



SERIAL SYSTEM LTD
新曄科技有限公司

Company Reg No.: 199202071D

2 March 2006

**The Editor
The Straits Times
Singapore Press Holdings Limited
1000 Toa Payoh North
Podium Level 3,
Singapore 318994**

Dear Sirs

REPLY TO ARTICLE “SERIAL TAKES ON PHILIPS IN RECORDER LAWSUIT”

We refer to the above-captioned article by Mr Azrin Asmani published in Straits Times, 2 March 2006.

The article alleged that we had kept details of the legal suit instituted by our Company largely under wraps even though it was launched nearly 18 months ago, and that our shareholders were only provided with limited information on the suit during this period. The statements set out in your report are based on incomplete information and therefore misconceived. The Straits Times should have checked the facts before publishing an article with incomplete information which may be confusing to the public.

We had on a number of occasions progressively informed and updated our shareholders of the salient information pertaining the suit. We set out below the instances where we had done so: -

1. On 7 December 2004, in our Circular to Shareholders in respect of our renounceable rights issue of warrants;
2. On 14 January 2005, in our Offer Information Statement for our renounceable rights issue of warrants;
3. On 12 April 2005, in our Annual Report for the financial year ended 31 December 2004, which was disseminated and published in the SGXNET and distributed by post to all our shareholders;
4. On 9 November 2005, in our Circular to Shareholders in respect of the whitewash resolution in connection with our renounceable rights issue of shares;
5. On 2 December 2005, in our Offer Information Statement for our renounceable rights issue of shares.

The Company is the plaintiff in the suit. We are claiming for damages, costs and interests to be assessed by the court. There will be no negative impact on Serial System's financial position in any respect whatsoever irrespective of the outcome of the suit, as there is no counter-claim by the defendant. The Company would like to state affirmatively that the suit in question is not material to the Company's financial position. It goes without saying that the identity of the defendant is not material to the information which has already been consistently published and disseminated to our shareholders during the relevant period.

When your reporter sought the comments of our Chairman on the case yesterday, he did not want to give any comments as the matter is before the court.

The reference made in your article to our financial results for FY 2005 is most ill-considered. It may give the erroneous impression that the suit had in any way affected our financial results. It would also appear that we had not been forthcoming with our losses in the last financial year. We had in fact on 24 November 2005 issued a profit warning for the last financial year's results way before the announcement of our FY 2005 results on 25 February 2006.

We trust you will publish our reply in your papers tomorrow to enable your readers and the investing public to be fully informed of the facts.

Yours faithfully,

Derek Goh Bak Heng
Chairman
Serial System Ltd