



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)

PROPOSED ACQUISITION OF ASSETS FROM HOLY STONE ENTERPRISE CO., LTD

1. THE PROPOSED TRANSACTION

- 1.1 **Overview of the proposed transaction.** The Board of Directors (“**Board**”) of Serial System Limited (the “**Company**”) wishes to announce that its Singapore wholly-owned subsidiary, Serial Microelectronics Pte Ltd (“**SMPL**”) has on 13 May 2009 executed a sale and purchase agreement (“**SPA**”) with Holy Stone Enterprise Co., Ltd, a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (the “**Vendor**”), for the purchase of a business for the distributorship of electronic component products from the Vendor (the “**Assets**”) for the Purchase Consideration, which is defined in Paragraph 1.3 below (the “**Proposed Acquisition**”).
- 1.2 **Overview of the Assets.** The business purchased from the Vendor comprise (i) the business of distributing products manufactured by Texas Instruments Incorporated (“**TI**”), (ii) customer assignments and business backlogs relating to the products of TI and (iii) product solutions and customers’ design registrations for products of TI
- 1.3 **Purchase Consideration.** Under the terms of the SPA, in consideration for the sale and transfer by the Vendor of the Assets, SMPL shall pay to the Vendor a purchase consideration of approximately S\$5,038,416 (equivalent US\$3,434,503) (the “**Purchase Consideration**”), in cash.

The Purchase Consideration shall be paid in the following manner:

- (i) 30% of the Purchase Consideration, being S\$1,511,525 (US\$1,030,351) within seven (7) days from the date of the execution of the SPA; and
- (ii) the balance of the Purchase Consideration (after payment of previous deposit of S\$396,090 (US\$270,000) and S\$1,511,525 (US\$1,030,351) as set out in sub-paragraph 1.3(i) above) being S\$3,130,801 (US\$2,134,152) within thirty (30) days from the date of the execution of the SPA.

The Purchase Consideration was arrived at pursuant to arm’s length negotiations between the parties on a willing seller willing buyer basis.

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

- 1.4 **Equipment.** Under the terms of the SPA, SMPL agrees to purchase from the Vendor, certain equipments in relation to the products of TI at their net book values amounting to S\$84,768 (US\$57,783).
- 1.5 **Conditions precedent.** Completion of the SPA is conditional upon the satisfaction of the following conditions precedent (collectively, “**Conditions Precedent**”), namely:
- (a) the approval of the board of directors and/or shareholders of the Vendor and the Company for the transactions contemplated by the SPA, if required;

- (b) all consents, approvals and authorisations of relevant third parties, government or regulatory authorities which are necessary or desirable in connection with the transactions contemplated by the SPA, if required;
- (c) consents, approval, waivers and/or novation agreements (if applicable, for TI and customers) being obtained or executed, as the case may be, for the transfer of the distribution rights and businesses of TI products by the Vendor to SMPL; and
- (d) the approval of TI to appoint SMPL as the distributor of the TI products distributed by the Vendor in the territories of Taiwan and the People's Republic of China with effect from the date of transfer, subject to the usual terms and conditions of these companies.

If any of the Conditions Precedent are not fulfilled (or waived) on or within 30 days from the date of the SPA, the SPA shall automatically terminate and neither 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).

1.6 **Other material conditions.** The material conditions of the Proposed Acquisition are as follows:

- (a) SMPL shall sign employment agreements with certain employees of the Vendor ("**Selected Employees**") and the Vendor shall not hire any of the Selected Employees within two years after the execution of the SPA;
- (b) the Vendor shall not compete businesses with SMPL for customers with existing projects using TI products, but the Vendor is able to act as an agent or a joint venture partner with SMPL if prior consent has been obtained from SMPL;
- (c) if any party breaches the SPA, the non-breaching party shall be entitled to a payment of S\$4,401,000 (US\$3,000,000) from the party in breach of the SPA as a penalty;
- (d) the penalty for late payment by SMPL of the Purchase Consideration in accordance with paragraph 1.3 above shall be 0.02% per day.

2. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Directors are of the view that the Proposed Acquisition is complementary to the semiconductors/components distribution business of the Company and its subsidiaries (the "**Group**") and is in line with the Group's strategy to expand into the markets of Taiwan and the People's Republic of China. The acquisition will further increase the Group's product range and customer base and will further strengthen the Group's position as a distributor of TI in Asia.

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 Serial System Limited Group are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2008 ("**FY2008**"), 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 31 December 2008, the pro forma financial effects on the consolidated NTA of the Group for FY2008 are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S\$'000)	71,188	66,150
NTA per share (cents)	11.80	10.96

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 **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 (audited) of the assets to be disposed of, compared with the Group’s net asset value as at 31 December 2008	Not applicable	Not applicable
(b)	Net profits attributable (audited) to the assets acquired, compared with the Group’s net profits for FY2008	As the net profits attributable (audited) to the assets acquired cannot be ascertained as at date of this announcement, accordingly, the comparison of the net profits attributable (audited) to the assets acquired with the Group’s net profits for FY2008 cannot be ascertained	Not applicable
(c)	Aggregate value of consideration given, compared with the Company’s market capitalization as at 12 May 2009 (S\$’000)	$5,038/42,240 = 0.119$	11.9
(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 “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
13 May 2009