



(Registration No. 199202071D)
(Incorporated in the Republic of Singapore on 22 April 1992)
(the “Company”)

TERM SHEET WITH ACHIEVA LIMITED

1. INTRODUCTION

- 1.1 The board of directors (“**Board**”) of Serial System Ltd (“**Company**”) wishes to announce that the Company has on 21 June 2014 entered into a non-binding term sheet (the “**Term Sheet**”) with Achieva Limited (“**Achieva**”) to explore the possibility of the Company or its nominee(s) acquiring all of the shares of Achieva Technology Pte Ltd (the “**Proposed Acquisition**”).
- 1.2 Pursuant to the Term Sheet, the parties shall negotiate in good faith with a view towards entering into a definitive agreement (“**Acquisition Agreement**”) on or before 31 July 2014 or such other date as may be agreed in writing by the Parties (“**Long Stop Date**”). Save for certain clauses, the Term Sheet shall automatically lapse and cease to be of legal force and effect if the parties fail to enter into the Acquisition Agreement by the Long Stop Date.

2. INFORMATION ON ACHIEVA

- 2.1 Achieva Technology Pte Ltd (“**ATPL**”), a company incorporated in Singapore, is a wholly owned subsidiary of Achieva. ATPL and its subsidiaries (“**ATPL Group**”) are in the business of distribution and marketing of information technology, computer peripherals, parts, software and related products. The subsidiaries of ATPL are Achieva Technology Sdn. Bhd., Achieva Technology Australia Pty Ltd (“**ATA**”), Achieva Technology Vietnam Ltd and Achieva Service Centre Sdn Bhd.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Company and its subsidiaries (the “**Serial Group**”) are principally engaged in the distribution of electronic and electrical components.
- 3.2 The Company is of the view that the businesses of ATPL Group are complementary to the Company's electronic components distribution business. The Proposed Acquisition is also in line with Serial Group's strategy to acquire companies which may capitalize on the Group's competitive strengths and extensive distribution networks, and expand the Group's product lines and ranges and customer base.

4. CERTAIN PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Proposed Acquisition

The entire share capital of ATPL (“**ATPL Shares**”) shall be acquired by the Company or its nominee(s) in cash as follows:

- (a) Acquisition 1: Sixty per cent (60%) of the ATPL Shares provided always that in the event ATA incurs a net loss (total income less total expenses before unusual and extraordinary items not in the ordinary course of business) for the period from 1 April 2014 to 30 June 2014 as reflected in ATA’s management accounts to be prepared by Achieva in accordance with generally accepted accounting principles in Singapore, ATPL shall transfer its legal and beneficial ownership of the entire share capital of ATA to Achieva or its nominee prior to the completion of Acquisition 1 (“**Acquisition 1**”); and
- (b) Acquisition 2: Forty per cent (40%) of the ATPL Shares at the expiry of twelve (12) calendar months from the date of completion of Acquisition 1 (“**Acquisition 2**”).

4.2 Consideration

The aggregate consideration for the Proposed Acquisition (“**Consideration**”) shall be determined as follows:

- (a) Acquisition 1: Sixty per cent (60%) of the consolidated net tangible asset value of ATPL Group as at 30 June 2014, based on ATPL’s management accounts to be prepared by Achieva in accordance with generally accepted accounting principles in Singapore, subject to certain adjustments, payable in cash by the Company or its nominee(s) to Achieva as follows : (i) fifty per cent (50%) of the consideration for Acquisition 1 to be paid at completion date and (ii) the remaining fifty per cent (50%) of the consideration of Acquisition 1 to be paid at the expiring of one (1) calendar month from the completion date.
- (b) Acquisition 2: The sum of (i) forty per cent (40%) of the consolidated net tangible asset value of ATPL Group as at 30 June 2015; and (ii) twenty per cent (20%) of the consolidated net profit after tax of ATPL and its subsidiaries for the period commencing from the date of completion of Acquisition 1 to the date of completion of Acquisition 2, based on ATPL’s management accounts to be prepared by Serial Group in accordance with generally accepted accounting principles in Singapore, subject to certain adjustments, payable in cash by the Company or its nominee(s) to Achieva at completion of Acquisition 2.

4.3 Conditions Precedent

Completion of Acquisition 1 and Acquisition 2 shall be conditional upon fulfilment of, *inter alia*:

- (a) the board of directors and the shareholders (if required) of the Company approving the Proposed Acquisition;
- (b) the board of directors and the shareholders (if required) of Achieva approving the Proposed Acquisition;

- (c) the representations and warranties in the Acquisition Agreement being accurate in all material respects at completion, and Achieva not otherwise being in breach of its obligations under the Acquisition Agreement; and
- (d) there being no change or effect, which in the Company or its nominee(s)'s reasonable opinion, is materially adverse or likely to be materially adverse, to the business or financial condition, assets, properties, operations, prospects or results of operations of ATPL or any of its subsidiaries between the date of the Term Sheet and the date of completion of Acquisition 1.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company have any interest, direct or indirect, in the Term Sheet or the Proposed Acquisition.

6. FURTHER ANNOUNCEMENTS AND CAUTION IN TRADING

- 6.1 Shareholders and potential investors are advised to exercise caution when dealing in the Company's shares, as there is no certainty or assurance, as at the date of this Announcement, as to whether definitive agreements will be entered into, the terms and conditions of the Proposed Acquisition will differ from those set out in the Term Sheet, or the Proposed Acquisition will be undertaken at all.
- 6.2 Shareholders and potential advisers are advised to read this Announcement and any further announcements by the Company carefully. When in doubt, shareholders and potential investors are strongly advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.
- 6.3 The Company will make the necessary announcements as and when there are material developments on the matter.

By Order of the Board

Dr. Derek Goh Bak Heng
Executive Chairman and Group Chief Executive Officer

22 June 2014