



SERIAL SYSTEM LTD

Company Registration No.: 199202071D
(Incorporated in Singapore on 22 April 1992)

Unaudited First Quarter Financial Statement Announcement for the Period Ended 31 March 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF- YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	The Group		
		1Q2019	1Q2018	
		US\$'000	US\$'000	
Sales		229,885	405,220	-43%
Cost of sales		(213,210)	(373,827)	-43%
Gross profit		16,675	31,393	-47%
Gross profit margin		7.3%	7.7%	-0.4 pt
Other income:				
Other operating income		8,053	2,943	174%
Expenses:				
Distribution		(9,920)	(14,109)	-30%
Administrative		(2,444)	(4,582)	-47%
Finance		(3,095)	(3,080)	0.5%
Other:				
Loss allowance on trade and other receivables		(257)	(778)	-67%
Other operating		(6,742)	(3,189)	111%
Total expenses		(22,458)	(25,738)	-13%
		2,270	8,598	-74%
Share of results of associated companies (after income tax)		20	(229)	NM
Share of loss of joint venture (after income tax)		(40)	(63)	37%
Profit before income tax	1	2,250	8,306	-73%
Income tax expense	2	271	(2,275)	NM
Profit after income tax		2,521	6,031	-58%
Attributable to:				
Equity holders of the Company		3,178	5,190	-39%
Non-controlling interests		(657)	841	NM
		2,521	6,031	-58%

Notes :

1. Profit before income tax

	The Group		
	First Quarter		
	1Q2019	1Q2018	
	US\$'000	US\$'000	%
Profit from operations is arrived at after charging/(crediting):-			
a. Depreciation and amortisation	1,355	738	84
b. Amortisation of distribution rights	3	3	0
c. Loss on disposal of property, plant and equipment	-	8	NM
d. Fair value gain on financial assets, at fair value through profit or loss	(491)	(1)	49,000
e. Gain on sale of financial assets, at fair value through profit or loss	(354)	(25)	1,316
f. Impairment losses on goodwill arising from acquisition of subsidiaries	400	300	33
g. Currency translation gain (net)	(995)	(1,641)	-39
h. Gain on derivative financial instruments	(7)	(225)	-97
i. Loss allowance on trade receivables	257	398	-35
j. Loss allowance on other receivables	-	380	NM
k. Allowance/(write-back) of allowance for inventory obsolescence	2,137	(1,231)	NM
l. Write-off of inventories	1	40	-98
m. Hong Kong IPO expenses	-	1,062	NM
n. Consideration in relation to transfer of TI distribution business to an authorized distributor	5,062	-	NM
o. Interest income	(598)	(512)	17
	1Q2019	1Q2018	
2. Income tax expense	US\$'000	US\$'000	%
(Over)/under provision in preceding financial years			
- Current income tax	(364)	200	NM
- Deferred income tax	(21)	-	NM
	(385)	200	NM

NM – Not Meaningful

1(a)(ii) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group		
	First Quarter		
	1Q2019	1Q2018	
	US\$'000	US\$'000	
Net profit after income tax	2,521	6,031	-58%
Items that may be reclassified subsequently to profit or loss:			
Share of associated companies' other comprehensive income/(loss)	15	(104)	NM
Share of joint venture's other comprehensive income	9	113	-92%
Currency translation differences	1,336	2,584	-48%
	1,360	2,593	-48%
Other comprehensive income for the period	1,360	2,593	-48%
Total comprehensive income for the period	3,881	8,624	-55%
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	4,261	7,443	-43%
Non-controlling interests	(380)	1,181	NM
	3,881	8,624	-55%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	31/03/2019 US\$'000	31/12/2018 US\$'000	31/03/2019 US\$'000	31/12/2018 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	58,718	59,180	7,018	8,057
Trade and other receivables	158,956	181,161	18,759	18,418
Inventories	135,788	144,995	-	-
Financial assets, at fair value through profit or loss	43,728	70,953	-	-
Other current assets	2,634	2,232	401	261
	399,824	458,521	26,178	26,736
Non-current assets				
Income tax recoverable	1,667	1,667	-	-
Loans and other receivables	-	-	38,122	34,970
Financial assets, at fair value through profit or loss	3,249	3,506	-	-
Financial assets, at fair value through other comprehensive income	2,199	1,995	-	-
Investments in associated companies	3,770	3,742	1,390	1,390
Investment in joint venture	1,786	1,815	-	-
Investments in subsidiaries	-	-	68,653	68,653
Property, plant and equipment	35,073	35,323	671	720
Investment properties	4,383	4,402	-	-
Right-of-use assets ⁽¹⁾	4,106	-	-	-
Intangible assets	8,832	9,062	165	58
Other assets	555	566	-	-
Deferred income tax assets	503	481	-	-
	66,123	62,559	109,001	105,791
Total Assets	465,947	521,080	135,179	132,527
LIABILITIES				
Current liabilities				
Trade and other payables	136,984	156,621	16,838	13,766
Current income tax liabilities	2,881	3,438	201	163
Borrowings ⁽¹⁾	170,812	211,443	5,954	6,496
	310,677	371,502	22,993	20,425
Non-current liabilities				
Other payables	-	-	12,093	12,028
Borrowings ⁽¹⁾	5,516	3,594	196	208
Defined benefit plans liabilities	917	863	-	-
Deferred income tax liabilities	664	660	288	288
	7,097	5,117	12,577	12,524
Total Liabilities	317,774	376,619	35,570	32,949
Net Assets	148,173	144,461	99,609	99,578

	The Group		The Company	
	31/03/2019 US\$'000	31/12/2018 US\$'000	31/03/2019 US\$'000	31/12/2018 US\$'000
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	72,648	72,648	72,648	72,648
Treasury shares	(736)	(736)	(736)	(736)
Capital reserve	1,276	1,276	180	180
Defined benefit plans reserve	(206)	(206)	-	-
Fair value reserve	(742)	(742)	-	-
Revaluation reserve	59	59	-	-
Other reserve	(765)	(765)	-	-
Currency translation reserve	5,877	4,794	-	-
Retained earnings ⁽¹⁾	63,409	60,401	27,517	27,486
	140,820	136,729	99,609	99,578
Non-controlling interests	7,353	7,732	-	-
Total Equity	148,173	144,461	99,609	99,578

(1) The effect on adoption of the SFRS(I) 16 has resulted in an increase in right-of-use assets of approximately US\$4,755,000, an increase in lease liabilities of US\$4,925,000 (included in current borrowings of US\$2,292,000 and non-current borrowings of US\$2,633,000), with a corresponding decrease in retained earnings of US\$170,000 as at 1 January 2019 (see Section 5 below). The right-of-use assets and lease liabilities were further reduced by US\$649,000 and US\$607,000 respectively to consolidated income statement in 1Q2019.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

31/03/2019		31/12/2018	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
8,257	162,555	8,811	202,632

Amount repayable after one year

31/03/2019		31/12/2018	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
3,490	2,026	3,594	-

Details of any collateral

- a) A US\$14.7 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$5.9 million (31 December 2018: US\$6.4 million) taken up by the Company with a bank is secured with the following:
 - a first legal mortgage on the leasehold land and building ("Mortgaged Property") held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$0.4 million (31 December 2018: US\$0.4 million) taken by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to part finance the acquisition of a property in Malaysia is secured by a first legal mortgage of the property and guarantee by a subsidiary of the Group.
- c) Bank borrowing of US\$5.0 million (31 December 2018: US\$5.1 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan and for working capital requirements is secured by a first legal mortgage of the property.
- d) Finance lease liabilities of US\$0.40 million (31 December 2018: US\$0.40 million) are secured on the Group's assets acquired under finance lease agreements.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	First Quarter	
	1Q2019 US\$'000	1Q2018 US\$'000
Cash flows from operating activities		
Profit before income tax	2,250	8,306
Adjustments for:		
Amortisation of computer software license costs	39	70
Amortisation of distribution rights	3	3
Depreciation of property, plant and equipment	1,316	668
Loss on disposal of property, plant and equipment	-	8
Fair value gain on financial assets, at fair value through profit or loss	(491)	(1)
Gain on sale of financial assets, at fair value through profit or loss	(354)	(25)
Impairment losses on goodwill arising from acquisition of subsidiaries	400	300
Provision for defined benefit plans liabilities	162	137
Interest income	(598)	(512)
Interest expense	3,095	3,080
Share of results of associated companies	(20)	229
Share of loss of joint venture	40	63
Operating cash flow before working capital changes	5,842	12,326
Changes in working capital		
Trade and other receivables	22,897	(23,159)
Financial assets, at fair value through profit or loss	27,225	-
Inventories	9,245	48,796
Other current assets	(398)	(532)
Other assets (non-current)	11	(2)
Trade and other payables	(19,595)	3,471
Cash from operations	45,227	40,900
Income tax paid	(220)	(691)
Net cash provided by operating activities	45,007	40,209
Cash flows from investing activities		
Payments for intangible assets (computer software license costs)	(132)	(22)
Payments for property, plant and equipment	(67)	(125)
Proceeds from disposal of property, plant and equipment	-	11
Proceeds from sale of financial assets, at fair value through profit or loss	1,214	355
Payments for financial assets, at fair value through profit or loss	(105)	-
Payments for financial assets, at fair value through other comprehensive income	(200)	-
Interest received	599	508
Net cash provided by investing activities	1,309	727
Cash flows from financing activities		
Subscription of interests in subsidiaries by non-controlling interests	1	40
Proceeds from bank borrowings	192,790	231,838
Repayment of bank borrowings	(235,816)	(247,062)
Repayment of finance lease liabilities	(27)	(8)
Repayment of lease liabilities	(607)	-
Bank balance placed in an escrow account	(10,000)	-
Interest paid	(3,244)	(3,069)
Net cash used in financing activities	(56,903)	(18,261)
Net (decrease)/increase in cash and cash equivalents held	(10,587)	22,675
Cash and cash equivalents at the beginning of the period	58,254	72,157
Effect of currency translation on cash and cash equivalents	108	332
Cash and cash equivalents at the end of the period	47,775	95,164
Reconciliation:		
Cash and cash equivalents per statement of financial position	58,718	96,124
Less: Bank deposits pledged for overdraft facility	(943)	(960)
Less: Bank balance placed in an escrow account	(10,000)	-
Cash and cash equivalents per consolidated cash flow statement	47,775	95,164

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →										Non-controlling interests	Total equity	
	Share capital	Treasury shares	Capital reserve	Defined benefit plans reserve	Fair value reserve	Revaluation reserve	Other reserve	Currency translation reserve	Retained earnings	Total attributable to equity holders of the Company			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2019 (previously reported)	72,648	(736)	1,276	(206)	(742)	59	(765)	4,794	60,401	136,729	7,732	144,461	
Adoption of the SFRS(I) 16	-	-	-	-	-	-	-	-	(170)	(170)	-	(170)	
Balance at 1 January 2019 (restated)	72,648	(736)	1,276	(206)	(742)	59	(765)	4,794	60,231	136,559	7,732	144,291	
Total comprehensive income for the period	-	-	-	-	-	-	-	1,083	3,178	4,261	(380)	3,881	
Investment in a subsidiary by a non-controlling interest	-	-	-	-	-	-	-	-	-	-	1	1	
Balance at 31 March 2019	72,648	(736)	1,276	(206)	(742)	59	(765)	5,877	63,409	140,820	7,353	148,173	
Balance at 1 January 2018	72,648	(736)	1,276	(149)	-	59	(765)	10,159	55,035	137,527	7,488	145,015	
Total comprehensive income for the period	-	-	-	-	-	-	-	2,253	5,190	7,443	1,181	8,624	
Investment in a subsidiary by a non-controlling interest	-	-	-	-	-	-	-	-	-	-	40	40	
Balance at 31 March 2018	72,648	(736)	1,276	(149)	-	59	(765)	12,412	60,225	144,970	8,709	153,679	

Statement of Changes in Equity - Company

	Share capital	Treasury shares	Capital reserve	Currency translation reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2019	72,648	(736)	180	-	27,486	99,578
Total comprehensive income for the period	-	-	-	-	31	31
Balance at 31 March 2019	72,648	(736)	180	-	27,517	99,609
Balance at 1 January 2018	72,648	(736)	180	-	35,284	107,376
Total comprehensive loss for the period	-	-	-	-	(518)	(518)
Balance at 31 March 2018	72,648	(736)	180	-	34,766	106,858

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no ordinary shares issued since the end of the financial period ended 31 December 2018.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2018.

There were no outstanding share options as at 31 March 2019 (31 March 2018: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as the end of the immediately preceding year.

	<u>31/03/2019</u>	<u>31/12/2018</u>
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Please refer to 1(d)(ii).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

1(e) Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited First Quarter Financial Statements for the period ended 31 March 2019 to be false or misleading.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2018 except as described in section 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the following changes in accounting standards for the current reporting financial year:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group has adopted SFRS(I) 16 on 1 January 2019 based on a permitted transition approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group has also adopted an expedient offered by SFRS(I) 16, exempting the Group from having to reassess whether pre-existing contracts contain a lease.

- The Group has entered into various operating lease arrangements as at 31 December 2018. The effect on adoption of the SFRS(I) 16 has resulted in an increase in right-of-use assets of approximately US\$4,755,000, an increase in lease liabilities of US\$4,925,000 (included in borrowings), with a corresponding decrease in retained earnings of US\$170,000 as at 1 January 2019. The nature of expenses related to those leases had also changed as SFRS(I) 16 replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	The Group	
	First Quarter	
	1Q2019	1Q2018
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.35 cent	0.58 cent
On a fully diluted basis (in US\$)	0.35 cent	0.58 cent

Earnings per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1Q2018: 895,841,914).

Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1Q2018: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive shares for the financial period ended 31 March 2019 and 31 March 2018.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	The Group		The Company	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	15.72 cents	15.26 cents	11.12 cents	11.11 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Income Statement

Results for Three Months Ended 31 March 2019

The Group recorded a turnover of US\$229.9 million for the first quarter ended 31 March 2019 ("1Q2019"), a decrease of 43% from US\$405.2 million for the same period last year ("1Q2018").

Turnover for the electronic components distribution business declined 43% to US\$220.0 million in 1Q2019. The termination of the distribution business with Texas Instruments ("TI") has impacted sales in all markets of the Group's electronic components distribution business in Asia. The trade tensions between China and the United States have also negatively impacted sales in China and Hong Kong. The decrease in turnover was partially mitigated by increased sales for certain existing products lines in these markets as the Group focused its resources to grow these product lines following TI's termination.

Turnover for the consumer products distribution business declined 50% to US\$8.9 million, mainly due to lower demand in the markets (Singapore, Indonesia and Malaysia) the Group operated.

Overall gross profit margin decreased to 7.3% in 1Q2019 from 7.7% in 1Q2018, due to lower margin achieved by both the electronic components distribution and consumer products distribution businesses resulting from keen market competition.

Other operating income increased by US\$5.1 million or 174%. This was mainly due to the recognition in 1Q2019 of a consideration of US\$5.1 million in relation to the transfer of the distribution business with TI to an authorised distributor, and higher fair value gain on financial assets, at fair value through profit or loss of US\$0.5 million and gain on sale of financial assets, at fair value through profit or loss of US\$0.3 million in 1Q2019. The increase was partially offset by lower currency translation gain of US\$0.6 million and lower gain on derivative financial instruments of US\$0.2 million in 1Q2019.

Distribution expenses decreased by US\$4.2 million or 30% mainly due to lower staff and related costs, freight and handling charges, custom taxes and sales commission expenses associated with the electronic components distribution business as a result of the reduction of sales in 1Q2019.

Administrative expenses decreased by US\$2.1 million or 47%. The decrease was mainly due to the absence of legal and professional fees related to the SMHK's Hong Kong IPO which amounted to US\$1.1 million in 1Q2018, and lower bank charges and staff-related costs associated with the electronic components distribution business.

Finance expenses increased marginally by US\$15,000 or 0.5%, despite a decrease in bank borrowings when compared with 1Q2018 mainly due to higher interest rates across all trade facilities in 1Q2019 compared with 1Q2018.

Other operating expenses increased by US\$3.0 million or 76%, mainly due to an allowance for inventory obsolescence of US\$2.1 million, compared to a write-back of allowance for inventory obsolescence of US\$1.2 million in 1Q2018. Lower staff costs and loss allowance on trade and other receivables offset partially the increase in other operating expenses in 1Q2019.

The Group's share of net profit from associated companies of US\$20,000 in 1Q2019 was mainly contributed by 20%-owned PT Sentral Mitra Informatika and 19.02%-owned Bull Will Co., Ltd. The share of profits was partially offset by the share of loss in 41%-owned Unitrontech China Co., Ltd. The Group's share of net loss from associated companies of US\$0.2 million in 1Q2018 was mainly due to loss from 19.02%-owned Bull Will Co., Ltd and previously 27.34% owned SPL Holdings (Australia) Pty Ltd.

The Group shared a net loss in 27.5%-owned Musang Durians Frozen Food (M) Sdn. Bhd. as a result of low sales which was not able to cover its operating expenses.

The Group reported a net profit after tax of US\$3.2 million compared to US\$5.2 million in 1Q2018. The Group's net margin improved to 1.4% in 1Q2019 from 1.3% in the previous period.

Statement of Financial Position

Trade and other receivables decreased by US\$22.2 million (net of factored trade receivables), mainly due to lower sales achieved by the Group's electronic components distribution and consumer products distribution subsidiaries in 1Q2019. The decrease is partially off-set by longer payment terms from certain customers of the Group's electronic components distribution subsidiaries in 1Q2019. Average turnover days for trade receivables increased to 84 in 1Q2019 from 54 in FY2018.

Inventories decreased by US\$9.2 million, mainly due to lower inventory holding by the Group's Hong Kong, Singapore and South Korea's electronic components distribution subsidiaries due to TI termination, mitigated by higher inventory holding of other product lines in 1Q2019. The Group's consumer products distribution business also held lower inventories overall in 1Q2019 in anticipation of lower sales in the markets it operated.

Financial assets, at fair value through profit or loss (current assets) decreased by US\$27.2 million, mainly due to the reduction in reclassification from trade receivables by US\$27.2 million to US\$43.0 million (FY2018: reclassification from trade receivables of US\$70.2 million). This was due to lower sales achieved by the Group's electronic components distribution subsidiaries in 1Q2019.

The Company's loans and other receivables increased by US\$3.2 million mainly due to additional inter-company loans to the Group's Hong Kong electronic components distribution subsidiary in 1Q2019.

Trade and other payables decreased by US\$19.6 million, mainly due to lower purchases by the Group's Hong Kong, Taiwan and South Korea's electronic components distribution subsidiaries. The partial recognition of contingent consideration received from the authorised distributor for the transfer of TI business to other income in 1Q2019 also contributed to the decrease in trade and other payables. Average payment days for trade payables increased to 38 in 1Q2019 from 29 in FY2018.

The Company's trade and other payables increased by US\$3.1 million mainly due to additional loans from its Singapore subsidiaries in 1Q2019.

Borrowings decreased by US\$38.7 million mainly due to lower bank borrowings by the Group's electronic components distribution subsidiaries as the Group utilised funds generated from operations to reduce its borrowings and to finance its working capital requirements.

The currency translation reserve increased by US\$1.1 million mainly due to an increase in the value of the Group's investments in its China, Thailand and Singapore subsidiaries arising from the weakening of the United States Dollar against Chinese Renminbi, Thailand Baht and Singapore Dollar respectively.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously issued in respect of the current reporting period.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to be vigilant of the ongoing US-China trade war, and has been exploring opportunities to further diversify its income streams to strengthen itself against any uncertainty and unforeseen developments.

Going forward, the Group has devised a two-prong strategy for its electronic components distribution business, which consists of reallocating resources and personnel to more efficiently support its existing suppliers, and proactively and aggressively unlocking potential partnerships with other suppliers, customers and channel partners.

The Group is also seeking new suppliers in the automotive, Internet of Things (IoT) and Artificial Intelligence (AI) industries in Europe, United States, South Korea, China and Taiwan, who can benefit greatly from the Group's extensive and established distribution network.

Ahead of the cessation of the Texas Instruments ("TI") distribution business on 30 June 2019, the Group is working with TI and an authorised TI distributor, to ensure minimum disruption to customers and operations. The sale of the TI distribution business will generate some returns for the financial year ending 31 December 2019. In anticipation of a reduction in sales, the Group has also engaged in right-sizing its TI workforce.

Barring unforeseen circumstances, the Group expects to remain profitable in the financial year ending 31 December 2019.

11. Dividend

a) Current Financial Period Reported On

Any dividend declared (recommended) for the current financial period reported on?

No.

b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

12. **If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

The Company usually makes two dividend payments on an annual basis, with the amount declared as at 30 June and 31 December each year for the six-month ending on each of the said dates. As such, no dividend was declared for the first quarter ended 31 March 2019.

13. **If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under SGX Listing Manual Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No general mandate from shareholders has been obtained for IPTs.

14. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/Group CEO
29 April 2019