



SERIAL SYSTEM LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199202071D)
(the “**Company**”)

PROPOSED ACQUISITION OF 49% EQUITY INTEREST IN ACHIEVA TECHNOLOGY PTE LTD

Unless otherwise defined herein, all capitalised terms used in this announcement shall have the same meanings ascribed to them in the Company's announcements dated 22 June 2014 and 31 July 2014 in relation to the Proposed Acquisition (as defined below).

1. INTRODUCTION

- 1.1 The board of directors (“**Board**”) of Serial System Ltd (the “**Company**”) is pleased to announce that the Company has on 14 August 2014 entered into a conditional sale and purchase agreement (“**SPA**”) with Achieva Limited (“**Achieva**”), a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).
- 1.2 Pursuant to the SPA, the Company shall acquire 19,600,000 ordinary shares in the capital of Achieva Technology Pte Ltd (“**ATPL**”) (“**Sale Shares**”) from Achieva (“**Proposed Acquisition**”). The Sale Shares represent approximately 49% of the enlarged issued and paid-up share capital of ATPL upon completion of the Proposed Acquisition (“**Completion**”).
- 1.3 Conditional upon the satisfaction (or waiver thereof) of the conditions precedent set out in the SPA, Completion shall take place on the completion date (“**Completion Date**”), defined as 30 September 2014, or such other date as the Company and Achieva may mutually agree in writing.

2. INFORMATION ON THE ATPL GROUP

- 2.1 ATPL, a company incorporated in Singapore, is a wholly-owned subsidiary of Achieva. ATPL and its subsidiaries (“**ATPL Group**”) are principally engaged in the business of distribution and marketing of information technology, computer peripherals, parts, software and related products (“**ATPL Businesses**”).
- 2.2 The subsidiaries of ATPL are Achieva Technology Sdn Bhd (“**ATSB**”), Achieva Technology Australia Pty Ltd (“**ATA**”), Achieva Technology Vietnam Co. Ltd (“**ATVN**”) and Achieva Service Centre Sdn Bhd (“**ASCSB**”).

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Company and its subsidiaries (“**Group**”) are principally engaged in the distribution of electronic and electrical components.

- 3.2 The Company is of the view that the ATPL Businesses are complementary to the Group's electronic components distribution business. The Company intends to leverage on the Group's extensive expertise and wide distribution networks, extensive product lines and customer base, as well as operational synergies and economies of scale, to expand and improve the business, operations and financial performance of the ATPL Group.
- 3.3 The Proposed Acquisition is also in line with the Group's strategy to acquire companies which may capitalise on the Group's competitive strengths and extensive distribution networks, and expand the Group's product lines and ranges and customer base.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The aggregate purchase consideration payable by the Company to Achieva for the Sale Shares is S\$5,075,239 (US\$4,082,071) ("**Consideration**").

The Consideration was arrived at following arm's length negotiations on a willing-buyer-willing-seller basis, based on the information provided and exchanged by the Company and Achieva prior to the date of the SPA, and taking into account the consolidated net asset value ("**NAV**") of ATPL, ATSB and ATA as at 30 June 2014, as reflected in the management accounts of the ATPL Group (which were prepared in accordance with generally accepted accounting principles in Singapore), as adjusted assuming the completion of:

- (a) the capitalisation of loans owing by ATPL to Achieva in the aggregate amount of S\$10,103,793 ("**Loans**"); and
- (b) the assignment of all debts, owed by certain customers to ATPL, to Achieva ("**Customer Debts**").

Assuming that the aforesaid adjustments were completed, the book value and net tangible asset value of the Sale Shares, based on the consolidated management accounts of ATPL, ATSB and ATA as at 30 June 2014, would be approximately S\$5,075,000 (US\$4,082,000) and S\$5,046,000 (US\$4,059,000), respectively.

The Company intends to use its existing working capital and bank borrowings to fund the Proposed Acquisition.

4.2 Payment

The Consideration shall be paid in cash in the following manner:

- (a) 50% of the Consideration shall be paid by the Company to Achieva on Completion Date; and
- (b) the balance 50% of the Consideration shall be paid by the Company to Achieva on the date falling one (1) calendar month from Completion Date.

4.3 Conditions Precedent

Completion of the Proposed Acquisition shall be conditional upon the satisfaction (or waiver thereof) of conditions precedent customary for transactions of such nature on or before Completion Date, as well as the following:

- (a) the boards of directors and the shareholders (if required) of each of the Company and Achieva approving the sale and purchase of the Sale Shares in accordance with the SPA;
- (b) ATPL having assigned all the Customer Debts to Achieva or its nominee(s) at a consideration of the amount of the Customer Debts less the provision for doubtful debts made for, against or in relation to the Customer Debts in ATPL's management accounts;
- (c) ATPL having capitalised the Loans by way of an issue of 10,103,793 new shares to Achieva; and
- (d) ATPL having informed certain suppliers in writing of the Proposed Acquisition that the Proposed Acquisition will not affect the willingness of these suppliers to carry on business with ATPL on the same terms under their respective distribution agreements.

4.4 Covenants and Undertakings

Under the terms of the SPA, Achieva has given the following undertakings to the Company:

- (a) to bear all unrecorded liabilities of the ATPL Group which have accrued prior to Completion Date and for which provisions have not been made in the respective accounts of the entities within the ATPL Group;
- (b) to procure that ATPL take all steps necessary to dissolve ATVN and ASCSB in accordance with applicable laws and Achieva shall bear all ATPL's costs and/or expenses (including without limitation, interest, penalties and reasonable legal and other professional fees and disbursements) in relation thereto; and
- (c) to the extent permissible under the applicable law and so long as the Company is a shareholder of ATPL, to procure that no less than 60% of the annual consolidated net profit after tax of the ATPL Group shall be declared as dividends for distribution to all shareholders of ATPL, subject to the final determination of ATPL's board of directors ("**ATPL Board**") after a comprehensive review of ATPL's financial performance, cash-flow, availability of profits and any other factors deemed relevant by the ATPL Board.

4.5 Limitation of Liability

The aggregate amount of the liability of Achieva for all claims under the SPA shall not in any event exceed the sum of the Consideration. Achieva shall not be liable for any claim unless the aggregate amount of the liability for all claims exceeds S\$150,000.00 (in which event the Company shall be entitled to claim the whole amount of such claims and not merely the excess).

5. **FINANCIAL EFFECTS**

The *pro forma* financial effects of the Proposed Acquisition, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013, are set out below.

The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Proposed Acquisition. Transaction costs for the Proposed Acquisition are ignored for computation purposes.

5.1 Net Tangible Assets

Assuming that the Proposed Acquisition was completed on 31 December 2013, the effect on the net tangible assets ("**NTA**") per share of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (US\$'000)	100,896	100,896
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
NTA per share (US\$ cents)	11.26	11.26

5.2 Earnings per Share

Assuming that the Proposed Acquisition was completed on 1 January 2013, the effect on the earnings per share ("**EPS**") of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (US\$'000)	11,206	9,775 ⁽¹⁾
Number of issued shares (excluding treasury shares) ('000)	895,773	895,773
EPS (US\$ cents)	1.25	1.09

Note:

- (1) As derived from the audited accounts of ATPL for the financial year ended 31 December 2013, the net loss attributable to the Sale Shares was approximately S\$1,788,000 (US\$1,431,000), being 49% of the loss recorded by ATPL, ATSB and ATA, after certain adjustments.

6. RELATIVE FIGURES OF THE PROPOSED ACQUISITION UNDER CHAPTER 10 OF THE LISTING MANUAL

6.1 Relative Figures Pursuant to Rule 1006 of the Listing Manual

The relative figures in respect of the Proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2014, are as follows:

Bases of calculation		Size of relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	-1.6 ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation ⁽⁴⁾ based on the total number of issued shares excluding treasury shares.	4.1 ⁽⁵⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(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 ⁽⁶⁾ .	Not applicable

Notes:

- (1) This base is not applicable to an acquisition of assets.
- (2) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on the unaudited net loss of the ATPL Group (excluding ATVN and ASCSB) of US\$298,000 (S\$376,000) for the period ended 30 June 2014 and the Group's unaudited net profits of US\$9,322,000 (S\$11,779,000) for the period ended 30 June 2014. Net losses attributable to ATVN and ASCSB have been disregarded as the intention is to dissolve these entities in due course.
- (4) The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 895,841,914 (excluding treasury shares) by S\$0.13689 (US\$0.1101), being the weighted average share price of the Company's shares on 13 August 2014, being the market day preceding the date of the SPA.
- (5) Based on the Consideration payable by the Company.
- (6) This is only applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

- 6.2 As the relative figure computed pursuant to Rule 1006(b) is a negative figure, the Company will be consulting the SGX-ST, in accordance with Rule 1007(1) of the Listing Manual, on whether shareholders' approval will be required for the Proposed Acquisition.

- 6.3 The Company will make further announcements on the outcome of the consultation with the SGX-ST.

7. SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Proposed Acquisition and no service contracts in relation thereto will be entered into by the Company.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company.

9. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours from 9 a.m. to 5 p.m. at 8 Ubi View #05-01, Serial System Building, Singapore 408554 for a period of three (3) months from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when there are material developments on the Proposed Acquisition.

By Order of the Board

Dr. Derek Goh Bak Heng
Executive Chairman and Group Chief Executive Officer
14 August 2014