



Radiance Electronics Limited

(Co. Reg No. 200202428H)

PROPOSED DISPOSAL OF XIPTECH HOLDINGS PTE LTD, THE COMPANY'S WHOLLY-OWNED SUBSIDIARY

1. Introduction

On 20 November 2007, the board of directors (the "**Directors**") of Radiance Electronics Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announced that, *inter alia*, it is proposing to discontinue and write down the Group's investment in its wholly-owned subsidiary, Xiptech Holdings Pte Ltd ("**Xiptech**"). The proposed write down was subsequently made and reflected in the Group's half-year financial statement announcement dated 4 February 2008 for the half-year ended 31 December 2007 (the "**HY Announcement**"), which has the effect of approximately S\$3.8 million impairment charge to the Group. The impairment charge relates to plant and equipment and allowance for trade receivables of Xiptech as disclosed in the HY Announcement and the estimated costs to be incurred in connection with the Proposed Disposal (as defined below). In addition, goodwill on consolidation of approximately S\$5.8 million that arose from the acquisition of Xiptech was also written off, as reflected in the HY Announcement.

The Directors wishes to announce that after having conducted a trade sale with several prospective purchasers, the Company has entered into a conditional sale and purchase agreement on 22 August 2008 (the "**Agreement**") with Relic Finance Limited (the "**Purchaser**"), pursuant to which the Company agreed to sell its entire shareholding interest in Xiptech, with effect from 30 June 2008, to the Purchaser for an aggregate cash consideration of S\$1,000,000 (the "**Purchase Consideration**") on the terms and subject to the conditions in the Agreement (the "**Proposed Disposal**").

2. Information about Xiptech

Xiptech was incorporated in Singapore on 23 August 2001 and its principal business relates to the marketing and sale of hard disk drive components (the "**Business**"). As at the date hereof, Xiptech has an issued share capital of S\$1,100,000 comprising 1,100,000 issued and paid-up ordinary shares (the "**Sale Shares**"). The unaudited net tangible assets ("**NTA**") of Xiptech, taking into consideration all the terms and conditions of the Proposed Disposal, as at 30 June 2008 is S\$992,731.

3. Information about the Purchaser

The Purchaser was incorporated in the British Virgin Islands on 9 September 2005 and its principal business relates to investment holding.

4. Rationale for the Proposed Disposal

The Directors are of the opinion that the Proposed Disposal will be in the best interest of the Company and the shareholders of the Company (the "**Shareholders**") for the following reasons:

- (a) the Business of Xiptech has ceased to be complementary to the core business of the Group;
- (b) the outlook of the Business is increasingly challenging and the prospects of the Business would be best served only by being part of a global industry player requiring very substantial additional capital investments in addition to a high level of working capital;
- (c) the Business is vulnerable as Xiptech is dependent on a single major supplier for its hard disk drive components, and has no control over the supplier's manufacturing costs, which have been increasing over the recent period. In the event that manufacturing costs increase further, Xiptech may not be able to pass on such increase to its customers and its profitability may be further affected; and
- (d) the industry in which Xiptech operates has become increasingly competitive, with rising market pressure from both smaller competitors with lower cost structures and large international competitors with significantly more resources.

5. Purchase Consideration and Use of Proceeds

The Purchase Consideration for the purchase of the Sale Shares shall be the aggregate amount of S\$1,000,000 to be satisfied in full by the payment of cash by the Purchaser, on completion of the Proposed Disposal, into an account designated by the Company.

The Purchase Consideration was agreed upon on a willing-buyer willing-seller basis after arm's length negotiations between the Company and the Purchaser. The excess of the Purchase Consideration over the book value of Xiptech as at 30 June 2008 is approximately S\$7,269.

The Company intends to use the proceeds from the Proposed Disposal for working capital purposes.

6. Details of the Agreement

The salient terms of the Agreement, which is governed by Singapore law, are set out below:

(a) Purchase Consideration

The Purchase Consideration shall be satisfied by the payment thereof to the Company immediately on the date of Completion, being the date falling five (5) business days after the date on which the conditions precedent to the sale and purchase of the Sale Shares have been fulfilled or waived, whichever is the earlier, but in any event, being not later than 14 November 2008 or such other date as the parties may mutually agree in writing (the "**Completion Date**") to an account designated by the Company.

(b) Conditions Precedent

The Proposed Disposal is subject to, *inter alia*, the following conditions precedent:

- (i) the Company obtaining the prior approval of its Shareholders in an extraordinary general meeting (the "**EGM**") to be convened for the sale of the Sale Shares on the terms and subject to the conditions of the Agreement;

- (ii) the Company obtaining a letter of undertaking from its majority Shareholder, Sino Fortune Union Investment Limited ("**Sino Fortune**"), that it shall vote (whether in person or by representative or proxy) in favour of any resolutions relating to the Proposed Disposal to be proposed at the EGM; and
- (iii) the release and discharge of the guarantees contemplated under the Agreement.

7. Financial Effects of the Proposed Disposal

7.1 Illustrative effects of the Proposed Disposal on the NTA, Earnings Per Share ("**EPS**") and Gearing of the Group

The pro forma financial effects of the Proposed Disposal on the Group have been prepared based on the Group's audited consolidated financial statements for the most recently completed financial year ended 30 June 2007. These pro forma financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after the completion of the Proposed Disposal.

(a) NTA

Assuming that the Proposed Disposal had been effected on 30 June 2007, the pro forma financial effects of the Proposed Disposal on the NTA per ordinary share (the "**Share**") of the Group as at 30 June 2007 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	42,581	38,635 ⁽¹⁾
Number of issued Shares ('000)	255,236	255,236
NTA per Share (cents)	16.68	15.14

Note:

- (1) Adjusted for the impairment of plant and equipment, allowance for trade receivables and the estimated costs to be incurred in connection with the Proposed Disposal.

(b) EPS

Assuming that the Proposed Disposal had been effected on 1 July 2006, the pro forma financial effects of the Proposed Disposal on the EPS of the Group would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(loss) after tax attributable to Shareholders (S\$'000)	3,064	(5,711) ⁽¹⁾
Basic EPS		
Weighted average number of issued Shares ('000)	253,863	253,863
Basic EPS (cents)	1.21	(2.25)
Diluted EPS⁽²⁾		
Weighted average number of issued Shares ('000)	264,723	264,723
Diluted EPS (cents)	1.16	(2.16)

Note:

(1) Adjusted for the impairment of plant and equipment, allowance for trade receivables, write off of goodwill on consolidation and the estimated costs to be incurred in connection with the Proposed Disposal.

(2) Adjusted for the effects of all dilutive potential Shares, being the share options granted to the Directors and employees of the Company and the Group pursuant to the Radiance Electronics Share Option Scheme 2003.

(c) Gearing

Assuming that the Proposed Disposal had been effected on 30 June 2007, the pro forma financial effects of the Proposed Disposal on the gearing of the Group would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings ⁽¹⁾ (S\$'000)	3,199	1,970
Total shareholder's funds (S\$'000)	48,410	38,635 ⁽²⁾
Gearing ratio (times)	0.07	0.05

Note:

(1) "Total borrowings" consist of term loan and obligations under hire purchase arrangements.

(2) Adjusted for the impairment of plant and equipment, allowance for trade receivables, write off of goodwill on consolidation and the estimated costs to be incurred in connection with the Proposed Disposal.

7.2 Relative Figures Calculated on the Bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual")

Rule 1006	Bases	Proposed Disposal S\$'000	Group S\$'000	Relative Figures %
(a)	The net asset value of Xiptech compared with the Group's net asset value as at 31 December 2007 ⁽¹⁾	1,119	34,849	3.21
(b)	The net profits ⁽²⁾ attributable to Xiptech compared with the Group's net profits ⁽²⁾ for the six months ended 31 December 2007 ⁽¹⁾	(3,419)	(13,870)	24.65
(c)	The aggregate value of the Purchase Consideration compared with the Company's market capitalisation of S\$37,983,082 on 13 August 2008 ⁽³⁾	1,000	37,983	2.63
(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	Not applicable	Not applicable

Notes:

- (1) Based on unaudited financial statements for the six months ended 31 December 2007.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the market day preceding the date of the Agreement. 13 August 2008 was the most recent market day preceding the date of the Agreement on which the Shares have been transacted on the SGX-ST. No Shares were transacted during the period from 14 August 2008 to 21 August 2008.

As the relative figure calculated under Rule 1006(b) of the Listing Manual is more than 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to and conditional upon the approval of the Shareholders at an EGM to be convened.

8. Undertaking By Sino Fortune

Sino Fortune which holds 138,235,390 Shares representing 52.41% of the issued and paid up capital of the Company as at the date hereof has given an undertaking to the Company to, *inter alia*, exercise its voting rights in favour of any resolutions relating to the Proposed Disposal to be proposed at the EGM.

The directors of Sino Fortune are Messrs Sun Jiangrong and Tan Tar Wuei, the Company's Non-Executive Chairman and Non-Executive Director respectively. The sole shareholder of Sino Fortune is Mr Sun Jiangrong.

9. Directors' and Controlling Shareholders' Interests

Save as disclosed above, none of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

10. EGM and Circular

A circular containing further details of the Proposed Disposal and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

11. Agreement Available for Inspection

A copy of the Agreement will be made available for inspection during normal business hours at the Company's registered office for a period of three months from the date hereof.

BY ORDER OF THE BOARD

Sun Jiangrong
Non-Executive Chairman

22 August 2008