



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

RESPONSE TO SGX-ST QUERIES

Serial System Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) sets out its responses to the queries raised by the Singapore Exchange Regulation (“**SGX RegCo**”) on 6 October 2021 in relation to the Company’s announcements dated 5 October 2021 titled “Changes in Composition of the Board of Directors” and in relation to the cessation of Dr. Derek Goh Bak Heng (“**Derek Goh**”) as executive chairman of the board of the Company (the “**5 October Announcements**”) as follows:

1. SGX RegCo Query 1

On 13 November 2015 and 16 November 2015, the Company disclosed that Goh was the subject of the investigations by the Monetary Authority of Singapore in relation to Section 197 / 198 of the Securities and Futures Act (Cap. 289).

Subsequently on 31 July 2018, the Company disclosed that “since the Company’s announcement on 16 November 2015, neither Dr Derek Goh nor the Company has received any material updates relating to the MAS Investigation”.

On 30 August 2019, the Company disclosed that “Further to the MAS Announcement on 13 November 2015, wherein Dr. Derek Goh is the subject of investigation, the NC has noted that to-date, no action has been taken against Dr. Derek Goh”.

On 5 October 2021, the Company disclosed that in relation to “a personal matter” concerning Dr Goh, it “has been informed that the MAS has completed its investigations and the matter is now closed. Derek Goh has been given a conditional warning by the MAS. Derek Goh will step down as director of companies for a period of twenty-four (24) months (the “Relevant Period”)”.

We wish to draw your attention to paragraph 5.8 of Practice Note 7.1 of the Listing Manual, which provides:

“Issuers should put in place internal controls to ensure that where directors or executive officers are notified by a regulatory authority, an exchange, a professional body or a government agency (“relevant authority”), that they are to be interviewed or under investigation, such information is escalated expediently to the Board, including the Nominating Committee. The Board should conduct an independent assessment of the matter and not rely solely on the representations made by the director or executive officer. Where investigations are on-going, directors and executive officers must continue to provide updates to the Board on material development relating to the investigations, including the conclusion of investigations, so long as they are not prohibited from doing so by the regulatory requirements.”

In this regard:

- (a) **Taking into consideration that Derek Goh has to step down as a director of companies (including that of Serial System Ltd), please elaborate on what the “personal matter” concerning Derek Goh relates to, including the relevant factual circumstances and the laws and regulations involved.**

Company’s Response:

As previously announced on 16 November 2015 and on 5 October 2021, the personal matter concerning Derek Goh pertains to investigations (the “**Investigations**”) by the Monetary Authority of Singapore (the “**MAS**”) concerning Section 197(1)(b) and Section 197(1A)(a) of the Securities and Futures Act (Chapter 289). The Company was not the subject matter of the Investigations, and the Investigations did not involve trading of the shares of the Company.

- (b) **Please disclose the conditions attached to the conditional warning issued by the MAS to Derek Goh (the “Conditional Warning”). Please provide the Board’s confirmation that all of these conditions have been fulfilled / will be fulfilled.**

Company’s Response:

The Conditional Warning requires that Derek Goh shall not act as a company director for a period of 24 months (the “**Director Relinquishment Period**”) and the personal payment of a financial sum of S\$50,000.

Derek Goh has confirmed to the board of directors of the Company (the “**Board**”) that he has accepted and will comply with the terms of the Conditional Warning.

- (c) **Was Derek Goh and/or the Company aware of any material developments concerning the MAS’ investigation on Derek Goh since 30 August 2019, including whether Derek Goh was provided an opportunity to submit a defence and/or appeal? If yes, were any of these developments disclosed?**

Company’s Response:

Neither Derek Goh or the Company were aware of any material developments regarding the MAS’ investigation on Derek Goh since 30 August 2019. The Investigations have been closed with the Conditional Warning. As the Conditional Warning does not amount to a conviction for an offence or a finding of guilt by a court of law, nor does it constitute a criminal record, Derek Goh did not see the need to engage legal counsel to submit any defence or file any appeal.

- (d) **When was Derek Goh and the Company first made aware of (1) MAS’ completion of its investigations, (2) the outcome of MAS’ investigations, and (3) the sanction to be imposed i.e. the conditional warning?**

Company’s Response:

Derek Goh was first made aware of the MAS’ completion of the investigations, the outcome of such investigations and the Conditional Warning on 21 September 2021. The Board was informed of the Conditional Warning on 22 September 2021, following which a board meeting was held on 23 September 2021, where the Board decided to consult the MAS on the terms of the Conditional Warning.

The Company, through its legal counsel, clarified with the MAS on 24 September 2021 that Derek Goh was not prohibited from remaining as the Group Chief Executive Officer. The Company's lawyers also sought specific written clarification with the MAS on 24 September 2021 as to whether the definition of "company" for the purpose of the Director Relinquishment Period extends to companies incorporated outside Singapore, and charities and other non-profit organizations incorporated as companies limited by guarantee. The MAS responded to the Company's legal counsel in writing on 5 October 2021. The Company made the 5 October Announcements immediately after receiving the requisite written clarification from the MAS.

2. SGX RegCo Query 2

The Company also disclosed on 5 October 2021 that "Derek Goh has relinquished his directorship and will not be Executive Chairman and Director of the Company during the Relevant Period. Derek Goh will however continue to be the Group Chief Executive Officer but will not be a director of any subsidiary or associated company/ corporation of the Group during the Relevant Period".

Listing Rule 720(1) of the Listing Manual provides that an issuer must also comply with Listing Rule 210(5) on a continuing basis, which requires, among others, a consideration of the character and integrity of directors and management.

Further to the above, we wish to draw your attention to paragraphs 5.10 and 5.11 of Practice Note 7.1 of the Listing Manual, which requires the Nominating Committee to assess "the suitability of the continued appointment of the director or executive officer and continued compliance with Rule 720(1) (read with Rule 210(5)) as well as the measures (if any) put in place to safeguard against risks associated with his continued appointment, where applicable", and "to re-assess the suitability of the continued appointment of the relevant director or executive officer as and when there are material developments to the investigation".

In view of the conditional warning issued by the MAS, please address the following:

- (a) Please provide the assessment and basis of the Nominating Committee with regard to the suitability of Derek Goh's continued appointment as the Group Chief Executive Officer. Please provide details of the factors which have been taken into account by the Nominating Committee in its assessment, including whether and how it has considered the conditions imposed by the MAS, as well as the requirements of Listing Rule 720(1) (read with Listing Rule 210(5)) and Practice Note 7.1 of the Listing Manual.**

Company's Response:

The Nominating Committee recommended to the Board and the Board accepted the Nominating Committee's recommendation that Derek Goh should remain the Group Chief Executive Officer. This decision was made by the Board, taking into consideration:

- (i) MAS' confirmation that the Conditional Warning does not prohibit Derek Goh from continuing in his role as the Group Chief Executive Officer;
- (ii) the performance of Derek Goh as the Group Chief Executive Officer and the pivotal and instrumental role that he has played and will continue to play in developing the Group's business;

- (iii) Derek Goh has been competently and diligently discharging his duties and responsibilities as the Group Chief Executive Officer;
- (iv) the Group continues to require Derek Goh's expertise, experience, leadership and vision, and his relationships with business partners, banks and other stakeholders of the Group, particularly in the challenging global economic environment and business disruptions arising from the COVID-19 pandemic;
- (v) the Investigations did not concern the affairs of the Group, nor did it involve any trading of the shares of the Company; the Investigations also did not at any time concern any matter that was prejudicial to the interests of the Group; and
- (vi) Derek Goh has consistently demonstrated the soundness of character and integrity expected of a chief executive officer of a company listed on the SGX-ST. Notwithstanding the Conditional Warning, which the Board has duly considered, the Board unanimously believes that Derek Goh has the competence, fitness of character and integrity that qualifies him to remain as the Group Chief Executive Officer.

For the foregoing reasons, the Nominating Committee and the Board are unanimously of the view that it is in the best interests of the Group that Derek Goh remains the Group Chief Executive Officer.

As the Group Chief Executive Officer, Derek Goh will continue to be responsible for setting and charting the Group's strategic directions and overseeing the Group's operations, subject to the approval of the Board of Directors. He will however not be a member of the Board exercising any function of a director or voting on any decision of the Board.

BY ORDER OF THE BOARD

Alex Wui Heck Koon
Company Secretary

10 October 2021