



SERIAL SYSTEM LTD
新暉科技有限公司

(Registration No. 199202071D)
(Incorporated in the Republic of Singapore on 22 April 1992)
(the "Company", and together with its subsidiaries, the "Group")

PROPOSED ACQUISITION OF 95% EQUITY INTERESTS IN TAEIN SYSTEM INC.

INTRODUCTION

1. The board of directors of the Company ("Board") is pleased to announce that its 98.2% owned Korean subsidiary, Serial Microelectronics Korea Limited ("SMKR") has entered into a sale and purchase agreement (the "Agreement") on 28 October 2011 with Kim Yong Sahn, Jeong Seong Uck and Park Ok Hee (collectively, the "Vendors") for the acquisition of 95% of the equity interests in Taein System Inc. ("TAEIN") (the "Proposed Acquisition"), an entity incorporated in South Korea and which SMKR has an existing 5% equity interest. TAEIN was incorporated in 1997 and is principally engaged in the distribution of electronic and electrical components. With this acquisition, TAEIN becomes a wholly owned subsidiary of SMKR.

PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2. Pursuant to the Agreement, SMKR will acquire 95% of the equity interests in TAEIN from the Vendors for KRW 2,000,000,000 (S\$2,200,000) in cash (the "Consideration"). The Consideration was arrived at on a "willing buyer willing seller" basis, taking into account inter-alia, information regarding TAEIN's business, operations, adjusted net assets of about KRW 1,779,000,000 (S\$1,957,000) as at 30 September 2011 and adjusted net profit of about KRW 251,200,000 (S\$276,000) for the nine months ended 30 September 2011 based on TAEIN's unaudited management accounts for the nine months ended 30 September 2011.

The payment of the Consideration will be made in three tranches as follow:

- (a) KRW 1,000,000,000 (S\$1,100,000) shall be paid within 10 days from 28 October 2011;
 - (b) KRW 400,000,000 (S\$440,000) shall be payable by 31 December 2011; and
 - (c) The final payment of KRW 600,000,000 (S\$660,000) shall be payable by 31 March 2012.
3. Pursuant to the Agreement, if TAEIN achieves audited net profit after tax of more than US\$500,000 (S\$647,000) and revenue of more than US\$5,000,000 (S\$6,470,000) from its retail business for the financial year ending 31 December 2012, SMKR will in addition to the Consideration pay to the Vendors KRW 500,000,000 (S\$550,000) by way of Serial System Ltd's shares, purchased in the open market, no later than 31 March 2013.
 4. Pursuant to the Agreement, the Vendors jointly and severally warrant and undertake to compensate SMKR in full for all losses suffered by TAEIN subsequent to the acquisition by SMKR, if such losses incurred were the result of events that occurred prior to the acquisition by SMKR.

MANAGEMENT TEAM

5. On or before completion, the Vendors and TAEIN shall procure the existing relevant key executives of TAEIN requested by SMKR to enter into service agreements in respect of their employment in TAEIN and /or SMKR.

CONDITIONS PRECEDENT

6. Completion of the Agreement is conditional upon, *inter alia*, the following:
- (a) the due completion of such legal and financial due diligence verification to be undertaken on the Company, its businesses and assets and on the Vendors by SMKR and/or its professional advisers by 31 October 2011 or such other later date required by SMKR;
 - (b) the approval of the board of directors and/or shareholders of SMKR and TAEIN, if applicable and 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 general meeting.

RULE 1006 RELATIVE FIGURES

7. The relative figures under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST" or "Exchange") ("Listing Manual") based on the unaudited consolidated financial results of the Group for the six month period ended 30 June 2011 ("1H2011") which were announced on 8 August 2011, and the unaudited 1H2011 results of TAEIN are as follows

Rule 1006(a)	Net asset value of the assets to be disposed of	Net asset value of the Group	Relative figure
	Not applicable as this is not a disposal	Not applicable as this is not a disposal	Not applicable as this is not a disposal
Rule 1006(b)	Net profits attributable to TAEIN for 1H2011	Net profits of the Company for 1H2011	Relative figure
	S\$0.7 million	S\$8.9 million	7.3%
Rule 1006(c)	Consideration (taking into consideration the payment of the contingent consideration of KRW 500,000,000 (S\$550,000 detailed in Clause 3 above) pursuant to the Agreement)	Market capitalisation¹ of the Company as at 27 October 2011	Relative figure
	S\$2.75 million	S\$114.5 million	2.4%

¹ The market capitalisation is based on the weighted average price of the Company's shares ("Shares") transacted on 27 October 2011.

Rule 1006(d)	Maximum number of equity securities issued by the Company as consideration	Number of equity securities of the Company previously in issue	Relative figure
	Not applicable	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 Acquisition is therefore not subject to the approval of the Company's shareholders.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

8. The Consideration for the Proposed Acquisition will be funded by internal resources and/or bank borrowings.

Assuming the completion of the Proposed Acquisition, the pro forma effects on the earnings per share ("EPS") and net tangible assets ("NTA") of the Group are set out below. The pro forma financial effects have been prepared based on the announced unaudited consolidated financial results of the Group for 1H2011, taking into consideration the payment of the contingent consideration of KRW 500,000,000 (S\$550,000) detailed in Clause 3 above, and are purely for illustration purposes only and do not reflect the actual financial position for the Group after completion.

Net Tangible Assets

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 the Proposed Investment	After the Proposed Investment
NTA (S\$'000)	100,599	99,708
NTA per share (S\$ cents)	12.25	12.14

Earnings per share

Assuming that the Proposed Acquisition was completed on 1 January 2011, the effect of on the EPS of the Group for 1H2011 would have been:

	Before the Proposed Investment	After the Proposed Investment
Earnings attributable to shareholders (S\$'000)	7,105	7,523
EPS (S\$ cents)	0.87	0.92

RATIONALE FOR THE PROPOSED ACQUISITION

9. The Directors are of the view that the businesses of TAEIN are complementary to the Group's electronic components distribution business. The Proposed Acquisition is also in line with the Group's strategy to acquire companies which may capitalize on the Group's competitive strengths and extensive distribution networks, expand the Group's product lines and ranges and customer base and strengthen the Group's leading position in South Korea.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

10. None of the Directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Acquisition.

SERVICE AGREEMENTS

11. No person will be appointed to the Board in connection with the Proposed Acquisition and no service contracts in relation thereto will be entered into by the Company.

DOCUMENTS FOR INSPECTION

12. A copy of the Agreement is available for inspection during normal business hours from 9 a.m. to 5 p.m. at 8 Ubi View #05-01, Serial System Building, Singapore 408554 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Derek Goh Bak Heng
Executive Chairman and Group CEO
28 October 2011