



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

**INCORPORATION OF NEW COMPANY AND
INVESTMENT IN MUSANG DURIAN FROZEN FOOD (M) SDN BHD**

1. INFORMATION ON NEWLY INCORPORATED COMPANY

- 1.1 The board of directors (“**Board**”) of Serial System Ltd and its subsidiaries (“**Group**”) is pleased to announce that the Company’s wholly-owned subsidiary, Serial System International Pte. Ltd. (“**SSIPL**”), Mr. Derek Goh Bak Heng, Executive Chairman and Group CEO and a 39.64% substantial shareholder of the Company (“**Derek Goh**”) and Datuk Philip Ting Ding Ing (“**Datuk Philip**”), an individual, has entered into a joint venture agreement in relation to a newly incorporated company in Singapore known as Bast Investment Pte Ltd (“**BIPL**”).
- 1.2 SSIPL and Derek Goh will invest 55% and 15% equity interests in BIPL respectively. The principal activity of BIPL is that of investment holding.
- 1.3 The issued and paid-up capital of BIPL will be S\$300,000 (US\$221,000) comprising 300,000 ordinary shares, of which SSIPL’s 55% and Derek Goh’s 15% contribution amounted to S\$165,000 (US\$122,000) and S\$45,000 (US\$33,000) respectively. The remaining 30% interests are held by Datuk Philip whose contribution amounted to S\$90,000 (US\$66,000). The board of directors of BIPL consist of three (3) directors, represented by Seah Goh (acting for SSIPL), Derek Goh and Datuk Philip respectively.
- 1.4 The total investment of S\$165,000 (US\$122,000) in BIPL by SSIPL will be funded through internal resources. The investment is not expected to have any material impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2017.

2. INFORMATION ON SUBSCRIPTION BY BIPL

- 2.1 BIPL has entered into a Subscription Agreement with Musang Durians Frozen Food (M) Sdn. Bhd. (“**Musang Durian**”), a company incorporated in Malaysia, to subscribe for 10 new shares of Musang Durian (“**Proposed Subscription**”) at the subscription price of MYR 1,000,000 (US\$234,000) per share totalling MYR 10,000,000 (US\$2,337,000) (“**Consideration**”). The new shares subscribed represent approximately 50% of the enlarged issued and paid-up share capital of Musang Durian upon completion of the Proposed Subscription.

- 2.2 The subscription price per share was arrived at on a willing buyer, willing seller basis, taking into account, *inter alia*, the adjusted net assets, profitability and business prospects of Musang Durian. As at 30 June 2017, the net assets based on the adjusted unaudited management accounts of Musang Durian amounted to approximately MYR 2,064,000 (US\$482,000). The net profit based on the adjusted unaudited management accounts of Musang Durian for the three months ended 30 June 2017 amounted to approximately MYR 1,802,000 (US\$421,000).
- 2.3 The Consideration of MYR 10,000,000 (US\$2,337,000) shall be payable by BIPL on Completion Date in proportion to the shareholding of the respective shareholders in BIPL as follows:
- (a) SSIPL(55%) – MYR 5,500,000 (US\$1,286,000)
 - (b) Derek Goh (15%) – MYR 1,500,000 (US\$351,000)
 - (c) Datuk Philip (30%) – MYR 3,000,000 (US\$700,000)
- 2.4 The Consideration of cash of MYR 5,500,000 (US\$1,286,000) by SSIPL will be funded by internal funds and/or bank borrowings.
- 2.5 SSIPL will hold an effective interest of 27.5% in Musang Durian after the Proposed Subscription.

3. INFORMATION ON MUSANG DURIAN

Musang Durian, a company incorporated in Malaysia with an existing issued and paid up capital of MYR 10 (US\$2.3), is principally engaged in the business of manufacturing, processing, trading and exporting of durian puree and durian related products (“**Business**”).

4. CONDITIONS PRECEDENT

- 4.1 Completion of the Proposed Subscription shall be conditional upon the satisfaction (or waiver thereof) of conditions precedent customary for transactions of such nature on or before Completion Date, including the following:
- (a) the issue, allotment and subscription of the Subscription Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Malaysia and/or Singapore which is applicable to Musang Durian and/or BIPL;
 - (b) BIPL being satisfied with the outcome of their due diligence on Musang Durian; and
 - (c) Musang Durian and BIPL not being in breach of any of the undertakings and the covenants in the Subscription Agreement as at the Completion Date.
- 4.2 If the conditions set out in Clauses 4.1 are not satisfied by the date falling two (2) calendar months from the date of the Subscription Agreement (or such other date as may be mutually agreed between the Parties), either party shall be entitled to terminate the Subscription Agreement.

5. RATIONALE

The Directors of the Company believe that the Proposed Subscription will provide additional income streams for the Group which may include, *inter alia*, possible recurring dividend income and long-term investment return, with a view to enhancing shareholders' value over the long term.

The Proposed Subscription is a diversification of the Company's core business which the Directors believe will provide a higher margin to the Company. Musang Durian may also capitalise on the Group's competitive strengths and extensive distribution network to grow and expand the Business.

6. NON-DISCLOSEABLE TRANSACTION

As the relative figures computed under Rule 1006 of the SGX Listing Manual do not exceed 5%, the Proposed Subscription constitutes a non-discloseable transaction.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this Announcement, other than Derek Goh, 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 Subscription, other than through their respective shareholdings in the Company.

8. SERVICE AGREEMENTS

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

9. FUTURE ANNOUNCEMENTS

The Company will make further announcements on the Proposed Subscription as appropriate or when there are further developments on the same.

10. DOCUMENTS FOR INSPECTION

A copy of the Subscription Agreement will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Derek Goh Bak Heng

Executive Chairman and Group CEO

21 August 2017