



Registration No. 199202071D)
(Incorporated in the Republic of Singapore on 22 April 1992)

PROPOSED DISPOSAL OF NON-CORE ASSETS

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Serial System Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company, through its wholly owned subsidiary, SCE Enterprise Pte. Ltd., and together with the other shareholders of SPL (as defined below) (collectively, the “**Vendors**”), have entered into a conditional share sale agreement (the “**SSA**”) in relation to the proposed disposal of the entire issued share capital of SPL Holdings (Australia) Pty Ltd (“**SPL**”) to Anchorage Bridge Street Pty Limited (the “**Purchaser**”). The SSA was signed on 14 August 2018 but was held in escrow pending the satisfaction of certain pre-deal conditions by the Purchaser. The Company was informed that the conditions for the release of the SSA were satisfied and that the SSA became binding on 7 September 2018.

Under the SSA, the Company shall dispose 13,553,550 shares (the “**Sale Shares**”) representing 27.34% of the share capital of SPL for an estimated consideration of A\$42,944,000 (equivalent to US\$31,177,000 based on an exchange rate of A\$1.00 : US\$0.726) (the “**Proposed Disposal**”).

As the relative figure in respect of the Proposed Disposal calculated pursuant to Rule 1006(c) of the Mainboard Rules of the SGX-ST (the “**Listing Manual**”) exceeds 20%, the Proposed Disposal is classified as a “major transaction” within the meaning of Rule 1014 of the Listing Manual. Further details on the relative figures under Rule 1006 of the Listing Manual can be found in paragraph 8 of this announcement.

Accordingly, unless waived or exempted by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Proposed Disposal would be subject to the approval of the Company’s shareholders (“**Shareholders**”). The Company is pleased to announce that the SGX-ST has granted a waiver of the requirement for the Company to obtain the prior approval of Shareholders for the Proposed Disposal (the “**Waiver**”). Please refer to the announcement dated 12 September 2018 in relation to the Waiver for further information.

2. INFORMATION ON SPL

SPL is a company incorporated in Australia which conducts a commercial laundry services business. SPL and its subsidiaries (the “**SPL Group**”) provide laundry services to hotels, resorts, care centres, hospitals and restaurants in key cities and towns in Australia.

The Company indirectly owns approximately 27.34% of the share capital of SPL, which is managed independently of the Group. The Group is not involved in the day to day management and operations of the SPL Group.

SPL owns 50% of the shares of About Linen Pty Ltd (“**About Linen**”) through its wholly owned subsidiary, SPL Investments Pty Ltd (“**SPL Investments**”). In conjunction with the acquisition of SPL, the Purchaser shall also acquire the remaining 50% of the shares of About Linen which are

not owned by the SPL Group pursuant to a separate share sale agreement with the other shareholders of About Linen (the “**About Linen SSA**”).

3. **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated under the laws of Australia and is owned by funds managed by Anchorage Capital Partners, a private equity firm with its principal operations in Australia and which has over A\$800 million funds under management.

The Purchaser and Anchorage Capital Partners are not related to the Directors or controlling Shareholders of the Company and their respective associates.

4. **THE PROPOSED DISPOSAL**

4.1 **The Consideration**

4.1.1 The total consideration for 100% of SPL shall be A\$157,086,488 (the “**Total SPL Consideration**”), subject to the adjustments discussed in paragraph 4.2 below. The consideration to be received by the Company for the Sale Shares is estimated to be A\$42,944,000 (equivalent to US\$31,177,000 based on an exchange rate of A\$1.00 : US\$0.726), being the Company’s *pro rata* share (27.34%) of the Total SPL Consideration. The Total SPL Consideration was determined pursuant to a sale process managed by an independent corporate finance advisory firm in Australia. There is no open market value for the Sale Shares as the shares of SPL (the “**SPL Shares**”) are not publicly traded. No independent valuation of the Sale Shares was carried out in connection with the Proposed Disposal by the parties of the SSA.

4.1.2 The net asset value and net tangible asset value attributable to the Sale Shares are approximately US\$8,368,000 and US\$6,157,000 respectively, based on the audited consolidated financial statements of the SPL Group for the financial year ended 31 December 2017.

4.2 **Adjustment to the Total Consideration**

4.2.1 Following completion of the Proposed Disposal (“**Completion**”), the Vendors and Purchaser shall procure that a completion statement setting out the working capital and net debt of SPL as at the date of Completion is prepared within 60 business days after Completion, on the terms set out in the SSA (the “**Completion Statement**”).

4.2.2 The Total Consideration shall be adjusted on a dollar for dollar basis based on the differences (if any) between the estimated working capital and net debt of SPL set out in the SSA and the actual working capital and net debt of SPL as set out in the Completion Statement.

4.3 **Conditions Precedent**

Completion is conditional upon the satisfaction, or waiver of the following conditions by 10 September 2018 (in the case of the condition precedent set out under paragraph 4.3(f)) below or 30 September 2018 (in the case of the other conditions precedent set out below):

- (a) no objections under the Foreign Acquisitions and Takeovers Act of Australia being received by the Purchaser or Vendors in relation to the transactions contemplated under the SSA;
- (b) the shareholders of About Linen (other than the SPL Group) entering into and exchanging the About Linen SSA;

- (c) a warranty and indemnity insurance policy is issued to the Purchaser, indemnifying the Purchaser against loss or damage arising out of or in connection with a breach of warranties under the SSA and About Linen SSA, on terms reasonably acceptable to the Purchaser (the “**W&I Policy**”);
- (d) there being no breach of the warranties under the SSA and About Linen SSA which would, if Completion occurred, entitle the Purchaser to damages exceeding the limit of the insurer’s liability under the W&I Policy;
- (e) all the conditions precedent to draw down of funding to be provided by the Purchaser’s senior debt financier(s) in relation to the acquisition of SPL and a working capital facility being satisfied, other than those conditions precedent which are only capable of satisfaction as at Completion and are solely within the control of the Purchaser; and
- (f) a credit approved term sheet of funding to be provided by the Purchaser’s senior debt financier, in relation to the acquisition of SPL and a working facility has been entered into by the Purchaser and such financier.

As at the date of this announcement, the conditions in 4.3(a), (b) and (f) have been satisfied.

4.4 Non-Competition Undertaking

The Company has undertaken to the Purchaser not to compete, whether directly or indirectly, with the business of the SPL Group (as carried out on the date of the SSA) in Singapore, Malaysia, Indonesia and Thailand for a period of three years after Completion. For the avoidance of doubt, this non-competition undertaking shall not require or oblige the Group to transfer, dispose of (other than SPL pursuant to the Proposed Disposal), liquidate or discontinue any of the businesses it carries on as at the date of the SSA.

5. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal offers attractive returns from the Company’s investment in SPL, which is not part of the Group’s core business. The Sale Shares are a non-core asset of the Company held as an investment to diversify the Group’s income streams with a view to enhancing shareholder value over the long term. The Proposed Disposal (if completed) will not materially affect the operations of the Group.

The Board is of the view that the terms of the Proposed Disposal offers attractive returns from the Company’s investment in the Sale Shares. The Company’s net proceeds from the Proposed Disposal is estimated to be US\$31.2 million, which represents gains of US\$20.0 million, a premium of 179% over the book value of the Sale Shares as at 30 June 2018 and an attractive return on the Company’s cost of investment in SPL of US\$10.5 million. Accordingly, the Board is of the view that the Proposed Disposal is in the best interests of the Company.

6. USE OF PROCEEDS

The Company intends to utilise approximately 40% of the net proceeds from the Proposed Disposal to repay bank borrowings. It is also the present intention of the Company to utilise a portion of the net proceeds to distribute surplus cash in excess of the Group’s funding requirements to Shareholders as a special dividend. The balance of the net proceeds will be retained as working capital to increase the Group’s cash reserves to support the Group’s core businesses and future investments.

The Company will decide on the amount and the time of declaration of the special dividend following Completion, taking into account the Group's funding needs and the requirements of the Companies Act (Chapter 50) of Singapore. Further announcements on the special dividend will be made in due course.

Pending deployment, the net proceeds from the Proposed Disposal may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purposes on a short term basis, as the Directors may deem appropriate in the interests of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 Bases and assumptions

The *pro forma* financial effects are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after Proposed Disposal.

These illustrative *pro forma* financial effects were computed based on (a) the Group's audited consolidated financial statements for the financial year ended 31 December 2017 ("**FY2017**"); and (b) audited consolidated financial statements of SPL for FY2017, as well as the following key assumptions:

- (a) 40% of the net proceeds from the Proposed Disposal will be utilised to repay bank borrowings, with the balance retained for working capital; and
- (b) the net proceeds received by the Company of approximately US\$31.2 million.

For the avoidance of doubt, these *pro forma* financial effects do not take into account (i) any corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 January 2018.

7.2 NTA per Share

Assuming the Proposed Disposal was completed on 31 December 2017, the effect of the Proposed Disposal and on the Group's NTA per Share as at 31 December 2017 will be as follows:

	Before	After
NTA (US\$'000) ⁽¹⁾	123,718	143,712
Shares ('000)	895,842	895,842
NTA per Share (US\$ cents)	13.81	16.04

Notes:

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets (net of non- controlling interests).

7.3 EPS

Assuming the Proposed Disposal was completed on 1 January 2017, the effect of the Proposed Disposal and on the Group's EPS for the financial year ended 31 December 2017 will be as follows:

	Before	After
Earnings attributable to shareholders (US\$'000)	9,550	29,668
Weighted average number of Shares ('000)	895,842	895,842
Basic EPS (US\$ cents)	1.07	3.31

7.4 Gearing

Assuming the Proposed Disposal was completed on 31 December 2017, the financial effects of the Proposed Disposal on the Group's gearing as at 31 December 2017 will be as follows:

	Before	After
Total borrowings (US\$'000)	239,582	227,111
Cash and cash equivalents (US\$'000)	73,080	91,786
Net borrowings (US\$'000)	166,502	135,325
Net gearing ratio	1.15	0.82

8. RELATIVE BASES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest announced unaudited consolidated financial statements of the Company for the six months ended 30 June 2018 ("HY2018"), the relative figures of the Proposed Disposal as computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases of Calculation ⁽¹⁾	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of compared with the Group's net asset value	5.3
(b)	The net profits ⁽²⁾ attributable to the assets disposed of, compared with Group's net profits	1.0
(c)	Aggregate value of the consideration to be received, compared with the Company's market capitalisation ⁽³⁾	35.0

Notes:

- (1) The relative bases under Rule 1006(d) and (e) are not relevant to the Proposed Disposal.
- (2) Based on SPL's unaudited net profit for HY2018 of approximately A\$171,000 (approximately US\$127,000) attributable to the Group, and the Group's unaudited net profit for HY2018 of approximately US\$12,436,000. Net profits/(loss) is defined to be profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on the Company's market capitalisation of approximately US\$89.1 million as at 10 September 2018.

As the relative figure computed based on Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a “major transaction” under Rule 1014 of the Listing Manual. Accordingly, unless waived or exempted by the SGX-ST, the Proposed Disposal would be subject to the prior approval of Shareholders.

The Company is pleased to announce that the SGX-ST has granted the Waiver. As such, the Proposed Disposal will not be subject to the prior approval of Shareholders. Please refer to the announcement dated 11 September 2018 in relation to the Waiver for further information.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholding interests in the Company, if any).

The Directors have not received any notification of interest in the Proposed Disposal from any controlling shareholders of the Company and their respective associates, and are not aware of any controlling shareholders of the Company and their respective associates who has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholding interests in the Company).

10. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Proposed Disposal.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SSA will be made available for inspection by Shareholders during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company’s registered office at 8 Ubi View #05-01 Serial System Building Singapore 408554, for a period of three months from the date of this announcement.

12. 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, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Alex Wui Heck Koon

Company Secretary
12 September 2018