



SERIAL SYSTEM LTD
新暉科技有限公司

Company Reg No.: 199202071D

DISPOSAL BY SERIAL SYSTEM LTD OF 3,000,000 SHARES IN WINTECH MICROELETRONICS CO., LTD

1. INTRODUCTION

The Board of Directors of Serial System Ltd (the “**Company**”) refers to the Company’s circular to shareholders dated 27 July 2006 and announcement on 18 August 2006. The Board of Directors wishes to announce that the Company has on 23 October 2006 disposed 3,000,000 shares in Wintech Microelectronics Co., Ltd (the “**Disposed Shares**”), comprising 1.88% of the issued and paid-up share capital of Wintech Microelectronics Co., Ltd (“**Wintech**”) on the open market of the Taiwan Stock Exchange through its broker (the “**Disposal**”). The Disposal was carried out pursuant to the disposal mandate (the “**Disposal Mandate**”), which was obtained from the shareholders of the Company (the “**Shareholders**”) on 18 August 2006, for the disposal of the entire interest in Wintech held by the Company from time to time, in the twelve months period commencing from 18 August 2006.

In June 1994, the Company acquired an interest in Wintech (then known as Serial Semiconductor Co., Ltd), a company incorporated in Taiwan in December 1993, to tap into the Taiwan market for its semiconductors/components distribution business. Currently, the shares of Wintech are traded on the Taiwan Stock Exchange.

Upon completion of the Disposal, the Company will continue to own 18.57% of the issued and paid-up share capital of Wintech.

Pursuant to the Disposal Mandate, we set out the information required under Rule 1010 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) in the following.

2. CONSIDERATION

The Disposal was conducted on arms’ length basis and at the prevailing market price of NT\$22.70 (or S\$1.14) per Disposed Share or an aggregate price of NT\$68,100,000 (or S\$3,405,000) for the Disposed Shares. The net proceeds received from the Disposal, less the brokerage fees and securities transaction tax, is NT\$67,798,657 (or S\$3,389,933).

As at 30 June 2006, the Company’s book value of the Disposed Shares was S\$3,311,665. The deficit of the net proceeds over the book value of the Disposed Shares amounted to S\$21,907.

The Company intends to use the net proceeds derived from the Disposal to (i) fund the business operations of the Company and its subsidiaries (the “**Group**”) and the Group’s expansion plans in the People’s Republic of China, Hong Kong, Taiwan and South Korea; and (ii) repay bank borrowings and fund the working capital needs of the Group. Pending the deployment of the cash proceeds for the purposes mentioned above, the cash 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 appropriate.

3. MAJOR TRANSACTION

The relative figures that were computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

(a)	Rule 1006(a) The net asset value attributable to the Disposed Shares compared with the net asset value of the Group of approximately S\$87,787,142 as at 30 June 2006	3.8%
(b)	Rule 1006(b) The net loss attributable to the Disposed Shares, compared with the Group's net profits of approximately S\$3,348,681 as at 30 June 2006	0.7%
(c)	Rule 1006(c) The aggregate value of the consideration received by the Company from the Disposal, compared with the Company's market capitalisation	6.4%
(d)	Rule 1006 (d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable

4. FINANCIAL EFFECT

(i) Net tangible assets ("NTA")

The effect of the Disposal on the net tangible assets per share in the Company ("**Share**") for the financial year ended 31 December 2005, assuming that the Disposal had been effected on 31 December 2005 are summarised below:

	Before the Disposal	After the Disposal
NTA excluding investment in Wintech (S\$)	41,401,788	44,791,721
Investment in Wintech (S\$)	34,869,219	31,567,517
NTA (S\$)	76,271,007	76,359,238
Number of Shares as at 31 December 2005	364,657,621	364,657,621
NTA per Share (cents)	20.92	20.94

(ii) Earnings per Share (“EPS”)

The effect of the Disposal on the Company’s EPS for the financial year ended 31 December 2005, assuming that the Disposal had been effected on 1 January 2005 are summarised below:

	Before the Disposal S\$	After the Disposal S\$
Consolidated loss after taxation and minority interests but before share of profit after tax of Wintech and loss on dilution of interest in Wintech	(6,674,247)	(6,674,247)
Share of profit after tax of Wintech	1,074,736	-
Loss on dilution of interest in Wintech	(389,972)	-
Loss on disposal of Disposed Shares	-	(21,907)
Consolidated loss after taxation and minority interests	(5,989,483)	(6,696,154)
EPS (cents)	(1.97)	(2.20)

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or Controlling Shareholder has any interests, indirect or direct, in the Disposal.

By Order of the Board

Derek Goh Bak Heng
Executive Chairman/Group CEO
SERIAL SYSTEM LTD