



# SERIAL SYSTEM LTD

## 新暉科技有限公司

SERIAL SYSTEM LTD  
(Company Registration No: 199202071D)  
(Incorporated in the Republic of Singapore on 22 April 1992)  
(the “**Company**”)

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### THE PROPOSED ACQUISITIONS OF SHARES FROM MINORITY SHAREHOLDERS OF SERIAL MICROELECTRONICS (HK) LIMITED (“SMHK”), SERIAL MICROELECTRONICS INC. (“SMTW”) AND TONG BAEK TRADING CO., LTD (“TBT”)

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Further to the announcement made on 20 March 2007 with regard to a memorandum of understanding dated on even day with Bull Will Co., Ltd (Bullwill) to engage in strategic cooperation, the Board of Directors of the Company wishes to announce that the Company has entered into 3 shares purchase agreements (“**Shares Purchase Agreements**”) on 18 September 2007 with the minority shareholders of SMHK, SMTW and TBT respectively (collectively “**Vendors**”) as part of the corporate shareholding reorganisation of the Group’s semiconductors/ components distribution business.

#### A. Details of the Shares Purchase Agreements

The Company has entered into the Shares Purchase Agreements with the Vendors which involve the acquisition by the Company of 11%, 7.5% and 2.7% of the issued and paid up share capital of SMHK, SMTW and TBT respectively (the “**Proposed Acquisitions**”). The aggregate purchase consideration of S\$4,333,672 (“**Purchase Consideration**”) for the Proposed Acquisitions is based on 7 times the profit warranty for the financial year ending 31 December 2008 (“FY2008”) of the respective companies (“**Profit Guarantees**”, each a “**Profit Guarantee**”). Details of the Profit Guarantees are set out on page 3 of this announcement.

The Purchase Consideration will be satisfied by the issuance of 15,477,400 new shares of the Company at an issue price of S\$0.28 per share (“**SSL Shares**”). The shares of SMHK, SMTW and TBT that the Company proposes to acquire from the Vendors will be vested in Serial Microelectronics Pte Ltd (“**SMPL**”), a wholly-owned Singapore subsidiary of the Company. After the acquisition, the Company will hold effective interest of 91%, 82.5% and 98.2% in SMHK, SMTW and TBT respectively.

The details of the Proposed Acquisitions are as follows:

<u>Vendors</u>	<u>Interests acquired in respective companies</u>	<u>Attributable net assets acquired</u>	<u>SSL Shares as Purchase Consideration</u>	<u>Purchase Consideration (Value)</u>
Innowave Technology Ltd	11% in SMHK	S\$336,076	10,450,000 shares at an issue price of S\$0.28 per SSL Share	S\$2,926,000
Allied Competence Inc.	7.5% in SMTW	S\$16,035	2,565,000 shares at an issue price of S\$0.28 per SSL Share	S\$718,200
Kim Sang Yeol	2.7% in TBT	S\$279,027	2,462,400 shares at an issue price of S\$0.28 per SSL Share	S\$689,472

The Shares Purchase Agreements are conditional on, *inter alia*:-

- (a) the Company being satisfied that SMHK, SMTW and TBT have obtained the requisite valid licences and all necessary or requisite governmental approvals and consents to manage and operate their businesses in Hong Kong, Taiwan and South Korea respectively;
- (b) the Vendors and the Company agree that the minimum valuation sum of SMHK, SMTW and TBT will be S\$12,920,000 (US\$8,500,000), S\$922,050 (US\$606,612) and S\$15,200,000(US\$10,000,000) ("**Minimum Valuation**") respectively;
- (c) the Vendors being satisfied that the Company and the Group has obtained the requisite valid licences and all necessary or requisite governmental approvals and consents to manage and operate the Group's businesses in Singapore and in all jurisdictions in which the Group undertakes its businesses, from the relevant competent authorities;
- (d) the full compliance by SMHK, SMTW and TBT and/or the Vendors with all necessary requirements under the SMHK, SMTW and TBT's memorandum and articles of incorporation, and the applicable laws of Hong Kong, Taiwan, and South Korea respectively;
- (e) the Directors of the Company having passed a resolution approving the transfer of the SSL Shares by the Purchaser and the registering of the same in the name of the Vendors;
- (f) there being no law or regulation issued by any relevant competent authority in Hong Kong, Taiwan, South Korea and Singapore on or before the completion date prohibiting or imposing restrictions or terms unacceptable to the Company and SMPL or the Vendors (as the case may be) in respect of the transfer of the SMHK, SMTW and TBT shares to the SMPL, or, as the case may be, the transfer of the SSL Shares to the Vendors, on the terms hereunder; and
- (g) the Company obtaining all necessary approvals from the relevant competent authorities in Singapore, Hong Kong, Taiwan or South Korea as regards the purchase of the shares of SMHK, SMTW and TBT from the Vendors on the terms hereunder PROVIDED the Vendors shall respectively render all necessary assistance to enable the Company to obtain all such requisite approvals before the completion date.

According to the Shares Purchase Agreements, if the abovementioned conditions are not fulfilled by the date of completion, the agreements shall ipso facto cease and determine and none of the parties shall have any claim against any other party for any costs, damages, compensation or otherwise.

The Shares Purchase Agreements also include terms such as SSL Shares moratoriums, entitlement to the Company's tax-exempt cash dividend, cash dividend and rights cum warrants issue (as announced on 26 June 2007), and profit guarantee.

#### SSL Shares moratoriums

During a moratorium period, the Vendors represent, warrant and undertake to the Company that they will not sell, transfer or otherwise dispose of such proportion of SSL Shares as set out below.

The moratorium periods for the SSL Shares are set out as follows:

- (a) 1/3 of the SSL Shares can only be sold 12 months after the date of completion of the Shares Purchase Agreements ("Completion Date").
- (b) 1/3 of the SSL Shares can only be sold 24 months after the Completion Date.
- (c) The balance of 1/3 of the SSL Shares can only be sold 36 months after the Completion Date.

#### Entitlement to tax-exempt cash dividend, cash dividend and rights cum warrants issue of the Company

For the SSL Shares that the Vendors receive, they will be entitled to the tax-exempt cash dividend, cash dividend and rights shares and warrants of the Company upon the Company's tax-exempt cash dividend, cash dividend and rights cum warrants issue exercises as announced on 26 June 2007.

In the event the Vendors subscribed to their entitlement of right shares and warrants of the Company:

- (a) There is a moratorium period of 12 months after the date of issue for 50% of the rights shares. These rights shares may only be sold thereafter.
- (b) There is no moratorium period for the other 50% of the rights shares and the warrants.

#### Profit Guarantees

The Vendors have guaranteed that SMHK, SMTW and TBT will achieve audited net profit after tax ("NPAT") for FY2008 of S\$3,800,000 (US\$2,500,000), S\$1,368,000 (US\$900,000) and S\$3,648,000 (US\$2,400,000) respectively ("Guaranteed NPAT").

If the respective companies achieve NPAT for FY2008 within 10% of the Guaranteed NPAT, the Purchase Consideration will remain unchanged.

If the respective companies achieve NPAT for FY2008 of less than 10% of the Guaranteed NPAT, the Vendors will have to compensate the Company an amount computed as follows:

$7 \times (90\% \text{ Guaranteed NPAT} - \text{Actual audited FY2008 NPAT})$  subject to the Minimum Valuation as detailed above.

Such compensation will be in cash or equivalent value of SSL Shares at S\$0.28 per share. Certain numbers of SSL Shares will be kept in an escrow account as security in the event the Vendors need to compensate the Company.

If the respective companies achieve NPAT for FY2008 of more than 10% of the Guaranteed NPAT, the Company will have to compensate the Vendors an amount computed as follows:

7 \*(Actual audited FY2008 NPAT – 110% Guaranteed NPAT)

Such compensation will be in the form of cash.

## B. Discloseable Transaction

The Proposed Acquisitions are governed by the rules in Chapter 10 of SGX-ST's Listing Manual. Based on the unaudited financial statements of the Group for the half year ended 30 June 2007 ("HY2007") which was announced on 10 August 2007, the relative figures for the Proposed Acquisitions, computed on the bases set out in Rule 1006 ("**Rule 1006**") of the SGX-ST's Listing Manual, are as follows:-

<b>Rule 1006</b>	<b>Bases</b>	<b>Computation</b>	<b>Relative Figures</b>
(a)	Not applicable as the Proposed Acquisitions are not disposal of assets.	N.A	N.A
(b)	Net profits attributable to the assets acquired compared with the net profits of the Group for HY2007 (S\$'000)	(69) /4,016	1.7%
(c)	Aggregate value of the Sale Consideration to be given (S\$'000) compared with the market capitalisation of the Company as at 17 September 2007, being the last traded Market Day preceding the date of the Shares Purchase Agreements (S\$'000)	4,334 /74,701	5.8%
(d)	The number of equity securities (in thousand) issued by the Company as consideration for an acquisition, compared with the number of equity securities (in thousand) previously in issue	15,477/373,505	4.1%

As the relative figure under Rule 1006 (c) exceeds 5%, the Proposed Acquisitions constitute a discloseable transaction as defined under Chapter 10 of SGX-ST's Listing Manual. Details of the Proposed Acquisitions are now announced as required.

## C. Financial Effects of the Proposed Acquisitions

The effects of the Proposed Acquisitions on the net tangible assets ("NTA") as at 30 June 2007 and earnings per share ('EPS') for the six months period ended 30 June 2007 of the Group are as follows:

	<b>Before acquisition</b>	<b>With acquisition</b>
NTA per share as at 30 June 2007	19.16 cents	18.39 cents
Effect on EPS for the six months period ended 30 June 2007	1.10 cents	1.04 cents

#### **D. Approvals**

The 15,477,400 new shares of the Company to be issued pursuant to the Proposed Acquisitions will be made under the share issue mandate granted by the shareholders of the Company by way of an ordinary resolution passed at the annual general meeting on 27 April 2007.

The listing and quotation of the 15,477,400 new shares on the Official List of the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") will be subject to the approval of the SGX-ST.

#### **E. Interests of Directors and Controlling Shareholders**

None of the Directors or controlling shareholders has any interests in the transactions contemplated under the Shares Purchase Agreements pursuant to the Proposed Acquisitions.

#### **F. Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

#### **G. Documents for Inspection**

Copies of the Shares Purchase Agreements are available for inspection during normal business hours on Monday to Friday from 8.45 a.m. to 5.45 p.m. at the Company's registered address at 8 Ubi View #05-00, Serial System Building, Singapore 408554, for a period of three months with effect from 19 September 2007.

Submitted by

Dr. Derek Goh Bak Heng  
Executive Chairman / Group CEO  
By Order of the Board  
18 September 2007