Scheme at the Scheme meeting;
  - Material Adverse Event:** there being no event occurring from the date of the Joint Announcement which has the effect of causing a diminution in the Group's consolidated equity attributable to the owners of the parent after deducting the value of the intangible assets and goodwill (the terms "equity attributable to the owners of the parent", "intangible assets" and "goodwill" for such purpose shall have the same meaning as the respective terms in the financial statements of Kian Ann as at 31 March 2012 and 30 June 2012) to an amount below S\$149 686 070.79 (as reflected in the financial statements of Kian Ann as at 31 March 2012) at any time until the Record Date, provided that:
    - any diminution in value of any item of the assets or increase in value of any item of the liabilities of the Group arising from currency translation shall not be taken into account;
    - any increase or decrease in value of any item of the assets due to a revaluation of the assets of the Group subsequent to 31 March 2012 shall not be taken into account;
    - any diminution in value of the Group's consolidated equity attributable to the owners of the parent due to the following shall not be taken into account:
      - the payment of dividends to Shareholders, so long as the total dividend paid between 31 March 2012 and the Record Date does not exceed S\$5 036 000;
      - the amount of S\$59 164.61 (being the aggregate amount paid by Kian Ann (including charges) pursuant to the buy-back of an aggregate of 270 000 Shares undertaken by Kian Ann in May 2012 and June 2012); and
      - the amount of computer software costs, so long as the total amount does not exceed S\$193 947.00; and
    - the computation of the Group's consolidated equity attributable to the owners of the parent shall be on a basis consistent with the Singapore Financial Reporting Standards ("SFRS") principles and the historical accounting policies adopted by Kian Ann; and
  - Major Customers and Major Suppliers:** between the date of the Joint Announcement and the Record Date, there being no loss of any Major Customer or Major Supplier Group (other than by reason of a company of the Group having terminated such relationship(s) in writing) nor any written notice given by any Major Customer or Major Supplier Group indicating that it/they wish(es) to cease being a customer of, or supplier(s) to, the Group.

For these purposes:

    - a "Major Customer" means a major customer that had contributed five percent (5%) or more to the gross revenue of the Group as disclosed and reflected in the audited consolidated financial statements of the Group for the financial year ended 30 June 2012; and
    - a "Major Supplier Group" means such number of suppliers which collectively accounted for fifteen percent (15%) or more of the Group's total purchases for the financial year ended 30 June 2012, provided that the loss of a supplier shall be disregarded for the purposes of this condition precedent if Kian Ann is able to satisfy the Acquiror that the loss of such supplier will not have an adverse impact (including with limitation, from the perspective of prospective revenue, profitability and working capital investment) on the business of the Group.

Upon the satisfaction and/or waiver of the conditions precedent set out above, the Scheme shall become effective in accordance with its terms on the date of registration of the Court Order with the ACRA ("the Effective Date"). Under the terms of the Agreement, the Effective Date shall be no later than 180 days from the date of the Agreement (or such other date as the Acquiror and Kian Ann may agree).

<sup>1</sup> Based on the mid-market exchange rate of S\$1.00:ZAR7.06 as at 12 October 2012.

### 5. PRO FORMA FINANCIAL EFFECTS

The table below summarises the *pro forma* financial effects of the Acquisition. The *pro forma* financial effects are the responsibility of the board of directors of Invicta (the "Board") and have been prepared for illustrative purposes only, to provide the possible financial effects of the Acquisition as if the Acquisition had taken place from 01 April 2011 for the year ended 31 March 2012 for statement of comprehensive income purposes and as at 31 March 2012 for statement of financial position purposes.

The *pro forma* financial effects, because of their nature, may not give a true reflection of the financial position, the cash flow position, the results of operations or the changes in equity of Invicta. The accounting policies of Invicta as at 31 March 2012 have been used in the preparation of the *pro forma* financial effects. The *pro forma* financial effects are prepared in terms of the Listings Requirements of the JSE and guidelines issued by the South African Institute of Chartered Accountants.

#### Unaudited *pro forma* financial information

	Before	After	% Change
Earnings per ordinary share (cents)	698	704	0.86
Headline earnings per ordinary share (cents)	687	694	1.02
Net asset value per share (cents)	2 789	3 206	14.95
Tangible net asset value per share (cents)	2 212	2 365	6.92
Weighted average shares in issue ('000)	70 405	70 405	-
Shares in issue at period-end ('000)	74 113	74 113	-

#### Notes and assumptions:

- A mid-market exchange rate of 7.06 has been used for ZAR:SGD exchange rate as at 12 October 2012.
- Kian Ann's financial statements are prepared in accordance with the SFRS. No changes were required to align IFRS and SFRS.
- The earnings and headline earnings per Invicta share, as set out in the "Before" column of the table, are based on the published audited financial results of Invicta for year ended 31 March 2012.
- The earnings and headline earnings per Invicta share, as set out in the "After" column of the table, are based upon the published audited financial results of Invicta for the year ended 31 March 2012; the published audited financial results of Kian Ann as at 30 June 2012 and the assumptions that:
  - ZAR221.90 million (S\$31.43 million) of the Acquisition cost will be funded by the Key Personnel; ZAR458.90 million (S\$65 million) will be funded from two Singapore banks ("Singapore Funding") and the remaining amount will be funded through the issue of preference shares to the value of ZAR679.24 million (S\$96.21 million) ("Preference Share Funding").
  - Financing transaction costs, which are amortised over the term of the funding of five years, are estimated to be:
    - ZAR4.59 million (S\$0.65 million) for the Singapore Funding; and
    - ZAR18.71 million (S\$2.65 million) for the Preference Share Funding.
  - Total estimated transaction costs of ZAR33.18 million (S\$4.70 million), which are once off in nature; and
  - Finance costs are calculated as follows: Singapore Funding of ZAR458.90 million (S\$65 million) at a rate of 3.36% (SIBOR + 3%); Preference Share Funding of ZAR679.24 million (S\$96.21 million) at a rate of 82% of the prime interest rate in South Africa; and ZAR56.48 million (S\$8 million), utilised for transaction costs, at a rate of 7.6% (3 month JIBAR + 2.6%).
- The net asset value per share and the tangible net asset value per share as set out in the "Before" column of the table, are based upon the published audited statement of financial position of Invicta at 31 March 2012.
- The net asset value per share and the tangible net asset value per share as set out in the "After" column of the table, are based upon the published audited statement of financial position of Invicta at 31 March 2012; the published audited statement of financial position of Kian Ann as at 30 June 2012 and the assumptions that:
  - Invicta's effective investment of 75.39% in Kian Ann (after the investment of 24.61% by the Key Personnel) comprises of the Preference Share Funding of ZAR679.24 million (S\$96.21 million) and Singapore Funding of ZAR458.90 million (S\$65 million);
  - Financing transaction costs, which are amortised over the term of the funding of five years, are estimated to be:
    - ZAR4.59 million (S\$0.65 million) for the Singapore Funding; and
    - ZAR18.71 million (S\$2.65 million) for the Preference Share Funding.
  - Total estimated transaction costs of ZAR33.18 million (S\$4.70 million), which are once off in nature; and
  - Goodwill amounts to ZAR174.17 million (S\$24.67 million), following the recognition of additional Property, Plant and Equipment of ZAR185.96 million (S\$26.34 million) arising from a provisional purchase price allocation exercise using a purchase consideration of ZAR138.80 million (S\$19.66 million) and the preliminary fair value of the assets and liabilities of Kian Ann.

### 6. CATEGORISATION

In terms of the Listings Requirements of the JSE, the Acquisition is categorised as a Category 2 transaction and therefore does not require shareholder approval.

### 7. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

As the full terms of the Acquisition have been provided in this announcement, shareholders are no longer required to exercise caution when dealing in their Invicta securities.

### 8. RESPONSIBILITY STATEMENT

The Board accepts responsibility for the information contained in this announcement. To the best of their knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the import of the information.

A copy of the Joint Announcement has been made available on SENS for the reference of Invicta's shareholders.

**Cape Town**  
15 October 2012