

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

On 23 May 2001, the Securities Industry Council ("SIC") gave Eddie Chng Weng Wah ("Chng") until 30 May 2001 to provide it with a written unconditional undertaking that he will comply with the SIC's direction to compensate Serial System shareholders as at the close of trading on 26 Feb 2001 prejudiced by Chng's failure to make a general offer for the Company required by Rule 33 of the Singapore Code on Take-overs and Mergers (the "Compensation"). (Please see Appendix 1.)

2 The SIC has received Chng's written unconditional undertaking to comply fully with the SIC's direction. The SIC will set the time period for Chng to pay the Compensation and determine related issues and procedures, in consultation with an independent third party appointed by Chng to administer the Compensation scheme. Details of the Compensation will be announced when they are ready.

Issued by Securities Industry Council
31 May 2001

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PRESS STATEMENT
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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 cents (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.

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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23 May 2001

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