



SERIAL SYSTEM LTD

AGREEMENT RELATING TO A JOINT VENTURE IN TAIWAN BY SERIAL MICROELECTRONICS PTE LTD, A WHOLLY OWNED SUBSIDIARY OF SERIAL SYSTEM LTD

1. Introduction

The Board of Directors of Serial System Ltd ("the Company") wishes to announce that its wholly owned subsidiary, Serial Microelectronics Pte Ltd ("SMPL") has entered into a joint venture agreement (the "Agreement") dated 2 March 2005 with Allied Competence Inc ("ACI") to form a joint venture company ("JVC") in Taiwan, the Republic of China ("Taiwan"). The JVC will undertake in Taiwan and other parts of Asia, the business of distribution of semiconductors or components or telecommunication equipment and such related business as may be necessary to develop the JVC's business to become a profitable and commercially viable one.

2. Information on joint venture partner, ACI

ACI is a company incorporated and existing under the laws of Taiwan that is engaged in the business of distribution of semi-conductors and related components in Taiwan. The marketing strength and network of ACI's key management team would enable the JVC to market its products. The Company hopes that by tapping on ACI's experience and network, the JVC's business will grow.

3. The investment and other salient terms under the Agreement

Under the terms of the Agreement, it is intended that the JVC will be incorporated with a registered capital of NT\$32,000,000 (S\$1,600,000) and the number of authorised shares shall be 3,200,000 shares of NT\$10.00 each. SMPL and ACI will each maintain an equity participation in the paid up capital of the JVC of 75% and 25% respectively. SMPL and ACI will together invest an initial capital of NT\$16,000,000 (S\$800,000) in the proportion of 75:25 respectively. Completion of the investment will take place as soon as practicable after the approvals from the relevant authorities in Taiwan are obtained.

SMPL shall also use its best endeavours to assist the JVC to obtain external financing of an amount not exceeding US\$3,000,000 (S\$4,890,000) and in the event that SMPL has to seek financing from any bank or financial institution for the purposes of providing any shareholders loan to the JVC (including but not limited to the aforesaid US\$3,000,000 (S\$4,890,000) to the JVC), SMPL shall charge the JVC interest at a rate identical to such interest charged by the bank or financial institution to SMPL in respect of such financing, on a costs to costs basis.

SMPL and ACI have agreed to co-operate and work together in promoting the JVC's business as well as the smooth and efficient administration and operations of the JVC and give advice and provide assistance with respect thereto in order to give the JVC the benefit of their respective areas of expertise. SMPL has agreed that for the period of 18 months from the date of the Agreement ("Preferential Period"), it shall not charge the JVC any management fee in respect of any management services provided by SMPL. Upon expiry of the Preferential Period, SMPL is entitled to charge a management fee, such fee to be agreed between SMPL and the JVC.

The board of directors of the JVC shall comprise three directors, unless otherwise agreed in writing by SMPL and ACI. SMPL shall be entitled to appoint two directors and ACI shall be entitled to appoint the other.

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company for a period of three months from the date of this announcement.

4. Financial Effects of the Agreement

The initial investment of 75% in the JVC, amounting to NT\$12,000,000 (S\$600,000) will be financed through internal funds and/or bank borrowings. It is not expected to have any material impact on the Company's consolidated earnings and net tangible assets per share in the current financial year.

None of the Directors or substantial shareholders of the Company has any direct or indirect interest in the above transaction.

Submitted by Derek Goh Bak Heng, Executive Chairman / Group Chief Executive Officer
on behalf of the Board on 03/03/2005