



**SERIAL SYSTEM LTD**  
**新暉科技有限公司**

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

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## PROPOSED ACQUISITION OF ASSETS FROM SEGYUNG BRITESTONE CO., LTD

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### 1. THE PROPOSED TRANSACTION

- 1.1 **Overview of the proposed transaction.** The Board of Directors (“**Board**”) of Serial System Ltd (the “**Company**”) wishes to announce that its 98.2% owned Korean subsidiary, Serial Microelectronics Korea Limited (“**SMKR**”) has on 10 Nov 2011 executed a sale and purchase agreement (“**SPA**”) with Segyung Britestone Co., Ltd, a company incorporated in South Korea (“**Britestone**”), for the purchase of the business of Britestone’s National Semiconductor division (the “**Assets**”) for the Purchase Consideration, which is defined in Paragraph 1.3 below (the “**Proposed Acquisition**”).
- 1.2 **Overview of the Assets.** The businesses purchased from Britestone comprise (i) the business of distributing products manufactured by National Semiconductor Manufacturing Korea Ltd (“**NS**”), (ii) customer assignments and business backlogs relating to the products of NS and (iii) product solutions and customers’ design registrations for products of NS both completed and in progress.
- 1.3 **Purchase consideration.** Under the terms of the SPA, in consideration for the sale and transfer by Britestone of the Assets, SMKR shall pay to Britestone an initial purchase consideration of US\$700,000 (S\$865,900), by way of cash.

The initial sum shall be paid in the following manner:

- (i) US\$250,000 (S\$309,250) in one week from signing of the SPA on 10 November 2011;
- (ii) U\$450,000 (S\$556,650) will be payable in two payments in the proportion of customer transfer by revenue based on total revenue of U\$10.36 million (S\$12.82 million). The first payment will be made by 31 December 2011 and the second payment by 31 March 2012;

Pursuant to the SPA, Britestone will be entitled to the following profit sharing as detailed below:

- (iii) 40% of gross profit generated from the transferred customers for financial years ending 31 December 2012 and 2013;

- (iv) 1.5% of revenue generated from new / existing customers arising from the existing designs / applications in the pipeline for Automotive business for financial years ending 31 December 2012, 2013 and 2014. For the avoidance of doubt, Britestone will not be further entitled to the 40% share of gross profit detailed in (iii) above for these new / existing customers as mentioned in this Clause (iv)

**Guarantee of revenue.** Britestone will compensate SMKR from the initial payment of US\$450,000 (S\$556,650) based on proportion of shortfall in the target revenue of US\$10.36 million (S\$12.82 million) from the transferred customers for financial year ending 31 December 2012 (the "FY2012").

Examples of the compensation scheme are detailed as follows:

<b>Revenue achieved in FY2012 US\$</b>	<b>Deduction rate</b>	<b>Compensation amount US\$</b>
10,360,000	0.0%	0
9,000,000	13.0%	58,500
8,000,000	23.0%	103,500
7,000,000	32.0%	144,000

The purchase consideration was arrived at following an arm's length negotiation on a "willing seller willing buyer" basis, after taking into account, *inter alia*, (a) the potential prospects of the NS product line and (b) the information provided by Britestone to the Company and SMKR, including in relation to the Asset's operations, customers, revenue and gross margins.

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

- 1.4 **Inventories.** Under the terms of the SPA, SMKR shall purchase the NS inventories from Britestone based on total cost of purchase for the inventories less ship and debit amount. For slow moving inventories, SMKR shall purchase at its discretion at the value after provision by the Group's inventory provision policy.
- 1.5 **Management team.** On or before Completion, Britestone will procure existing key personnel of the Business, requested by SMKR to enter into employment contract with SMKR at such terms and conditions to be agreed between SMKR and the relevant personnel.
- 1.6 **Conditions precedent.** Completion of the SPA is conditional upon the satisfaction of the following conditions precedent (collectively, "**Conditions Precedent**"), namely:
  - (i) the approval of the board of directors and/or shareholders of SMKR and Britestone for the transactions contemplated by the SPA, and if applicable the respective board of directors and / or shareholders of Serial System Ltd (if required under the listing rules of the Singapore Exchange Securities Trading Limited) in the general meeting, if required;

- (ii) the receipt by SMKR and Britestone of all authorizations, consents, clearances, permissions and approvals as are necessary or required under any and all applicable laws, from all governmental or regulatory authorities and relevant third parties, for or in respect of the sale of the Assets, and if any such authorization, consent, clearance, permission and approval is subject to any condition, such condition being reasonably satisfactory to SMKR and Britestone;
- (iii) consents, approval, waivers and/or novation agreements (if applicable for NS and customers) being obtained or executed, as the case may be, for the transfer of the Assets by Britestone to SMKR;
- (iv) the execution and performance of this SPA by SMKR and Britestone not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive, injunction, condition or regulation promulgated by any legislative, executive or regulatory body or authority;
- (v) SMKR and Britestone having, as at the completion date, performed and complied in all material respects with all covenants and agreements contained in this SPA which are required to be performed by or complied with by it;
- (vi) Britestone shall complete the transfer of all customer accounts of the Assets to SMKR as soon as possible, and in no event later than 31 March 2012. SMKR shall disburse the second payment as detailed in Paragraph 1.3 (ii) when the transfer of all customer accounts to the satisfaction of SMKR is completed; and

SMKR and Britestone shall be entitled in its sole discretion to waive in whole or in part any breach or non-fulfilment of the Conditions Precedent by notice in writing to the other Party. If any of the Conditions Precedent are not fulfilled on or before 31 March 2012, this SPA shall cease and terminate and SMKR and Britestone shall not have any claims against one another for costs, damages, compensation or otherwise save for any liability arising from an antecedent breach of the terms hereof.

## **2. RATIONALE FOR THE PROPOSED ACQUISITION**

The Directors are of the view that the Proposed Acquisition is complementary to the electronic components distribution business of the Company and its subsidiaries (the “**Group**”) and is in line with the Group’s strategy to acquire business which may capitalize on the Group’s competitive strengths and extensive distribution networks, and expand the Group’s product ranges and customer base.

### 3. FINANCIAL EFFECTS

- 3.1 **Assumptions.** Assuming the completion of the Proposed Acquisition, the pro forma effects on the share capital, earnings per share and net tangible assets (“**NTA**”) of the Group are set out below. The pro forma financial effects have been prepared based on the announced un-audited consolidated financial results of the Group for the six month period ended 30 June 2011 (“**1H2011**”), net of estimated expenses, and are purely for illustration purposes only and do not reflect the actual financial position of the 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 2011, the pro forma financial effects on the consolidated NTA of the Group for 1H2011 are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S\$'000)	100,599	99,733
NTA per share (cents)	12.25	12.14

- 3.4 **Earnings per share (“EPS”).** The financial effects of the Proposed Acquisition on the EPS 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 realised from the Assets acquired.

### 4. SHAREHOLDERS’ APPROVAL NOT REQUIRED

- 4.1 **Non-discloseable Transaction.** The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 (“**Rule 1006**”) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) are as follows:

Rule 1006	Bases	Computation	Percentage (%)
(a)	Net asset value (un-audited) of the assets to be disposed of, compared with the Group's net asset value as at 30 June 2011	Not applicable	Not applicable

<b>Rule 1006</b>	<b>Bases</b>	<b>Computation</b>	<b>Percentage (%)</b>
(b)	Net profits attributable (un-audited) to the assets acquired, compared with the Group's net profits for 1H2011	As the net profits attributable (un-audited) to the Assets acquired cannot be ascertained as at date of this announcement, based on the information provided by Britestone as Britestone's NS business and its other businesses were operated on a corporate base without discrete separation of the operating costs of each individual businesses. Accordingly, the comparison of the net profits attributable (un-audited) to the Assets acquired with the Group's net profits for 1H2011 cannot be ascertained	Not applicable
(c)	Aggregate value of consideration given, compared with the Company's market capitalization as at 8 Nov 2011 (S\$'000)	$866/108,933 = 0.008$	0.8
(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable	Not applicable

The Proposed Acquisition will constitute a “non-discloseable transaction” of the Company within the meaning of Chapter 10 of the Listing Manual. The Proposed Transaction is therefore NOT subject to the approval of shareholders of the Company.

**5. FURTHER INFORMATION**

- 5.1 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 #05-01 Serial System Building Singapore 408554 for three months from the date of this announcement.

**BY ORDER OF THE BOARD**

**Derek Goh Bak Heng**  
Executive Chairman/Group CEO  
10 Nov 2011