



**SERIAL SYSTEM LTD**  
**新暉科技有限公司**

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

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- (A) THE PROPOSED 1<sup>ST</sup> TIER INTERIM TAX-EXEMPT CASH DIVIDEND FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 OF 1 CENT, FOR EVERY 1 EXISTING SHARE IN THE CAPITAL OF THE COMPANY HELD AS AT A BOOKS CLOSURE DATE TO BE DETERMINED (THE "TAX-EXEMPT CASH DIVIDEND");
- (B) THE PROPOSED SPECIAL INTERIM CASH DIVIDEND FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 OF 2.1 CENTS LESS TAX OF 18% (OR 1.7 CENTS NET) FOR EVERY 1 EXISTING SHARE IN THE CAPITAL OF THE COMPANY HELD AS AT A BOOKS CLOSURE DATE TO BE DETERMINED (THE "CASH DIVIDEND");AND
- (C) THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 227,123,084 NEW ORDINARY SHARES (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.034 FOR EACH RIGHTS SHARE, WITH UP TO 113,561,542 FREE DETACHABLE WARRANTS ("WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR 1 NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY AT AN EXERCISE PRICE OF S\$0.09 FOR EACH NEW ORDINARY SHARE, ON THE BASIS OF 1 RIGHTS SHARES FOR EVERY 2 EXISTING SHARES IN THE CAPITAL OF THE COMPANY HELD AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, AND 1 WARRANT FOR EVERY 2 RIGHTS SHARES SUBSCRIBED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE "RIGHTS CUM WARRANTS ISSUE")

(COLLECTIVELY THE "PROPOSED EXERCISES").

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**1. INTRODUCTION**

1.1 **Tax-exempt Cash Dividend, Cash Dividend and Rights cum Warrants Issue.** The Board of Directors of the Company wishes to announce the following exercises ("**Proposed Exercises**") to be undertaken by the Company:-

- (a) a proposed 1<sup>st</sup>-tier interim tax-exempt cash dividend for the financial year ending 31 December 2007 of 1 cent ("**Tax-exempt Cash Dividend**") for every one existing Share in the capital of the Company held as at a books closure date to be announced by the Company ("**Books Closure Date**");

- (b) a proposed special interim cash dividend for the financial year ending 31 December 2007 of 2.1 cents less tax of 18% (or 1.7 cents net): ("**Cash Dividend**") for every one existing Share in the capital of the Company held as at Books Closure Date; and
  - (c) a proposed renounceable non-underwritten rights issue of 227,123,084 new Shares ("**Rights Shares**"), at an issue price of S\$0.034 for each Rights Share ("**Issue Price**"), with up to 113,561,542 free detachable warrants ("**Warrants**"), each Warrant carrying the right to subscribe for 1 new ordinary share in the capital of the Company ("**New Share**") at an exercise price of S\$0.09 for each New Share, on the basis of 1 Rights Share for every 2 existing Shares in the capital of the Company held as at the Books Closure Date, and 1 Warrant for every 2 Rights Shares subscribed, fractional entitlements to be disregarded ("**Rights cum Warrants Issue**").
- 1.2 The Company has appointed Omega Capital Limited ("**Omega Capital**") as the Manager for the Rights cum Warrants Issue.

## **2. RATIONALE FOR THE PROPOSED EXERCISES**

- 2.1 **Tax-exempt Cash Dividend.** The purpose of the Tax-exempt Cash Dividend is to reward the Shareholders for their loyalty and support to the Company over the years and to return part of the cash proceeds amounting to approximately S\$42.98 million from the sales of shares in Wintech Microelectronics Co., Ltd.
- 2.2 **Cash Dividend.** In respect of the Cash Dividend, Shareholders will be given an option to re-invest their Net Cash Dividend (defined below) by subscribing for the Rights Shares with Warrants. In addition, the Cash Dividend will allow the Company to pass on its Section 44 tax credits to Shareholders.
- 2.3 **Rights cum Warrants Issue.** The Rights cum Warrants Issue has been proposed to strengthen the capital base of the Company and for working capital purposes. Together with the Cash Dividend, the Rights cum Warrants Issue will in effect transform a substantial amount of the Company's retained earnings into paid-up capital of the Company.

In the event that all 113,561,542 Warrants are exercised, the estimated gross proceeds arising from the exercise of the Warrants will amount to approximately S\$10,220,539.

As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards business expansion, investment purposes, working capital, repayment of banks' borrowings and/or such other purposes as the Directors may deem fit.

Pending the deployment of the net proceeds from the Rights cum Warrants Issue for the purposes mentioned above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem fit.

### 3. **TAX-EXEMPT CASH DIVIDEND**

**Terms.** Under the terms of the Tax-Exempt Cash Dividend, all Shareholders as at the Books Closure Date will receive a cash dividend of 1 cent per Share. The Tax-Exempt Cash Dividend is a special interim dividend declared for the financial year ending 31 December 2007 and will be subject to the approval of Shareholders at an extraordinary general meeting ("**EGM**").

Shareholders whose names appear in the records of The Central Depository (Pte) Limited ("**CDP**") or the Register of Members of the Company, as the case may be, as at the Books Closure Date, will have the cheques for payment of their entitlements to the Tax-Exempt Cash Dividend despatched to them by ordinary post at their own risk to their respective addresses as they appear in the records of CDP or in the Register of Members of the Company, as the case may be, and in the case where such Shareholders have designated their bank accounts for direct crediting of their dividends and other distributions, will have the payment directly credited by CDP to their designated bank accounts.

### 4. **CASH DIVIDEND AND RIGHTS CUM WARRANTS ISSUE**

#### ***Cash Dividend and Election Option***

4.1 **Terms.** Under the terms of the Cash Dividend, all Shareholders as at the Books Closure Date will receive a cash dividend of 2.1 cents less tax of 18% (or 1.7 cents net) per Share. The Cash Dividend is a special interim dividend declared for the financial year ending 31 December 2007 and will be subject to the approval of Shareholders at an EGM.

4.2 **Election Option.** Entitled Shareholders (defined below) will have an option to elect to utilise all or part of the net amount of the Cash Dividend ("**Net Cash Dividend**") which they are entitled to receive based on the Shares held by them as at the Books Closure Date to subscribe for the Rights Shares with Warrants.

Entitled Shareholders may elect to utilise all of their Net Cash Dividend to subscribe for the Rights Shares with Warrants that are provisionally allotted to them, so that no further cash outlay is required of them. Further details are set out in Section 4.5 below.

For the avoidance of doubt, Foreign Shareholders (defined below) will not be offered the Rights Shares with Warrants but will qualify for the Cash Dividend, based on the number of Shares held by them as at the Books Closure Date.

4.3 Shareholders whose names appear in the records of The Central Depository (Pte) Limited ("**CDP**") or the Register of Members of the Company, as the case may be, as at the Books Closure Date, will have the cheques for payment of their entitlements to the Net Cash Dividend and, if applicable for Entitled Shareholders, less the amount of Net Cash Dividend applied to subscribe for the relevant Rights Shares with Warrants, despatched to them by ordinary post at their own risk to their respective addresses as they appear in the records of CDP or in the Register of Members of the Company, as the case may be, and in the case where such Shareholders have designated their bank accounts for direct crediting of their dividends and other distributions, will have the payment directly credited by CDP to their designated bank accounts.

### ***Rights cum Warrants Issue***

- 4.4 **Terms.** The Company is proposing the Rights cum Warrants Issue to be offered on a renounceable basis to Entitled Shareholders on the basis of 1 Rights Share for every 2 existing Shares held by Entitled Shareholders as at the Books Closure Date at the Issue Price of S\$0.034 for each Rights Share, and 1 Warrant for every 2 Rights Shares subscribed, each Warrant entitling the Warrantholder to subscribe for 1 New Share in the Company at an exercise price of S\$0.09 for each New Share, fractional entitlements to be disregarded.

Entitled Shareholders will be entitled to participate in the Rights cum Warrants Issue and receive the Offer Information Statement (defined below) together with the appropriate application forms and accompanying documents at their respective Singapore addresses.

The Warrants are immediately detachable from the Rights Shares upon issue and will be issued in registered form and will be traded on a book-entry (scripless) settlement basis on the SGX-ST upon the listing and quotation of the Warrants on the SGX-ST, subject to, *inter alia*, there being an adequate spread of holdings of the Warrants to provide for an orderly market for the Warrants.

Each Warrant will, subject to the terms and conditions to be set out in an instrument constituting the Warrants (the "**Deed Poll**"), carry the right to subscribe for one (1) New Share at the exercise price of S\$0.09, at any time during the period commencing on and including the date of issue of the Warrants and expiring on a date immediately preceding the third (3rd) anniversary of such date of issue. The exercise price and the number of Warrants to be held by each holder of Warrants will be subject to adjustments under certain circumstances to be provided for in the Deed Poll. The New Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares save that they shall not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which is before the relevant date of exercise of the Warrants.

The Issue Price represents a discount of approximately 88.3% to the volume weighted price of S\$0.291 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 22 June 2007, being the last trading day of the Shares on SGX-ST prior to the date of this Announcement.

- 4.5 **Availability of Election Option.** Entitled Shareholders may elect to utilise their Net Cash Dividend (to the extent sufficient) to subscribe for the Rights Shares with Warrants that are provisionally allotted to them. Entitled Depositors (defined below) may elect to utilise their Net Cash Dividend (to the extent sufficient) to make payment for any excess Rights Shares with Warrants application while Entitled Scripholders (defined below) will not be able to utilise any part of their Net Cash Dividend to make payment for any excess Rights Shares with Warrants application. There is no additional cash outlay from Entitled Shareholders if they elect to utilise all the Net Cash Dividend to which they are entitled to subscribe for the Rights Shares with Warrants provisionally allotted to them.

For illustrative purposes only, an Entitled Shareholder who holds 1,000 Shares as at the Books Closure Date will be entitled:-

- (a) to receive the Net Cash Dividend of S\$0.017 in respect of each Share, which amounts to S\$17.00 that is receivable by such Shareholder; and
- (b) to accept his provisional allotment of 500 Rights Shares with 250 free detachable Warrants at S\$0.034 each, which amounts to S\$17.00 that is payable by such Shareholder.

Such Shareholder may elect to utilise the whole of the S\$17.00 of Net Cash Dividend to subscribe for his provisional allotment of Rights Shares with Warrants, in which event he will receive 500 Rights Shares with 250 free detachable Warrants and there will be no further cash outlay required of him.

**4.6 Size of Cash Dividend and Rights cum Warrants Issue.**

As at the date of this Announcement, there are 12,226,000 outstanding share options and 75,205,810 outstanding warrants and based on the issued share capital of the Company of 366,814,358 Shares, up to 227,123,084 Rights Shares with up to 113,561,542 Warrants will be issued.

For illustrative purposes only, based on an issued share capital of 454,246,168 Shares (assuming that there is no further change in the outstanding issued Shares of the Company as at the Books Closure Date):-

- (a) the aggregate amount of the Net Cash Dividend is approximately S\$7,722,184; and
- (b) up to 227,123,084 Rights Shares with up to 113,561,542 free detachable Warrants will be issued.

**4.7 Eligibility of Shareholders to Participate in the Rights cum Warrants Issue.** The Company proposes to provisionally allot Rights Shares with Warrants to all Shareholders who are eligible to participate in the Rights Issue ("**Entitled Shareholders**") comprising Entitled Depositors and Entitled Scripholders (both as defined below) whose registered addresses with CDP or the Company, as the case may be, are in Singapore or who have, at least five (5) Market Days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents.

**4.8 Entitled Depositors** Entitled Shareholders with Shares entered against their names in the Depository Register as at the Books Closure Date.

**4.9 Entitled Scripholders.** Entitled Shareholders with Shares registered in their own names as at the Books Closure Date.

**4.10 Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights cum Warrants Issue is only made in Singapore and the Rights Shares with Warrants will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior to the Books Closure Date, provided the CDP or Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). The offer information statement ("**Offer Information Statement**") to be issued in relation to and for the purposes of the Rights cum Warrants Issue and the accompanying documents will not be mailed outside Singapore.

Foreign Shareholders who wish to be eligible to participate in the Rights cum Warrants Issue may provide a Singapore address by notifying in writing, as the case may be, (a) CDP at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807 or (b) Serial System Ltd c/o the Share Registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 not later than five (5) Market Days before the Books Closure Date.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in connection therewith.

Where such provisional allotments of Rights Shares with Warrants are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares with Warrants or the Rights Shares with Warrants represented by such provisional allotments.

If such provisional allotments of Rights Shares with Warrants cannot be or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be allotted and issued to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in connection therewith.

- 4.11 **Provisional Allotments.** Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or trade their provisional allotments of the Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue. Fractional entitlements to the Rights Shares with Warrants will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares with Warrants, preference will be given to Shareholders for rounding of odd lots, and Directors and substantial Shareholders will rank last in priority.
- 4.12 **Offer Information Statement.** The terms and conditions of the Rights cum Warrants Issue may be subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights cum Warrants Issue (including the option to elect to utilise the Net Cash Dividend to subscribe for the Rights Shares with Warrants) will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

- 4.13 **Ranking.** The Rights Shares with Warrants are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares. For the avoidance of doubt, the Rights Shares will not be entitled to the Cash Dividend.
- 4.14 **Non-Underwritten Rights Issue.** The Rights cum Warrants Issue will not be underwritten as the Company has sufficient internal resources to fund the full Net Cash Dividend payout, if required, regardless of the outcome of the Rights cum Warrants Issue. It may be noted that the Undertaking Shareholder (defined below) has given an irrevocable undertaking to the Company (details of which are set out in Section 5 below) in respect of the Rights cum Warrants Issue.
- 4.15 **Odd Lots.** Shareholders should note that they are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market of the SGX-ST.

## 5. IRREVOCABLE UNDERTAKINGS

As at the date of this Announcement, Dr Derek Goh Bak Heng ("**Undertaking Shareholder**"), holds an aggregate of 141,575,951 Shares which represent approximately 38.60% of the issued share capital of the Company.

The Undertaking Shareholder has agreed to irrevocably undertake to subscribe for his entitlements of Rights Shares with Warrants under the Rights cum Warrants Issue ("**Rights Entitlements**") in proportion to the number of Rights Shares subscribed by other Shareholders so that the Undertaking Shareholder will not trigger a mandatory general offer obligation under the Singapore Code on Take-Overs and Mergers (the "**Code**"). In the event the Rights cum Warrants Issue is fully subscribed, the Undertaking Shareholder will subscribe fully to his Rights Entitlements.

## 6. APPROVALS

- 6.1 **Tax-Exempt Cash Dividend.** The Tax-Exempt Cash Dividend is a special interim dividend declared for the financial year ending 31 December 2007 and will be subject to the approval of Shareholders at an EGM.
- 6.2 **Cash Dividend.** The Cash Dividend is a special interim dividend declared for the financial year ending 31 December 2007 and will be subject to the approval of Shareholders at an EGM.
- 6.3 **Rights cum Warrants Issue.** The Rights cum Warrants Issue is subject to, *inter alia*, the following:
- (a) the in-principle approval of the SGX-ST for the listing and quotation of the Rights Shares, the Warrants and the New Shares on the Official List of the Main Board of the SGX-ST;
  - (b) the Rights cum Warrants Issue being approved by the Shareholders at an EGM; and
  - (c) the lodgment of the Offer Information Statement with the Monetary Authority of Singapore.

An application will be made by the Company to obtain the approval of the SGX-ST for the listing and quotation of the Rights Shares, the Warrants and the New Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course. A circular to Shareholders containing, *inter alia*, the notice of the EGM and details of the Tax-Exempt Cash Dividend, the Cash Dividend and the Rights cum Warrants Issue will be despatched to Shareholders in due course. Subject to the fulfillment of the conditions set out in Sections 6.3(a) and (b) above, the Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course.

Submitted by  
Derek Goh Bak Heng  
Executive Chairman/Group CEO  
26 June 2007