

SECURITIES INDUSTRY COUNCIL ("SIC")
PRESS STATEMENT
SERIAL SYSTEM LTD ("SERIAL SYSTEM" OR THE "COMPANY")

Introduction

On 8 May 2001, Eddie Chng Weng Wah ("Chng") informed the SIC that he was unable to comply with its direction to make a take-over offer at \$0.67 in cash for each Serial System share in accordance with Rule 33 of the Singapore Code on Take-overs and Mergers ("Take-over Code") to those persons who held Serial System shares as at the close of trading on 26 Feb 2001 and are still holding those same shares.

2 In accordance with the Take-over Code, the SIC decided to convene a hearing (the "Hearing") into Chng's breach of Rule 33 of the Take-over Code and his failure to comply with the SIC's directions of 8 Mar 2001. For this purpose, the SIC served a Summons to Appear and a Summons to Produce Documents on Chng on 8 May 2001. A Summons to Produce Documents was also served on Serial System on 9 May 2001.

Hearing

3 At the Hearing on 14 May 2001, Chng did not dispute that he had breached Rule 33 of the Take-over Code as a result of the acquisitions of Serial System shares by him and his concert parties. Chng said that he was aware at the time of those acquisitions that he was breaching the requirements of the Take-over Code.

4 In mitigation, Chng submitted that he did not make any personal gain or vote the Serial System shares acquired by him and his concert parties. Chng added that he had co-operated fully with the SIC and worked strenuously to try to raise funds to comply with the SIC's directions. Furthermore, he had procured a third party ("ABC") willing to make a voluntary offer for Serial System (the "Voluntary Offer"). Chng claimed that the Voluntary Offer would be the best remedy for the prejudice suffered by Serial System

shareholders as at the close of trading on 26 Feb 2001 (the “Affected Shareholders”) as a result of his breach of the requirements of the Take-over Code.

5 The proposed consideration for the Voluntary Offer is a combination of 5 cents cash and 62 cents worth of shares in a listed company (“XYZ”) controlled by ABC. The Voluntary Offer is to be conditional on Chng selling 24.9% of Serial System to ABC on the same terms as the Voluntary Offer or Chng giving an irrevocable undertaking to accept the Voluntary Offer in respect of the same number of Serial System shares. Chng would then use the cash received and proceeds from selling such number of XYZ shares as is necessary to compensate those Affected Shareholders who have already sold some or all of their Serial System shares.

SIC’s Deliberations

6 Whether Chng had derived personal gain or had voted his additional Serial System shares is not directly pertinent because the Affected Shareholders are still prejudiced by his failure to make a general offer as required under the Take-over Code. There is no doubt that Chng had been co-operative with the SIC and had demonstrated strenuous efforts in trying to comply with the SIC’s directions. But this has not enabled him to make the take-over offer or compensate Serial System shareholders as directed by the SIC.

7 The SIC does not regard the Voluntary Offer proposed by Chng as acceptable. This is because allowing the Voluntary Offer without a full cash alternative would require the SIC to waive the requirement in Rule 33 of the Take-over Code for a mandatory offer to be in cash or provide an alternative offer in cash. The SIC has not waived such a fundamental requirement of the Take-over Code before. It would appear that the Take-over Panels in the United Kingdom and Hong Kong have not done so either. Without a cash alternative, other Serial System shareholders would not be able to exit the Company at 67 cents in cash, like Avnet before them. Further, those who reject the Voluntary Offer for whatever reason will receive no compensation at all. The SIC considers that setting such a precedent (i.e. waiving the requirement for a mandatory

offer to be in cash or accompanied by a cash alternative) will not be in the public interest as it will undermine compliance with and enforcement of the Take-over Code in the future.

SIC's Rulings and Sanctions

8 After considering all the information and evidence made available to it and the mitigating factors, the SIC directs Chng to compensate all Affected Shareholders (the "Compensation") as follows:-

- a) Those Affected Shareholders who are still holding on to those same Serial System shares that they held as at the close of trading on 26 Feb 2001: 14.86 cents [being the difference between 67 cents (the required offer price) and 52.14 cents¹ (which is the weighted average daily closing price of Serial System shares between 26 Feb 2001 and 8 May 2001)] per Serial System share held as at the close of trading on 26 Feb 2001;
- b) Those Affected Shareholders who have sold in the market between 27 Feb and 8 May 2001 some or all of the Serial System shares that they held as at the close of trading on 26 Feb 2001 at 52.14 cents or less per share: 14.86 cents per Serial System share held as at the close of trading on 26 Feb 2001; and
- c) Those Affected Shareholders who have sold in the market between 27 Feb and 8 May 2001 some or all of the Serial System shares that they held as at the close of trading on 26 Feb 2001 at more than 52.14 cents: the difference between 67 cents and the actual selling price per Serial System share held as at the close of trading on 26 Feb 2001.

¹ Please see Appendix 1 for detailed computation of weighted average daily closing price of 52.14 cents.

9 Chng is to make available such number of his Serial System shares as is necessary to pay the Compensation in full. In view of the possible adverse effect that the sale of a large bloc of Serial System shares may have on shareholders in the Company, the SIC will consider allowing Chng to make the Compensation by distributing his Serial System shares to Affected Shareholders at a value to be determined by an independent third party appointed by Chng. The independent party and the value it places on Serial System shares for the purpose of the Compensation must be acceptable to the SIC.

10 In view of his breach of the requirements of the Take-over Code, the SIC considers Chng unsuited to be director of any company listed on the Singapore Exchange Ltd ("SGX") for a period of two years from today.

11 In addition, the SIC requires Chng and his concert parties not to make a take-over offer (whether pursuant to Rule 33 or otherwise) or incur a bid obligation for any public company in Singapore for a period of two years from today.

12 The SIC has given Chng until 30 May 2001 to provide it with a written unconditional undertaking that he will comply with the SIC's direction to pay the Compensation. Upon receiving such undertaking, the SIC will decide on the time period for Chng to make the Compensation. In the interim, Chng and his concert parties are not to deal in the Serial System shares that they hold or control in any manner nor exercise the voting rights attached to those Serial System shares.

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NOTE TO EDITORS

SERIAL SYSTEM LTD ("SERIAL SYSTEM" OR THE "COMPANY")

On 2 Mar 2001, the SIC received a complaint that Eddie Chng Weng Wah ("Chng") had breached Rule 33 of the Singapore Code on Take-overs and Mergers ("Take-over Code") by failing to announce a mandatory bid for Serial System upon acquiring 25% or more of the Company's issued capital on 26 Feb 2001.

2 To establish whether Chng had complied with the Take-over Code, the SIC Secretariat interviewed him on 5 Mar 2001. During the interview, Chng admitted that he had breached Rule 33 of the Take-over Code. Chng told the SIC Secretariat that he had asked his friend Charles Leck Tin Hong ("Leck"), who was a substantial shareholder of Dackel International Ltd ("Dackel"), to use Dackel to buy some Serial System shares from Avnet Inc ("Avnet"). As Dackel could raise only S\$3 million, Chng forked out US\$3 million to enable Dackel to buy a 3.92% stake in Serial System from Avnet. According to Chng, Dackel owned only S\$3 million (1.42%) worth of the Serial System shares acquired from Avnet while he himself owned the remainder i.e. 2.5% of Serial System's issued capital.

3 On 5 Mar 2001, the SIC Secretariat also interviewed Eric Cheng ("Cheng") by telephone. Cheng is President of Wintech Microelectronics Co Ltd, which is 30%-owned by Serial System. Cheng said that he is Chng's friend and business partner in Taiwan. Cheng said he purchased 12,000,000 Serial System shares for US\$4,647,399 (representing 4% of the Company's issued capital) from Avnet under the name of his brother-in-law Hsu Pi-Chun ("Hsu") as a personal investment. However, exchanges of electronic mail between Chng and Cheng, which were made available to the SIC, show that Cheng acted on Chng's directions when negotiating the purchase of Avnet's 7.92% stake in Serial System, including the price at which to start negotiations and the maximum price for the purchase. Cheng said that he used some of his own funds and borrowed some money from Chng to acquire the Serial System shares. Details on fund transfers provided by Chng show that Chng remitted US\$5 million to Cheng's wife. Of

the US\$5 million, US\$2.9 million was subsequently transferred to Dackel, leaving a balance of US\$2.1 million. Presumably, this was the amount that Cheng said he borrowed from Chng.

4 As at 23 Feb 2001, Chng held a 24.35% stake in Serial System. Of the 11,752,184 (3.92%) Serial System shares bought under Dackel's name on 26 Feb 2001, 7,488,059 shares (2.5%) belonged to Chng and caused him to cross the 25% threshold specified in Rule 33(1) of the Take-over Code. Accordingly, Chng was required to make a general offer for the Company at 67 cents, being the highest price paid by him and his concert parties for the Company's shares in the past 12 months (the "Offer"). Chng failed to immediately announce the Offer as required by Rule 33(5) of the Take-over Code. During the interview of 5 Mar 2001, Chng agreed to make the Offer.

5 On 7 Mar 2001, Chng applied to the SIC for more time to obtain the requisite financing for the Offer before making the Offer announcement. The SIC acceded to Chng's request, giving him one month, i.e. until 8 Apr 2001, to announce the Offer. On 8 Mar 2001, the SIC issued a press statement (Appendix 2) stating that Chng had incurred a bid obligation for Serial System. In the press statement, the SIC directed Chng to announce the Offer by 8 Apr 2001. The Offer if made, should be extended to those persons who held Serial System shares as at the close of trading on 26 Feb 2001 and are still holding those same shares. Shareholders who held Serial System shares as at the close of trading on 26 Feb 2001 but who have since sold some or all of those shares in the market at less than the offer price of 67 cents must be compensated at the excess of the offer price over the actual sale price. No compensation will be offered to those persons who acquired Serial System shares after 26 Feb 2001. Chng, his nominees and concert parties were directed not to deal in Serial System shares in any manner in the interim.

6 Based on the information available to the SIC, the SIC ruled on 12 Mar 2001 that the following persons are parties acting in concert with Chng (the “Concert Parties”) in respect of their shareholdings in Serial System:-

- a) Dackel and its concert parties: in respect of Serial System shares representing 1.42% of the Company's issued capital; and
- b) Cheng: in respect of 12 million Serial System shares that he acquired in the name of his brother-in-law, Hsu.

7 On 5 Apr 2001, Chng requested another one-month extension (to 8 May 2001) to announce the Offer. The SIC acceded to Chng's request, announcing the decision in its press statement of 10 Apr 2001 (Appendix 3).

8 On 8 May 2001, Chng informed the SIC that he was unable to make the Offer as directed by the SIC in its 8 Mar 2001 press statement. The SIC issued a press statement on the same day (Appendix 4), stating that Chng could not comply with the SIC's direction to make the Offer and that the SIC would convene a hearing (the “Hearing”) soon into Chng's breach of Rule 33 of the Take-over Code and his failure to comply with the SIC's directions. On 8 May 2001, the SIC served a Summons to Appear and a Summons to Produce Documents on Chng. A Summons to Produce Documents was also served on Serial System on 9 May 2001.

9 The Hearing was held on 14 May 2001.

**COMPUTATION OF WEIGHTED AVERAGE DAILY CLOSING PRICE
OF SERIAL SYSTEM LTD BETWEEN 26 FEB AND 8 MAY 2001**

		Closing price (cents)	Turnover ('000)	Weighted Closing Price
		(a)	(b)	(c) = (a) x (b)
26-Feb	0.560	56.0	3,307	185,192.0
27-Feb	0.565	56.5	2,153	121,644.5
28-Feb	0.585	58.5	4,245	248,332.5
1-Mar	0.550	55.0	1,840	101,200.0
2-Mar	0.550	55.0	1,437	79,035.0
5-Mar	0.570	57.0	1,023	58,311.0
7-Mar	0.560	56.0	608	34,048.0
8-Mar	0.570	57.0	748	42,636.0
9-Mar	0.575	57.5	3,882	223,215.0
12-Mar	0.520	52.0	956	49,712.0
13-Mar	0.525	52.5	477	25,042.5
14-Mar	0.485	48.5	411	19,933.5
15-Mar	0.490	49.0	1,244	60,956.0
16-Mar	0.460	46.0	738	33,948.0
19-Mar	0.430	43.0	250	10,750.0
20-Mar	0.405	40.5	535	21,667.5
21-Mar	0.405	40.5	210	8,505.0
22-Mar	0.380	38.0	340	12,920.0
23-Mar	0.385	38.5	170	6,545.0
26-Mar	0.390	39.0	149	5,811.0
27-Mar	0.385	38.5	54	2,079.0
28-Mar	0.385	38.5	64	2,464.0
29-Mar	0.375	37.5	82	3,075.0
30-Mar	0.385	38.5	133	5,120.5
2-Apr	0.365	36.5	181	6,606.5
3-Apr	0.375	37.5	94	3,525.0
4-Apr	0.365	36.5	45	1,642.5
5-Apr	0.390	39.0	107	4,173.0
6-Apr	0.380	38.0	98	3,724.0
9-Apr	0.370	37.0	20	740.0
10-Apr	0.390	39.0	56	2,184.0
11-Apr	0.380	38.0	59	2,242.0
12-Apr	0.380	38.0	32	1,216.0
16-Apr	0.375	37.5	92	3,450.0
17-Apr	0.365	36.5	292	10,658.0
18-Apr	0.375	37.5	35	1,312.5
19-Apr	0.375	37.5	6	225.0
20-Apr	0.380	38.0	276	10,488.0
23-Apr	0.370	37.0	75	2,775.0
24-Apr	0.375	37.5	113	4,237.5
25-Apr	0.380	38.0	107	4,066.0
26-Apr	0.410	41.0	41	1,681.0
27-Apr	0.390	39.0	100	3,900.0
30-Apr	0.425	42.5	485	20,612.5

		Closing price (cents)	Turnover ('000)	Weighted Closing Price
		(a)	(b)	(c) = (a) x (b)
2-May	0.485	48.5	1,373	66,590.5
3-May	0.455	45.5	1,483	67,476.5
5-May	0.480	48.0	679	32,592.0
8-May	0.400	40.0	564	22,560.0
		Total	31,469	1,640,820.5

Weighted average daily closing price = Total Weighted Closing Price / Total Turnover
 = 1,640,820.5 / 31,469
 = 52.14 cents

SECURITIES INDUSTRY COUNCIL ("SIC")

PRESS STATEMENT

SERIAL SYSTEM LTD ("SERIAL SYSTEM" OR THE "COMPANY")

1. On 26 Feb 2001 Avnet Inc. ("Avnet"), a substantial shareholder of Serial System, sold 11,752,184 Serial System shares (3.92% of the Company's issued capital) at \$0.67 each in an off-market deal. On 28 Feb 2001, in response to media queries, Eddie Chng Weng Wah ("Chng"), who is also a substantial shareholder of the Company, said he had recommended buyers to Avnet for the sale of its stake in Serial System.

2. On 2 Mar 2001, the SIC received a complaint that Chng had not complied with Rule 33² of the Singapore Code on Take-overs and Mergers (the "Take-over Code"), by failing to announce a mandatory bid for Serial System upon his acquiring 25% or more of the Company's issued capital on 26 Feb 2001.

3. To establish whether Chng had complied with the Take-over Code, the SIC Secretariat interviewed him on 5 Mar 2001. At the meeting, Chng told the SIC Secretariat that he had asked a friend, who owned Dackel International Ltd ("Dackel"), to use Dackel to buy Avnet's 3.92% stake in Serial System for S\$7.87 million. As Dackel

² Rule 33(1) states that "Except with the consent of the Council, where:-

- a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 25% or more of the voting rights of a company; or
- b) any person who, together with persons acting in concert with him, holds not less than 25% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of 12 months additional shares carrying more than 3% of the voting rights,

such person shall extend within a reasonable period of time an offer on the basis set out below to the holders of any class of share capital which carries votes and in which such person or persons acting in concert with him hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

Rule 33(5) states that "**Immediately** upon an acquisition of shares which give rise to an obligation to make an offer under the Rule, the offeror shall make an announcement of his offer giving the information required by the Code.

did not have enough funds, Chng himself raised US\$3 million (around S\$5 million) to pay for part of the 3.92% stake in Serial System. Chng said Dackel owned only S\$3 million worth of the Serial System shares acquired from Avnet, and that he himself owned the remainder i.e. about 2.5% of Serial System's issued capital.

4. According to the Company's records, Chng held 24.35% in Serial System as at 23 Feb 2001. His acquisition of a further 2.5% of Serial System on 26 Feb 2001 brought him across the 25% threshold specified in Rule 33(1)(a) of the Take-over Code, resulting in him incurring a bid obligation. But Chng did not announce a general offer for the Company as required by Rule 33(5) of the Take-over Code.

5. At the interview, Chng agreed to make a take-over offer for Serial System as required by the Take-over Code.

6. On 7 Mar 2001, Chng applied to the SIC for more time to obtain the requisite financing for the general offer before making an offer announcement. The SIC has acceded to Chng's request, giving him one month, i.e. until **8 Apr 2001**, to announce a take-over offer for Serial System. In the meantime, Chng, his nominees and concert parties are not to deal in Serial System shares in any manner. The take-over offer, when made, will be at an offer price of **\$0.67**, being the highest price paid by Chng and his concert parties for Serial System shares in the last 12 months. The **offer** will be extended to **those persons who held Serial System shares as at the close of trading on 26 Feb 2001 and are still holding those same shares.**

7. In addition, the SIC directs Chng to **compensate those persons who held Serial System shares as at the close of trading on 26 Feb 2001 but who have sold those shares in the market** at less than the offer price of \$0.67, from 27 Feb 2001 till the time Chng announces his take-over offer as required in para 6 above. The compensation should be the excess of the offer price over the actual sale price. Those persons who sold their Serial System shares in **off-market** transactions (including married deals) **will not be entitled** to the compensation.

8. Those persons who acquired Serial System shares **after 26 Feb 2001 will not be entitled** to the take-over offer or the compensation. This applies regardless of whether those persons are still holding or have disposed of some or all of such Serial System shares acquired after 26 Feb 2001.

9. The investing public, and Serial System shareholders in particular, should note that **it is uncertain whether Chng will be able to make the take-over offer or pay the compensation** as directed by the SIC. They should take this into account when dealing in the Company's shares.

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8 Mar 2001

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SECURITIES INDUSTRY COUNCIL ("SIC")**PRESS STATEMENT****SERIAL SYSTEM LTD ("SERIAL SYSTEM" OR THE "COMPANY")**

1 In its press release on 8 Mar 2001 (Appendix 1), the SIC stated that Eddie Chng Weng Wah ("Chng") had not complied with Rule 33 of the Singapore Code on Takeovers and Mergers (the "Take-over Code"), as he had failed to announce a mandatory offer for Serial System on 26 Feb 2001 after increasing his voting rights in the Company beyond 25%.³ The SIC directed Chng to make a take-over offer and pay compensation to eligible Serial System shareholders who held shares in the Company as at the close of trading on 26 Feb 2001. The SIC acceded to Chng's request for more time, giving him until 8 Apr 2001 to comply with its directions.

2 In response to Chng's queries, the SIC ruled on 12 Mar 2001 that the following persons are parties acting in concert with Chng in respect of their shareholdings in Serial System:

- a) Eric Cheng: in respect of 12 million Serial System shares (4% of the Company's issued capital) that he acquired in the name of his brother-in-law, Hsu Pi-Chun; and
- b) Dackel International Ltd ("Dackel") and its concert parties: in respect of Serial System shares representing 1.42% of the Company's issued capital.

³ Chng acquired 2.5% of Serial System on 26 Feb 2001, which raised his total shareholding in the Company to 26.85%. Rule 33 of the Take-over Code requires any person who acquires 25% or more of the voting rights of a company to announce **immediately** a take-over offer for the company.

As at 10 Apr 2001, Chng and his concert parties together owned 97.38 million Serial System shares, representing 32.45% of the Company's issued capital.

3 Chng has applied for another extension of time to procure resources to make the take-over offer and compensation as directed by the SIC. After considering Chng's submission, the SIC has given Chng until **8 May 2001** to comply fully with the SIC's directions set out in the 8 Mar 2001 press statement.

4 The investing public, and Serial System shareholders in particular, should note that **it is still uncertain whether Chng will be able to make the take-over offer or pay the compensation** as directed by the SIC. They should take this into account when dealing in the Company's shares.

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10 Apr 2001

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SECURITIES INDUSTRY COUNCIL ("SIC")
PRESS STATEMENT
SERIAL SYSTEM LTD ("SERIAL SYSTEM" OR THE "COMPANY")

On 10 Apr 2001, the SIC announced that Eddie Chng Weng Wah ("Chng") had been given another extension to 8 May 2001 to comply fully with the SIC's directions set out in its 8 Mar 2001 press statement (Appendix 1).

2. Chng has informed the SIC today that he is unable to comply with the SIC's direction to make a take-over offer at \$0.67 for each Serial System share in accordance with Rule 33 of the Singapore Code on Take-overs and Mergers to those persons who held Serial System shares as at the close of trading on 26 Feb 2001 and are still holding those same shares.

3. In its press release on 8 Mar 2001, the SIC also directed Chng to compensate those persons who held Serial System shares as at the close of trading on 26 Feb 2001 but who have since sold some or all of those shares in the open market at less than \$0.67, from 27 Feb 2001 until the time Chng announces his take-over offer.

4. The SIC will convene a hearing soon into Chng's breach of Rule 33 of the Take-over Code and his failure to comply with the SIC's directions.

5. One of the matters that the SIC will consider is whether, and if so how much, compensation should be directed to be paid to persons who were holding Serial System shares as at the close of trading on 26 Feb 2001. Such persons should note that **the question of compensation has yet to be determined.**

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8 May 2001

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