

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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