



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 70%
EQUITY INTERESTS IN HYDRA & THERMAL PTE. LTD.**

1. INTRODUCTION

- 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, SCE Enterprise Pte. Ltd. (“**SCE**”), has on 26 February 2015 entered into a conditional sale and purchase agreement (“**SPA**”) with Mr. Tan Teck Kee and Hydra & Thermal Pte. Ltd. (“**Hydra**”).
- 1.2 Pursuant to the SPA, SCE shall acquire 2,147,499 ordinary shares in the capital of Hydra (“**Sale Shares**”) from Mr. Tan Teck Kee (“**Proposed Acquisition**”). The Sale Shares represent approximately 70% of the issued and paid-up share capital of Hydra 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 31 March 2015, or such other date as SCE, Mr. Tan Teck Kee and Hydra may mutually agree in writing.

2. INFORMATION ON THE HYDRA

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

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 Hydra is principally engaged in the distribution of consumer electronic products and household appliances.
- 3.2 The Company is of the view that the Hydra Businesses are complementary to the Group’s business in distribution of electronic products, in particular finished lifestyle and consumer electronic products. The Proposed Acquisition allows an avenue for Hydra 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 Hydra.

- 3.3 The Proposed Acquisition is 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 of S\$808,610 (US\$597,731) payable by SCE to Mr. Tan Teck Kee for the Sale Shares ("**Consideration**") is based on 70% of the NTA as at 31 December 2014, as reflected in the management accounts of Hydra, subject to any adjustments after the completion of the financial and legal due diligence on Hydra conducted by SCE. As at 31 December 2014, Hydra's unaudited NTA after adjustments amounted to S\$1,155,156 (US\$853,900). 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 Agreement; and (ii) the financial position and business prospects of Hydra. The Consideration will be funded by internal funds and/or bank borrowings.

4.2 Payment

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

- (a) 100 per cent (100%) of the Consideration shall be paid by SCE to Mr. Tan Teck Kee on Completion Date, by way of a cheque drawn on a reputable bank in Singapore and issued in favour of Mr. Tan Teck Kee or by way of irrevocable telegraphic transfer (MT-103) by SCE to Mr. Tan Teck Kee or in such other manner as may be agreed between Mr. Tan Teck Kee and SCE in writing.

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 board of directors and the shareholders (if required) of the Company, SCE and Hydra approving the sale and purchase of the Sale Shares in accordance with the SPA; and
- (b) Hydra 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 Hydra on the respective distribution agreements.

4.4 Covenants and Undertakings

Under the terms of the SPA, Mr. Tan Teck Kee has given the following undertakings to the SCE:

- (a) to bear all unrecorded liabilities and bad debts, inventories and assets of Hydra 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 SCE;

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
26 February 2015