



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

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## **PROPOSED ACQUISITION OF 21% EQUITY INTERESTS IN TONG CHIANG GROUP**

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### **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, Serial System International Pte. Ltd. (“**Serial System International**”) and Mr. Derek Goh Bak Heng, Executive Chairman and Group CEO and a 39.53% substantial shareholder of the Company (“**Derek Goh**”), has on 22 August 2015 entered into a conditional sale and purchase agreement (“**SPA**”) with Ms. Lisa Zou Xiangyun (“**Lisa Zou**”).
- 1.2 Pursuant to the SPA, Serial System International will acquire 21% of the issued and paid-up capital of each of the following entities from Lisa Zou (“**Sale Shares**”) :
- a) Tong Chiang Group Pte. Ltd.;
  - b) Edith-United International Pte Ltd;
  - c) Eunice Food Catering Pte. Ltd.; and
  - d) Imperial Kitchen Catering Pte. Ltd.
- (collectively, the “**Target Companies**” and “**Proposed Acquisition**”)
- 1.3 The Sale Shares represent approximately 21% of the issued and paid-up share capital of the Target Companies upon completion of the Proposed Acquisition (“**Completion**”).
- 1.4 Derek Goh will acquire and hold 2.5% of the issued and paid-up share capital of the Target Companies upon Completion.
- 1.5 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 28 August 2015, or such other date as Serial System International and Lisa Zou may mutually agree in writing.

### **2. INFORMATION ON THE TARGET COMPANIES**

- 2.1 Tong Chiang Group Pte. Ltd., a company incorporated in Singapore, is in the business of manufacturing food products and food catering (“**Tong Chiang Businesses**”) and has an issued and paid up share capital of S\$800,000 (US\$583,000).

2.2 The wholly-owned subsidiaries of Tong Chiang Group Pte. Ltd., are as follows: -

- 1) 3 + 1 (Restaurant) Pte. Ltd.;
- 2) Imperial Catering Pte. Ltd.;
- 3) Hilltop (KB) Pte. Ltd.;
- 4) Eunice Cuisine Catering Pte. Ltd.;
- 5) Jia Yan Catering Pte. Ltd.;
- 6) Kim's Kitchen Pte. Ltd.;
- 7) King's Kitchen (Catering) Pte. Ltd.;
- 8) Nadzs Kitchen Services Pte. Ltd.;
- 9) Seyu Pte. Ltd.,
- 10) TC Catering Pte. Ltd.;
- 11) The Grand Chef Pte. Ltd.;
- 12) Tong Chiang Kitchen (1) Pte. Ltd.; and
- 13) Tong Chiang Holdings Pte. Ltd.

(collectively, the "**Tong Chiang Group**")

2.3. It is intended that within three (3) months from the Completion Date, Edith-United International Pte Ltd, Eunice Food Catering Pte. Ltd., and Imperial Kitchen Catering Pte. Ltd. (collectively, the "**Investment Holding Companies**") will divest all business, contracts and assets to Tong Chiang Group, save for properties held by them and become purely investment holding companies, holding properties ("**Business Divestment**").

### **3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

#### **3.1 Consideration**

The aggregate purchase consideration payable by Serial System International to Lisa Zou for the Sale Shares is S\$4,468,000 (US\$3,257,000) ("**Consideration**").

The Consideration was arrived at 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 profitability, financial position and business prospects of the Target Companies. The net asset value and net tangible asset value of the Sale Shares, based on the management accounts of the Target Companies as at 30 June 2015, is approximately S\$3,021,000 (US\$2,202,000) and S\$2,458,000 (US\$1,792,000), respectively. The Consideration will be funded by internal funds and/or bank borrowings.

On the same basis as above, Derek Goh's acquisition of the 2.5% issued and paid-up share capital of the Target Companies amounts to S\$532,000 (US\$388,000).

#### **3.2 Payment**

Pursuant to the letters of agreement dated 18 May 2015 and 2 July 2015 signed between the Parties (collectively, the "**Letters of Agreement**"), Serial System International has made an aggregate advance payment of S\$1,650,000 (US\$1,203,000) for the Sale Shares (the "**Advance Payment**"), which will constitute part payment of the consideration of S\$4,468,000 (US\$3,257,000) to be paid by Serial System International.

The remaining consideration (less the Advance Payment) will be payable by Serial System International to Lisa Zou in the following manner:

<b>No.</b>	<b>Remaining Amount Payable by Serial System International</b>	<b>Payment Date</b>
1.	S\$584,000 (US\$426,000)	On Completion Date
2.	S\$2,234,000 (US\$1,628,000)	Three (3) months from Completion Date

### 3.3 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, including the following:

- (a) all licences, consents, permits, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with the Singapore Exchange Securities Trading Limited, all relevant government departments, regulators, authorities, central bank (including, without limitation, the Securities Industry Council and/or Monetary Authority of Singapore as may be required), third party contractors, counterparties, financing or facility providers of the Company, Serial System International and the Company, and any of its subsidiaries as may be required for or in connection with the sale and purchase of the Sale Shares and all the transactions envisaged under this Agreement, having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being mutually acceptable to the Parties, fulfilled, and complied with;
- (b) the board of directors and the shareholders (if required) of Serial System International and the Target Companies approving the sale and purchase of the Sale Shares in accordance with the SPA; and
- (c) the appointment of Derek Goh as a director and the appointment of two (2) alternate directors nominated by Serial System International, in each of the Target Companies.

### 3.4 Conditions Subsequent

- (a) Among other things, it is intended that the Target Companies carry out the Business Divestment within three (3) months from the Completion Date.

## 4. RATIONALE

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

The Proposed Acquisition is a diversification of the Company's ordinary course of business which the Directors believe will provide a stable higher margin to the Company.

## 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 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:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA (US\$'000)	112,762	112,762
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
NTA per share (US\$ cents)	12.59	12.59

### 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:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Profit attributable to shareholders (US\$'000)	16,085	16,335 <sup>(1)</sup>
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
EPS (US\$ cents)	1.80	1.82

**Note:**

<sup>(1)</sup>As derived from the management accounts of the Target Companies for the financial year ended 31 December 2014, the net profit attributable to the Sale Shares was approximately S\$317,000 (US\$250,000), being 21% of the profit recorded by the Target Companies after certain adjustments.

## 6. DISCLOSEABLE TRANSACTION

Based on the latest announced unaudited consolidated financial statements of the Group for 1H2015:

<b>Rule 1006</b>			
<b>(a)</b>	<b>Net asset value of assets to be disposed of</b>	<b>Net asset value of the Group</b>	<b>Relative figure</b>
	Not applicable		
<b>(b)</b>	<b>Net profits attributable to the assets to be acquired US\$'000</b>	<b>Net profits attributable to equity holders of the Group US\$'000</b>	<b>Relative figure</b>
	119	15,652	%
<b>(c)</b>	<b>Aggregate value of the Consideration  US\$'000</b>	<b>Market capitalisation of the Company as at 21 August 2015<sup>(1)</sup> US\$'000</b>	<b>Relative figure</b>
	3,257	109,394	%
<b>(d)</b>	<b>No. of equity securities issued by the Company as consideration</b>	<b>No. of equity securities of the Company previously in issue</b>	<b>Relative figure</b>
	Not applicable		
<b>(e)</b>	<b>Aggregate amount of proved and probable reserves to be disposed of</b>	<b>Aggregate proved and probable reserves of the Group</b>	<b>Relative figure</b>
	Not applicable		

Note:

- (1) The “market capitalisation” of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Sale and Purchase Agreement.

As the relative figure computed under Rule 1006(c) of the SGX Listing Manual does not exceed 5%, the Proposed Acquisition constitutes a non-discloseable transaction.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this Announcement, 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.

**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. FUTURE ANNOUNCEMENTS**

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

**10. DOCUMENTS FOR INSPECTION**

A copy of the Sale and Purchase 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

22 August 2015