



**SERIAL SYSTEM LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199202071D)  
(the “Company”)

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**JOINT VENTURE AGREEMENT BETWEEN SERIAL MICROELECTRONICS (HK) LIMITED AND  
LSD SCIENCE AND TECHNOLOGY (HONG KONG) CO., LIMITED**

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**1. INTRODUCTION**

- 1.1 The board of directors (“**Board**”) of Serial System Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group’s 91%-owned subsidiary, Serial Microelectronics (HK) Limited (“**SMHK**”), has entered into a joint venture agreement (“**JVA**”) with LSD Science and Technology (Hong Kong) Co., Limited. (“**Lierda HK**”).
- 1.2 Pursuant to the JVA, SMHK and Lierda HK have agreed to establish a joint venture company (“**JV Co**”) in Hong Kong to distribute semiconductors, passive components and electromechanical and connector products (“**Business**”) in Hong Kong and China, and explore potential synergies in relation to the Business (“**Proposed Joint Venture**”).

**2. INFORMATION ON THE JV CO**

- 2.1 The JV Co will be incorporated in Hong Kong with an initial issued and paid-up share capital of USD100,000 (United States Dollars One Hundred Thousand) comprising 100,000 ordinary shares. The shareholding structure of the JV Co will be as follows:

<b>Name of Shareholder</b>	<b>Shareholding</b>
SMHK	49%
Lierda HK	51%
<b>Total</b>	<b>100%</b>

- 2.2 SMHK and Lierda HK’s contribution to the initial issued and paid-up share capital of the JV Co shall be USD49,000 and USD51,000 respectively.

**3. INFORMATION ON LIERDA HK**

- 3.1 Lierda HK is a wholly-owned subsidiary of Lierda Science and Technology Group Co., Ltd, a company listed on the China OTC Stock Exchange, (“**Lierda China**”, and together with its subsidiaries, the “**Lierda Group**”). The Lierda Group is primarily engaged in the business of, *inter alia*, wholesale distribution of semiconductors, passive components, and electromechanical and connector products, and the design and manufacture of electronics products.

**4. SALIENT TERMS OF THE JVA**

- 4.1 As a condition of the JVA, SMHK has agreed to extend a loan of USD3.0 million (United States Dollars Three Million) to Lierda HK secured by guarantees from Lierda China and Chen Kai, a shareholder of Lierda China.

## **5. RATIONALE FOR THE JOINT VENTURE**

The Board believes that the Proposed Joint Venture is complementary to the Group's core business of electronic components distribution, and in line with the Group's strategy to capitalize on the Group's competitive strengths and extensive distribution networks, and expand the Group's product lines, ranges and customer base.

## **6. FINANCIAL EFFECTS**

SMHK's contribution to the initial paid-up share capital of the proposed JV Co and the Loan will be funded through the Group's internal resources. The Proposed Joint Venture is expected to have a positive accretive impact on the earnings per share and the net tangible assets per share of the Group for the financial year ending 31 December 2019.

## **7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

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 Joint Venture, other than through their respective shareholdings in the Company.

## **8. FUTURE ANNOUNCEMENTS**

The Company will make further announcements as appropriate or when there are material developments on the Proposed Joint Venture.

## **BY ORDER OF THE BOARD**

**Dr. Derek Goh Bak Heng**

Executive Chairman and Group CEO

30 January 2019