



SERIAL SYSTEM LTD

新暉科技有限公司

(Company Registration No. 199202071D)

(Incorporated in Singapore)

PROPOSED ACQUISITION OF ASSETS FROM ULTRO TECHNOLOGIES LIMITED

1. THE PROPOSED TRANSACTION

1.1 **Overview of the Proposed Transaction.** The Board of Directors (“**Board**”) of Serial System Limited (the “**Company**” or “**Purchaser**”) wishes to announce that the Company has on 8 October 2008 executed a sale and purchase agreement (“**SPA**”) with Ultron Technologies Limited (the “**Vendor**”), for the purchase of certain assets and businesses owned by the Vendor (the “**Assets**”) for the Purchase Consideration, which is defined in Paragraph 1.4 below (the “**Proposed Acquisition**”).

1.2 **Overview of the Assets.** The Assets comprise (i) the business of distributing products manufactured by Freescale Semiconductor Singapore Pte Ltd (“**Freescale**”) and Littelfuse Inc. (“**Littelfuse**”), (ii) certain products of some other principals as specified in the SPA (“**Other Principals**”); and (iii) customer assignments and business backlogs relating to the products of Freescale and Littelfuse.

1.3 **Overview of the Vendor.** Ultron Technologies Limited was incorporated in Singapore on 6 February 1987 under the name of Uraco Impex Asia Pte Ltd. It was principally involved in the trading and distribution of electronic components, sockets and connectors.

In August 1994, the Company was renamed Uraco Technologies Pte Ltd to reflect the Group's diverse range of technology-based business activities and in June 1997, the Company changed its name to Ultron Technologies Pte Ltd.

The Group also manufactures products that came from its own research and development in the areas of telecommunication products, electronic ballasts and automation systems. The Group's principal business activities are industrial distribution of active and passive electronic components, the design and manufacture of electronic components and products like connectors and the provision of innovative electronic based solutions for the telecommunication, lighting, automated logistic and warehousing industries.

1.4 **Purchase Consideration.** Under the terms of the SPA, in consideration for the sale and transfer by the Vendor of the Assets, the Purchaser shall pay to the Vendor a purchase consideration of approximately S\$1,810,719 (the “**Purchase Consideration**”), in cash, of:

- (a) a sum of S\$610,600 (US\$430,000) as goodwill for the transfer of the business of distributing products manufactured by Freescale and Littelfuse; and
- (b) the net book value of the inventories (as listed in Schedule 2 of the SPA) as at the Transfer Date which shall be ascertained and agreed upon between the Vendor and the Purchaser two (2) business days prior to the date of transfer of the Assets from the Vendor to the Purchaser (the “**Transfer Date**”).

The Purchase Consideration is arrived at following negotiations on a willing seller willing buyer basis.

The Purchase Consideration will be funded by internal resources and/or bank borrowings.

1.5 **Conditions Precedent.** The Proposed Acquisition is subject to and conditional upon the following terms and conditions:

- (a) the approval of the board of directors and/or shareholders of the Vendor and the Purchaser for the transactions contemplated by the SPA, if required;
- (b) all consents, approvals and authorisations of bankers, financial institutions, relevant third parties, government or regulatory authorities which are necessary or desirable in connection with the transfer of the Assets from the Vendor to the Purchaser and the ownership by the Purchaser of Assets having been obtained, and if subject to conditions, on such conditions acceptable to the Purchaser and/or such person(s) as the Purchaser may direct, prior to the Transfer Date;
- (c) consents, approval, waivers and/or novation agreements (if applicable) being obtained or executed, as the case may be, for the transfer of the Assets by the Vendor to the Purchaser;
- (d) the execution and performance of the SPA by the Purchaser and the Vendor not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;
- (e) the approval of Freescale and Littelfuse to appoint the Purchaser as the non-exclusive distributor of the products manufactured by:
 - (i) Freescale in South East Asia and India; and
 - (ii) Littelfuse in Philippineswith effect from the Transfer Date, subject to the usual terms and conditions of these companies; and
- (f) the Purchaser being satisfied in its sole and absolute discretion with the results of the due diligence investigations with respect to the Assets.

1.6 **Completion.** Completion of the Proposed Acquisition ("**Completion**") will take place within one week after the fulfillment or waiver of the Conditions Precedent stated in Paragraph 1.5 above.

1.7 **Material conditions.** The other material conditions of the Proposed Acquisition are as follows:

- (a) The Vendor will, both before and after Completion, at the request of the Purchaser, procure that representatives of the Vendor will accompany representatives of the Purchaser to meet with, or join the Purchaser in sending written communications to, customers and other parties with whom the Vendor has had dealings with in relation to the Assets. The aim of such visits and communications will be to secure a smooth handover of the Assets to the Purchaser and the preservation of the goodwill.

- (b) The Vendor shall not and shall procure that each other member of the Vendor's Group shall not (whether alone or jointly with another and whether directly or indirectly) carry on or be engaged or (except as the owner for investment of securities dealt in on a stock exchange and not exceeding 5 per cent (5%) in nominal value of the securities of that class) be interested economically or otherwise in any manner whatsoever in any Competing Business during a period of twenty-four (24) months after Completion. For this purpose, **Competing Business** means a business:
- (a) which involves the distribution of the products for Freescale and Littelfuse; and
 - (b) which is carried on within:
 - (i) South East Asia and India for the business of distributing products of Freescale; and
 - (ii) Philippines for the business of distributing products of Littelfuse.
- (c) The Vendor shall not (and shall procure that each other member of the Vendor's Group within a period of twenty-four (24) months after Completion, directly or indirectly, solicit or endeavour to entice away from the Purchaser, offer employment to or employ, or offer or conclude any contract for services with, any of the persons specified in the SPA.
- (d) The Purchaser may by written notice given to the Vendor at any time prior to Completion terminate the SPA (other than clauses 1, 13 to 25 and Schedule 1 of the SPA) if any fact, matter or event (whether existing or occurring on or before the date of the SPA or arising or occurring afterwards) comes to the notice of the Purchaser at any time prior to Completion which:
- (i) constitutes a breach by the Vendor of the SPA; or
 - (ii) would constitute a breach of any warranty in the SPA if the warranties were given on or at any time before Completion by reference to the facts and circumstances then existing,
- in which case neither the Vendor or Purchaser (collectively the "**Parties**" and individually the "**Party**") shall have any claim of any nature whatsoever against the other Party under the SPA (save in respect of any rights and liabilities of the Parties which have accrued prior to termination).

2. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that the Proposed Acquisition is complementary to the Serial System Group's semiconductors/components distribution business. The acquisition will further increase the Serial System Group's product lines and product ranges and expand the Serial System Group's customers' base.

3. FINANCIAL EFFECTS

- 3.1 **Assumptions.** Assuming that completion of the Proposed Acquisition takes place, the pro forma effects on the share capital, earnings per share and net tangible assets ("**NTA**") of the Serial System Group are set out below. The pro forma financial effects have been prepared based on the un-audited consolidated financial results of the Serial System Group for the period ended 30 June 2008 as announced on SGXNet on 8 August 2008 ("**HY2008**"), net of estimated expenses, and are purely for illustration purposes only and do not reflect the actual financial position of the Serial System Group after Completion.

- 3.2 **Share capital.** The Proposed Acquisition will not have any impact on the issued and paid-up share capital of the Company.
- 3.3 **NTA.** For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 30 June 2008, the pro forma financial effects on the consolidated NTA of the Serial System Group for HY2008 are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S\$'000)	68,025	67,414
NTA per share (cents)	11.27	11.17

- 3.4 **Earnings.** The financial effects of the Proposed Acquisition on the earnings per share of the Group cannot be ascertained as at the date of the Announcement as this will depend on, inter alia, the future earnings or returns to be realised from the Assets acquired.

4. **SHAREHOLDERS' APPROVAL NOT REQUIRED**

- 4.1 **Major Transaction.** The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 ("**Rule 1006**") of the SGX-ST Listing Manual are as follows:

Rule 1006	Bases	Computation	Percentage (%)
(a)	Net asset value (unaudited) of the assets to be disposed of, compared with the Group's net asset value as at 30 June 2008	Not applicable	Not applicable
(b)	Net profits attributable (unaudited) to the assets acquired, compared with the Group's net profits for HY2008	Not ascertainable as at date of announcement	Not applicable
(c)	Aggregate value of consideration given, compared with the Company's market capitalisation as at 7 October 2008 (S\$'000)	1,811/36,205	5.0
(d)	Number of equity securities issued by the Company as consideration for the sale, compared with the number of equity securities previously in issue	Not applicable	Not applicable

As all the relative figures under Rules 1006 does not exceed 20%, the Proposed Acquisition does not constitute a Major Transaction as defined in Chapter 10 of the SGX-ST Listing Manual. Accordingly, the Proposed Transaction is therefore NOT subject to the approval of Shareholders.

5. **FURTHER INFORMATION**

5.1 **Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly no service contract is proposed to be entered into between the Company and any such person.

5.2 None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition or any other transaction ancillary to the Proposed Acquisition.

6. **DOCUMENTS FOR INSPECTION**

A copy of the SPA is available for inspection at the Company's registered office at 8 Ubi View #05-00 Serial System Building Singapore 408554 for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/ Group CEO

08 October 2008