



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

**PROPOSED ACQUISITION IN THE ORDINARY COURSE OF BUSINESS - ACQUISITION OF
100% EQUITY INTERESTS IN SEAR-R CORPORATION. LTD.**

1. INTRODUCTION

- 1.1 The board of directors (“**Board**”) of Serial System Ltd and its subsidiaries (“**Group**”) is pleased to announce that the Group’s 70% owned subsidiary, Hydra & Thermal Pte. Ltd. (“**Hydra**”), has on 14 January 2016 entered into a conditional sale and purchase agreement (“**SPA**”) with Mr. Sear Rithy, Mr. Tan Teck Kee, Mr. Dalton Wong, (collectively the “**Vendors**”) and Sear-R Corporation. Ltd. (“**Sear Corp**”).
- 1.2 Pursuant to the SPA, Hydra shall acquire 100% of the enlarged ordinary share capital of Sear-R Corporation Ltd (“**Sales Shares**”), after capitalisation of the outstanding loans owed by Sear Corp to Oknha Sear Rithy (“**Proposed Acquisition**”).

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**”), which shall be five (5) business days after the date of fulfilment of the Condition Precedent (whichever is the later), or such date as the Vendors and Hydra may mutually agree to in writing.

2. INFORMATION ON SEAR CORP

- 2.1 Sear Corp, a company incorporated in Cambodia, is principally engaged in the business of distribution of consumer electronic products and household appliances (“**Sear Corp Businesses**”).

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Company is of the view that the Sear Corp Businesses are complementary to Hydra and the Group’s business in distribution of finished consumer electronic products and household appliances. The Proposed Acquisition allows an avenue for Sear Corp to leverage on the Group’s extensive expertise in distribution and 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 Sear Corp.

- 3.2 The Proposed Acquisition is in line with the Group's strategy to acquire companies which may capitalise on the Group's competitive strengths and expand the Group's distribution networks, product lines and ranges, and customer base.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The aggregate purchase consideration of US\$1.00 payable by Hydra to the Vendors for the Sale Shares ("**Consideration**") is based on 100% of the net liabilities as at 30 September 2015, as reflected in the management accounts of Sear Corp, subject to any adjustments after the completion of the financial and legal due diligence on Sear Corp conducted by the Group and adjusted for the capitalisation of loans owing by Sear Corp to Oknha Sear Rithy. As at 30 September 2015, Sear Corp's unaudited net liabilities after adjustments amounted to US\$21,000. The Consideration was negotiated at arm's length on a "willing-buyer, willing-seller" basis, taking into consideration, *inter alia*, (i) the information provided and exchanged by both Parties prior to this SPA; and (ii) the financial position and business prospects of Sear Corp. The Consideration shall be paid in cash and will be funded by internal funds.

4.2 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 board of directors and the shareholders (if required) of the Company, Hydra and Sear Corp approving the sale and purchase of the Sale Shares in accordance with the SPA;
- (b) the Vendors having informed all of their suppliers respectively in writing of the Proposed Acquisition, and undertake to procure in writing by the suppliers that the Proposed Acquisition will not affect their willingness to continue to carry on business with Sear Corp on the respective distribution agreements; and
- (c) the Vendors to complete the capitalisation of outstanding loans owed by Sear Corp to Oknha Sear Rithy.

4.3 Covenants and Undertakings

Under the terms of the SPA, the Vendors have given the following undertakings to Hydra:

- (a) to bear all unrecorded liabilities and bad debts, inventories and assets of Sear Corp which have accrued prior to the Completion Date and for which provisions have not been made in the respective accounts, on a prorata basis based on the Sale Shares to Hydra;

5. 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.

6. 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.

7. 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.

8. 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 January 2016