Nio Security, Inc.

Watchful Intelligence

21 October 2011

Ziinga.com acquisition - Extended stock announcement

Overview

Nio Security, Inc. ("Nio") announced on 19 October 2011 that the Company is expanding its business into auctions on the Internet. Nio has entered into an agreement to acquire the company controlling the Ziinga.com Internet auction site. The acquisition provides Nio with a strong cash flow.

The Transaction

Nio has entered into a share purchase agreement with Contaza Holding Ltd., Silva Holdings Ltd and Viva Holdings Ltd regarding purchase of 100% of outstanding shares in Flamingo Intervest Ltd ("Flamingo") which owns the entertainment shopping portal www.ziinga.com. Flamingo is incorporated under the laws of the British Virgin Islands.

The closing of the transaction is subject to a satisfactory due diligence review and approval by Nio's Board of Directors.

Nio will issue an information memorandum pursuant to and in accordance with Oslo Børs' continuing obligations.

Consideration, settlement and financing of the Transaction

Upon closing of the transaction, Nio will issue 60 million new Nio shares as consideration for all shares in Flamingo, which is agreed as a fixed portion of the purchase price.

In addition to the fixed portion, the sellers may be entitled to a variable consideration of up to a maximum of 40 million shares, provided that Flamingo reaches an EBITDA of NOK 25 million or more for the accounting year 2011. Should Flamingo's result for 2011 EBITDA be lower than NOK 25 million, the variable portion of the purchase price will be reduced by three shares for each NOK 1.00 reduction in EBITDA.

The variable portion of the purchase price will be determined upon the finalization and approval of the 2011 accounts for Flamingo. The additional shares will be issued in Q2 2012,

The fixed portion of shares will consist of new shares that will be issued within Nio's 150,000,000 authorized shares, and will be duly authorised by all necessary corporate actions after resolution by the board of directors. The new shares to be issued to the sellers will be listed on Oslo Børs after issuance of an information memorandum and the satisfaction of any other listing requirements under Norwegian law, expected medio November 2011.

After the issuance of the new shares, Nio's outstanding shares will increase with 60,000,000 shares from 45,634,309 outstanding shares to 105,634,309 outstanding shares. The authorised shares will following the transaction be unchanged at 150,000,000 shares.

In the event that 2011 performance triggers full payment to Flamingo's current shareholders, the total number of shares outstanding in Nio Security after the transaction will be 145,634,309.

As part of the transaction 25,800,000 of the outstanding warrants in Nio will be cancelled, whereof 10,800,000 have a strike price at NOK 2.50 and 15,000,000 have a strike price at NOK 5.00. After this cancellation, Nio will have 6,000,000 outstanding warrants with a strike price of NOK 2.50 which expire on 31 December 2012.

Description of the business operations of Flamingo – the web site Ziinga.com

Ziinga.com is an Internet auction service currently serving 875,000 users in 17 countries, and the membership base is expanding rapidly. Ziinga is an entertainment shopping website, with a concept different from traditional Internet auctions.

The concept of Ziinga.com is that its customers purchase packages with a certain number of bids to be used in the internet auctions at the web site. The bid packages have a range from 10 bids to 500 bids per package. The largest packages contain a discount to the price per bid. The pre-purchased bids are then used by the customer to place bids in the internet auctions.

The internet auctions are organised as time limited auctions where each sale object has an auction that lasts for a certain period. During this period the web site provides a countdown showing the time left in the auction. When the countdown is close to the end, each new bid extend the time left in the auction so that the countdown timer restarts at 2 minutes. If no new bids are placed before the countdown ends, the bidder that has submitted the last bid before the time runs out is the "winner" of the auction and is entitled to purchase the object for a purchase price equal to his last bid. Due to the structure of the auction, the purchase price may very well be only a fraction of the retail price of the purchased object.

Zinga.com's main revenues come from the pre-purchased bids. Since the actual purchase price in the auctions typically are far below retail price, the unsuccessful bidders fund Zinga.com's purchase of the object and generates the profit from the auction.

The web site Ziinga.com was launched in late 2009, and the user base grew to more than 200,000 active users in its first few months of public traffic. During 2009 and 2010, it was invested DKK 8 million in the portal and support systems which has been fully operational since 2010. The portal is, however, continuously developed to handle an increased user base as well as code reviews, performance enhancements and 24/7 customer support systems.

Masih Nikdar is the sole director and managing director of Flamingo. Flamingo does not have any employees other than Mr. Nikdar. The company has entered into a management agreement with an outsourcing company providing the company with 44 employees for hire, including the management. Flamingo's operations and all personnel in Flamingo's operations are located in Manilla, Philippines.

In addition to Mr. Nikdar, Flamingo's management consists of Dennis Mikkelsen and Thomas Madsen. Mr. Mikkelsen holds the position as primary product development director, and Mr. Madsen is in charge of marketing department. The management are all experienced Internet entrepreneurs who have built successful online ventures from concept and development to full operation and execution in the European market segment for over eight years.

Key financials for Flamingo

The financial information presented below is unaudited and only presented for information purposes. Flamingo has previously not been subject to separate financial reporting and audit and the financial information presented below has been sourced from management accounts.

Key profit and loss figures:

DKKm	Unaudited 1 January – 30 June 2011	Unaudited 2010	Unaudited 2009
Revenues	8,5	39.2	0.7
EBITDA	5,9	16.4	0.5
Net income	2,9	13.7	0.5

Key balance sheet figures:

DKKm	Unaudited 1 January – 30 June 2011	Unaudited 2010	Unaudited 2009
Intangible assets	10,1	6.2	0.0
Fixed assets	0	0.0	0.0
Current assets	8,1	9.0	0.5
Total asset	18,2	15.2	0.5
Equity	4,5	14.2	0.5
Dividend	12.6	0.0	0.0
Short term debt	1.1	1.0	0.0
Total equity and liabilities	18,2	15.2	0.5

The figures for 1 January – 30 June 2011 are influenced by a moving process during which Flamingo had reduced operations. In the same period certain required upgrade and maintenance work on its IT support system were carried out in order to meet the increased traffic, resulting in around DKK 3.8 million in activated development costs. During the summer, support and customer service has been re-established and new personnel have been successively hired to meet the planned growth in the second half. Operation is developing according to plan and Flamingo is expecting an EBITDA of DKK 25 million in 2011.

In connection with the transaction, Nio will carry out a financial due diligence of Flamingo.

Implications of the acquisition for Nio

Through the acquisition Nio establishes a second business area, alongside its sophisticated video surveillance business. Nio's strategy is to strengthen its equity by acquiring a business area with a strong cash flow. The improved equity and increased cash flow will improve Nio's ability to further develop the Company's current business – development and sale of sophisticated video surveillance solutions.

Flamingo will be a 100% subsidiary of Nio and all activities related to Ziinga.com will be carried out in the subsidiary.

The management team of Flamingo will continue in their respective positions in Flamingo's management, and will have the responsibility for managing the activities in Flamingo after completion of the transaction.

The CEO of Nio, Tore Formo, will following the completion of the transaction be appointed as a director to the board of directors in Flamingo. Thus the Board of directors in Flamingo shall, following the completion of the transaction, consist of Tore Formo and Masih Nikdar.

Nio expects to increase full year revenues with NOK 35-45 million and full year cash flow from operation with NOK 15-25 million following the acquisition of Ziinga.

Nio will issue an information memorandum including pro forma financial information after completion of the due diligence review and final approval by the board of directors. The pro forma financial information will illustrate how the acquisition of Flamingo will impact Nio's consolidated statement of comprehensive income for 2010 if the acquisition had occurred on 1 January 2010, the unaudited consolidated statement of comprehensive income for 1 January to 30 June 2011 if the acquisition occurred on 1 January 2011 and the unaudited consolidated balance sheet as of 30 June 2011 if the acquisition occurred 30 June 2011.

Interest of certain persons in the Transaction

Nio has not entered into any agreements with any members of the board or executive management in Nio or Flamingo in connection with the transaction other than share purchase agreement.

Flamingo is currently indirectly owned by the management team in Flamingo, and the new shares that will be issued as consideration for the Flamingo shares will be issued to companies wholly or partly owned by the management team in Flamingo. The same will apply for the variable portion of shares (up to 40,000,000 shares) which may be issued in 2012 pursuant to the share purchase agreement.

This information is subject of the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.