



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 100% EQUITY INTERESTS IN TEAMPAL ENTERPRISE CORP.

INTRODUCTION

1. The board of directors of the Company ("Board") is pleased to announce that its 82.5% owned Taiwan subsidiary, Serial Microelectronics Inc ("SMTW") has entered into a sale and purchase agreement (the "Agreement") on 04 November 2011 with Chen Chin Hsiang, Chen Xin Zi, Huang Min Rui, Lu Ya Hui, Chen Chin Sheng, Yang Xue Zhen, Chen Qiao Rong and Chen Tian Ding (collectively, the "Vendors") for the acquisition of 100% of the equity interests in TeamPal Enterprise Corp., ("TEAMPAL") (the "Proposed Acquisition"), an entity incorporated in Taiwan. TEAMPAL was incorporated in 2006 and is principally engaged in the distribution of peripherals for temperature compensate crystal oscillator module for notebooks, GPS and mobile phone applications, and real time clocks, other oscillators and regulator.

PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2. Pursuant to the Agreement, SMTW will acquire 100% of the equity interests in TEAMPAL from the Vendors for NTD 60,000,000 (S\$2,532,000) in cash (the "Consideration") subject to certain terms and conditions as detailed below.
3. The Consideration was arrived at on a "willing buyer willing seller" basis, taking into account inter-alia, information regarding TEAMPAL's business, operations, net assets of about NTD 38,465,000 (S\$1,623,000) as at 30 September 2011 and net profit of about NTD 8,182,000 (S\$345,000) for the nine months ended 30 September 2011 based on TEAMPAL's unaudited management accounts for the nine months ended 30 September 2011.

The payment of the Consideration will be made in three tranches based on certain deductions and terms and conditions as follows:

- (a) First payment of NTD 39,000,000 (S\$1,646,000) will be paid to the Vendors within 7 days from 4 November 2011. Upon the first payment, one of the Vendor, Chen Chin Hsiang will on the same day repay to TEAMPAL NTD30,000,000 (S\$1,266,000) being part of the shareholder's loan due to TEAMPAL and NTD1,399,429 (S\$59,000), being obsolete inventories. Further, the severance payment to existing employees of TEAMPAL under the employment law of Taiwan, Republic of China will be borne and payable by Chen Chin Hsiang during the first payment;
- (b) Second payment of NTD 12,000,000 (S\$506,000) will be paid to the Vendors by 7 January 2012. Upon the second payment, Chen Chin Hsiang will on the same day repay to TEAMPAL NTD 11,985,722 (S\$506,000) being the balance of the shareholder's loan due to TEAMPAL;
- (c) Third payment of NTD9,000,000 (S\$380,000) will be payable to the Vendors within the month of January for the relevant year subjected to TEAMPAL achieving one of the financial guarantee as detailed below:
 - (i) TEAMPAL's revenue and gross profit margin of not less than US\$10 million (S\$12.4 million) and 8% respectively for the financial year ending 31 December 2012; or

- (ii) TEAMPAL's total revenue of not less than US\$20 million (S\$24.7 million) for financial year ending 31 December 2012 and 31 December 2013 and gross profit margin of not less than 8% for each of the financial year; or
- (iii) TEAMPAL's total revenue of not less than US\$30 million (S\$37.1 million) for financial year ending 31 December 2012, 31 December 2013 and 31 December 2014 and gross profit margin of not less than 8% for each of the financial year

In the event, TEAMPAL achieved 80% or more but less than 100% of the target revenue and gross profit margin of not less than 8% detailed in (i), (ii) or (iii) of Clause 3(c), the Vendors will be paid NTD7,200,000 (S\$304,000) being 80% of the third payment of NTD9,000,000 (S\$380,000). In the event, TEAMPAL achieved less than 80% of the target revenue or gross profit margin of less than 8% detailed in (i), (ii) or (iii) of Clause 3(c), the Vendors will not be entitled to the third payment of the Consideration.

- (d) The Vendors warrant and undertake to sell all remaining inventories of TEAMPAL which were more than 270 days as of 30 September 2011 before 31 December 2012, or exchange these inventories for new or saleable inventories with the respective suppliers of TEAMPAL. Any losses arising from the inventories sold or exchange at a loss or arising from inventories which remain unsold after 31 December 2012

MANAGEMENT TEAM

- 4. The Vendor, Chen Chin Hsiang will enter into a three year employment contract with SMTW or TEAMPAL. During the three year employment, Chen Chin Hsiang will not compete with TEAMPAL in related industries and businesses of TEAMPAL. In the event, if Chen Chin Hsiang breaches any terms and conditions of this clause, he is liable to compensate an amount of NTD 30,000,000 (S\$1,266,000) to SMTW.

CONDITIONS PRECEDENT

- 5. Completion of the Agreement is conditional upon the approval of the board of directors and/or shareholders of SMTW and TEAMPAL, 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

- 6. 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 TEAMPAL 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 TEAMPAL 1H2011	Net profits of the Company for 1H2011	Relative figure
	S\$0.4 million	S\$8.9 million	4.7%

Rule 1006(c)	Consideration (taking into consideration the payment of the contingent consideration of NTD 9,000,000 (S\$380,000 detailed in Clause 3(c) above) pursuant to the Agreement)	Market capitalisation¹ of the Company as at 3 November 2011	Relative figure
	S\$2.53 million	S\$109.8 million	2.3%
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

¹The market capitalisation is based on the weighted average price of the Company's shares ("Shares") transacted on 03 November 2011.

The Proposed Acquisition will constitute a non-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

7. 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 NTD 9,000,000 (S\$380,000) detailed in Clause 3(c) 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	99,749
NTA per share (S\$ cents)	12.25	12.15

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	7,509
EPS (S\$ cents)	0.87	0.91

RATIONALE FOR THE PROPOSED ACQUISITION

8. The Directors are of the view that the businesses of TEAMPAL 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 position in Taiwan, a key focus market of the Group.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

9. 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

10. 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

11. 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
04 November 2011