



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

PROPOSED ACQUISITION OF REMAINING 51% EQUITY INTERESTS IN ACHIEVA TECHNOLOGY PTE. LTD. AND WAIVER FROM COMPLIANCE WITH RULE 1014(2) OF THE LISTING MANUAL IN RESPECT OF THE PROPOSED ACQUISITION

1. INTRODUCTION

- 1.1 The board of directors ("**Board**") of Serial System Ltd (the "**Company**") wishes to announce that its wholly-owned subsidiary, SCE Enterprise Pte. Ltd. ("**SCE**") has on 8 January 2016 entered into a conditional sale and purchase agreement ("**SPA**") with SUTL Enterprise Limited ("**SUTL**"), 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, SCE shall acquire 20,400,000 ordinary shares in the capital of Achieva Technology Pte Ltd ("**ATPL**") ("**Sale Shares**") from SUTL ("**Proposed Acquisition**"). The Sale Shares represent approximately 51% of the issued and paid-up share capital of ATPL upon completion of the Proposed Acquisition ("**Completion**"). As at the date of the SPA, ATPL has an issued and paid up share capital of S\$40,000,000 consisting of 40,000,000 ordinary shares
- 1.3 As announced by the Company on 14 August 2014, the Company entered into a sale and purchase agreement with SUTL, pursuant to which the Company agreed to purchase an aggregate of 19,600,000 ordinary shares in the share capital of ATPL, for a consideration of S\$5,075,239 (US\$3,587,000), which shares represented forty-nine per cent. (49%) of the entire issued and paid-up share capital of ATPL at the completion of that sale and purchase. As announced by the Company on 30 September 2014, the sale and purchase was completed on 30 September 2014. Accordingly, 19,600,000 ordinary shares in the capital of ATPL were transferred by SUTL to SCE as nominee of Serial.
- 1.4 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 29 January 2016, or such other date as SCE and SUTL may mutually agree in writing.
- 1.5 Following the Proposed Acquisition, ATPL and its subsidiaries ("**ATPL Group**") will be wholly-owned subsidiaries of SCE.

2. INFORMATION ON ATPL

- 2.1 ATPL, a company incorporated in Singapore, is principally engaged in the business of distribution and marketing of information technology, computer peripherals, parts, software and related products ("**ATPL Businesses**").
- 2.2 The wholly-owned subsidiaries of ATPL are Achieva Technology Sdn Bhd ("**ATSB**") and Achieva Technology Australia Pty Ltd ("**ATA**").

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Company and its subsidiaries ("**Group**") are principally engaged in the distribution of electronic components and finished consumer products.
- 3.2 The Company is of the view that the ATPL Businesses are complementary to the Group's electronic components and finished consumer products distribution business and will expand the Group's product lines and ranges and customer base. With the acquisition of the remaining 51% equity interests in ATPL Group, the Group will have full controls over the various activities to expand and improve the businesses, operations and financial performance of the ATPL Group and ultimately reap the entire benefits. These activities include leveraging on the Group's extensive expertise and wide distribution networks, extensive product lines and customer base, and achieving operational synergies and economies of scale.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The aggregate purchase consideration payable by SCE to SUTL for the purchase of the Sale Shares is S\$2,386,800 (US\$1,687,000) ("**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 SCE and SUTL 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 September 2015, as reflected in the unaudited accounts of ATPL, ATSB and ATA which were prepared in accordance with generally accepted accounting principles in Singapore ("**Unaudited Accounts**").

The book value and net tangible asset value of the Sale Shares, based on the unaudited accounts of ATPL, ATSB and ATA as at 30 September 2015, were approximately S\$2,771,000 (US\$1,958,000) and S\$2,764,000 (US\$1,954,000), respectively.

SCE 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) S\$1,386,800 (US\$980,000) shall be paid by SCE to SUTL on Completion Date; and
- (b) the sum of S\$100,000.00 on the first business day of each calendar month commencing February 2016 until the balance of S\$1,000,000.00 is paid, provided that SCE shall be entitled to withhold the final payment of S\$100,000.00 to SUTL in

the event the winding of Achieva Technology Vietnam Co (“**ATVN**”) and Achieva Service Centre Sdn Bhd (“**ASCSB**”) is not completed on the date the said final payment is due.

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, SCE and SUTL approving the sale and purchase of the Sale Shares in accordance with the SPA;
- (b) the resignation of Chan Kum Tao, Tay Teng Guan Arthur and Tay Teng Hock as directors of ATPL, ATSB and ATA;
- (c) no proceedings, applications, petitions or summons have been started or threatened, nor any steps taken thereto by any person with a view to the winding-up of SUTL, SCE, ATPL, ATSB and/or ATA, or for the appointment of a receiver, trustee, provisional liquidator or similar officer over any of them or any of their undertakings, properties or assets;
- (d) the full release and discharge of the SUTL Group from all guarantees provided by the SUTL Group in connection with ATPL, ATSB and/or ATA obtaining financing from third party financial institutions; and
- (e) the full settlement by ATPL, ATSB and/or ATA of all inter-company loans owing to the SUTL Group.

4.4 Unless specifically waived by the respective entitled party, if any of the Conditions Precedent are not fulfilled on or before the Completion Date (as defined below) or such later date as the parties may agree to in writing, the respective entitled party may at any time prior to the Completion Date by notice in writing to the defaulting party defer the Completion Date to such date as the entitled party shall prescribe or rescind the SPA, whereupon in the latter case, the SPA shall be deemed to be rescinded and of no further force or effect and neither party shall have any claim against the other party for costs, damages, compensation or otherwise save for such rights and remedies as shall have accrued at the date of rescission arising from any antecedent breach of the SPA.

4.5 The parties agree that they shall each take all actions and do all things necessary for the purpose of enabling the Conditions Precedent to be satisfied.

4.4 Covenants and Undertakings

Under the terms of the SPA, SUTL and SCE have given the following undertakings:

- (a) SUTL undertakes to SCE to procure that, between the date of the SPA and the Completion Date, except as otherwise authorised under the terms of the SPA or as may be directed by SGX-ST or the relevant regulatory authorities (as the case may be), the Business of ATPL Group, shall be carried on in its usual and normal course and that ATPL Group shall not enter into any material contract or commitment which, in any such case is out of the ordinary and usual course of the Business without the prior consent of SCE, which consent shall not be unreasonably withheld, delayed or conditioned.

- (b) SCE shall procure that ATPL, ATSB and ATA shall, within sixty (60) days from the Completion Date, cease to use, in relation to any trade, business or company, the name "SUTL" and/or SUTL's related trade-marks, trade names, logos and other Intellectual Property Rights (collectively, "SUTL IP"), or any name that is similar to, or capable of or likely to be confused with, any SUTL IP.

4.5 Covenants and Undertakings in relation to ATVN and ASCSB

- (a) SUTL undertakes to take all step necessary to wind-up ATVN and ASCSB in accordance with applicable laws and SUTL shall bear all the costs and/or expenses in relation thereto and bear all unrecorded liabilities of ATVN and ASCSB which are accrued prior to the Completion Date and for which provisions have not been made in the respective accounts. This clause shall be a separate and independent clause from the rest of the SPA. For the avoidance of doubt, the failure by SUTL to wind-up ATVN and ASCSB shall not be deemed a breach of the other clauses and the SPA.

Limitation of Liability

The aggregate amount of the liability of SUTL for all claims under the SPA shall not in any event exceed the sum of the Consideration. SUTL shall not be liable for any claim unless the aggregate amount of the liability for all claims exceeds S\$150,000 (US\$106,000) (in which event SCE 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 ("Serial System Ltd and its subsidiaries") for the financial year ended 31 December 2014, 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 2014, 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)	112,762	113,003
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
NTA per share (US\$ cents)	12.59	12.61

5.2 Earnings per Share

Assuming that the Proposed Acquisition was completed on 1 January 2014, 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)	16,085	15,003 ⁽¹⁾
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
EPS (US\$ cents)	1.80	1.67

Note:

- (1) As derived from the audited accounts of ATPL Group for the financial year ended 31 December 2014, the net loss attributable to the Sale Shares was approximately US\$1,082,000 (S\$1,460,000), being 51% of the loss recorded by ATPL, ATSB and ATA.

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 September 2015, 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.	-10.0 ⁽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.	2.1 ⁽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 attributable unaudited net loss of the ATPL Group of US\$1,289,000 (S\$1,824,000) for the period ended 30 September 2015 and the Group's unaudited net profits of US\$12,902,000 (S\$18,254,000) for the period ended 30 September 2015.
- (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\$0.1265 (US\$0.0894), being the weighted average share price of the Company's shares on 7 January 2016, 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.

7. WAIVER FROM COMPLIANCE WITH RULE 1014(2) OF THE LISTING MANUAL

7.1 The Company has applied to the SGX-ST for a waiver (the "**Waiver**") of the requirement under Rule 1014(2) of the Listing Manual to seek Shareholders' approval for the Proposed Acquisition. In its letter dated 21 December 2015, SGX-ST has granted the Waiver subject to the following conditions:-

- a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;
- b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

7.2 The Company has on 6th January 2016 submitted to the SGX-ST the written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

8. 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.

9. 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.

10. 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.

11. 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
8 January 2016