



**SERIAL SYSTEM LTD**

Registration No. 199202071D)

(Incorporated in the Republic of Singapore on 22 April 1992)

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## TRANSFER OF TEXAS INSTRUMENTS DISTRIBUTION BUSINESS

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### 1. INTRODUCTION

The board of directors (the “**Board**”) of Serial System Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 2 October 2018 and 1 November 2018 (the “**Previous Announcements**”) in relation to the notice of termination of distribution agreements between Serial Microelectronics Pte. Ltd. (“**SMPL**”) and Texas Instruments (“**TI**”), and the Business Transition Agreement (“**BTA**”) executed between SMPL and TI. Shareholders should note that TI has exercised its right to terminate the distribution agreements with the requisite notice of termination pursuant to the agreements, but has not provided the Group with its reasons for the termination.

The Board wishes to announce that, in advance of the anticipated cessation of the Group’s TI Distribution Business on 30 June 2019, SMPL has today entered into a business transfer agreement (the “**Transfer Agreement**”) to transfer its TI Distribution Business to an authorised distributor of TI products (the “**Transferee**”) (the “**Transfer**”).

### 2. TERMS OF THE TRANSFER

Pursuant to the Transfer Agreement, the SMPL group shall transfer the accounts of its qualified customer for TI products (the “**Relevant Group Customers**”) to the Transferee. In consideration of the Transfer, the Transferee shall pay to SMPL an amount computed based on the sales of TI products by the Transferee to Relevant Group Customers transferred by the SMPL group to the Transferee (“**Actual Billings**”) for the period from 1 January 2019 to 31 December 2019 (the “**Consideration**”). Under the Transfer Agreement, the SMPL group has the right to audit the Transferee’s Actual Billings.

During the transition period after the signing of the Transfer Agreement up to 30 June 2019, and in accordance with the terms of the BTA, the SMPL group can continue to sell TI products to Relevant Group Customers whose customer accounts have not been transferred to the Transferee, but will cease to do so after the customer accounts have been transferred to the Transferee. After a Relevant Group Customer’s account has been transferred to the Transferee, the Transferee will satisfy orders for TI products made by such Relevant Group Customer.

In addition to TI consigned inventories (which belong to TI), the SMPL group owns a certain amount of non-consigned TI inventories (which are owned by SMPL), which were purchased by SMPL mainly to satisfy purchase orders/forecasts from Relevant Group Customers. The SMPL group will continue to sell such non-consigned TI inventories to Relevant Group Customers until their accounts are transferred to the Transferee or 30 June 2019, whichever is earlier. The SMPL group will also be able to, on the Transferee’s request, sell its non-consigned TI inventories to the Transferee at cost. In the event any of the non-consigned TI inventories cannot be sold, the SMPL group may return a certain amount of such unsold non-consigned TI inventories to TI pursuant to the terms of the BTA.

As at the date of this announcement, the amount of trade receivables owing to the SMPL group is approximately US\$174.7 million (net of factored debts). None of the SMPL group’s trade receivables will be transferred to the Transferee.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Transfer, other than through their respective shareholdings in the Company (as the case may be).

### **3. RATIONALE FOR THE TRANSFER**

Given the expected cessation of the Group's TI Distribution Business by 30 June 2019, the Board, having considered the terms of the Transfer, is of the view that the Transfer represents an opportunity for the Group to realise reasonable returns from the TI Distribution Business before its cessation. In considering the merits of the Transfer, the Board has considered that news of the impending cessation of the Group's TI Distribution Business may lead customers to source TI products from other authorised distributors, which may result in a decline in the performance of the Group's TI Distribution Business for the remaining period of its TI Distribution Business. It is in the interest of the Group for the SMPL group to transfer their Relevant Group Customer accounts to the Transferee for the Transferee to sell TI products to such Relevant Group Customers from the point of transfer, as such sales will count towards Actual Billings, based on which the Consideration will be computed and payable to the Group.

The transfer of the customer accounts of the Relevant Group Customers to the Transferee will also ensure a smooth transition for the Group's customers with minimal disruption to their operations. This will serve to preserve the Group's goodwill with the Relevant Group Customers, many of whom are customers of the Group's other product offerings. In addition, the Transfer enables the Group to explore employment opportunities for its employees who have been engaged in supporting the TI Distribution Business, which may in turn ease staff redundancy expenses.

**Shareholders are advised to exercise caution when trading in the shares of the Company. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.**

#### **By Order of the Board**

Dr. Derek Goh Bak Heng  
Executive Chairman and Group CEO  
14 December 2018