



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 2018

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 First Quarter | | |
|---|------|----------------------------|--------------------|--------|
| | | 1Q2018 US\$'000 | 1Q2017 US\$'000 | |
| Sales | | 405,220 | 332,937 | 22% |
| Cost of sales | | (373,827) | (308,978) | 21% |
| Gross profit | | 31,393 | 23,959 | 31% |
| Gross profit margin | | 7.7% | 7.2% | 0.5 pt |
| Other income: | | | | |
| Other operating income | | 2,943 | 1,741 | 69% |
| Expenses: | | | | |
| Distribution | | (14,109) | (11,489) | 23% |
| Administrative | | (4,582) | (3,156) | 45% |
| Finance | | (3,080) | (2,187) | 41% |
| Other | | (3,967) | (4,672) | -15% |
| Total expenses | | (25,738) | (21,504) | 20% |
| | | 8,598 | 4,196 | 105% |
| Share of results of associated companies (after income tax) | | (229) | (302) | -24% |
| Share of loss of joint venture (after income tax) | | (63) | - | NM |
| Profit before income tax | 1 | 8,306 | 3,894 | 113% |
| Income tax expense | 2 | (2,275) | (880) | 159% |
| Profit after income tax | | 6,031 | 3,014 | 100% |
| Attributable to: | | | | |
| Equity holders of the Company | | 5,190 | 2,708 | 92% |
| Non-controlling interests | | 841 | 306 | 175% |
| | | 6,031 | 3,014 | 100% |

Notes :

1. Profit before income tax

| | The Group First Quarter | | % |
|--|----------------------------|--------------------|-------------|
| | 1Q2018 US\$'000 | 1Q2017 US\$'000 | |
| Profit from operations is arrived at after charging/(crediting) :- | | | |
| a. Depreciation and amortisation | 738 | 672 | 10 |
| b. Amortisation of distribution rights | 3 | 3 | 0 |
| c. Impairment losses on goodwill arising from acquisition of subsidiaries | 300 | 230 | 30 |
| d. Loss on closure of subsidiaries | - | 23 | NM |
| e. Loss on disposal of property, plant and equipment | 8 | 8 | 0 |
| f. Gain on sale of financial assets, at FVPL | (25) | - | NM |
| g. Fair value gain on financial assets, at FVPL | (1) | (8) | -88 |
| h. Allowance for impairment losses on trade receivables | 398 | 73 | 445 |
| i. Allowance for impairment losses on other receivables | 380 | - | NM |
| j. (Write-back)/allowance for inventory obsolescence | (1,231) | 477 | 358 |
| k. Write-off/(write-back) of inventories | 40 | (18) | -322 |
| l. Currency translation (gain)/loss (net) | (1,641) | 587 | 380 |
| m. Currency translation reserve realised to income statement upon repayment of inter-company long term loans | - | 43 | NM |
| n. Gain on derivative financial instruments | (225) | (159) | 42 |
| o. Hong Kong IPO expenses | 1,062 | - | NM |
| p. Interest income | (512) | (337) | 52 |
| | 1Q2018 | 1Q2017 | |
| | US\$'000 | US\$'000 | % |
| 2. Income tax expense | | | |
| Under/(over) provision in preceding financial years | | | |
| - Current income tax | 200 | (250) | -180 |
| | 200 | (250) | -180 |

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 | | % |
|--|----------------------------|--------------------|-------------|
| | 1Q2018 US\$'000 | 1Q2017 US\$'000 | |
| Net profit after income tax | 6,031 | 3,014 | 100% |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Net gain on fair value changes on financial assets, available-for-sale | - | 1,366 | NM |
| Share of associated company's other comprehensive income | (104) | 44 | -336% |
| Share of joint venture's other comprehensive income | 113 | - | NM |
| Currency translation differences | 2,584 | 3,221 | -20% |
| | 2,593 | 4,631 | -44% |
| Other comprehensive income for the period | 2,593 | 4,631 | -44% |
| Total comprehensive income for the period | 8,624 | 7,645 | 13% |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | 7,443 | 7,521 | -1% |
| Non-controlling interests | 1,181 | 124 | 852% |
| | 8,624 | 7,645 | 13% |

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 | |
|---|------------------------|---------------------------------------|------------------------|---------------------------------------|
| | 31/03/2018 US\$'000 | 31/12/2017 ⁽¹⁾ US\$'000 | 31/03/2018 US\$'000 | 31/12/2017 ⁽¹⁾ US\$'000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 96,124 | 73,080 | 7,761 | 8,478 |
| Trade and other receivables | 248,323 | 223,510 | 16,676 | 15,703 |
| Inventories | 119,688 | 168,465 | - | - |
| Financial assets, at FVPL | 802 | 810 | - | - |
| Other current assets | 3,282 | 2,733 | 582 | 158 |
| | 468,219 | 468,598 | 25,019 | 24,339 |
| Non-current assets | | | | |
| Loans and receivables | - | - | 41,913 | 41,370 |
| Financial assets, at FVPL ⁽²⁾ | 5,651 | - | - | - |
| Financial assets, at FVOCI ⁽²⁾ | 957 | - | - | - |
| Financial assets, available-for-sale ⁽²⁾ | - | 6,894 | - | - |
| Investments in associated companies | 18,041 | 18,375 | 1,936 | 1,936 |
| Investment in joint venture | 2,486 | 2,436 | - | - |
| Investments in subsidiaries | - | - | 72,789 | 72,789 |
| Property, plant and equipment | 38,248 | 37,630 | 303 | 355 |
| Investment properties | 4,639 | 4,534 | - | - |
| Intangible assets | 13,654 | 13,809 | 212 | 248 |
| Other assets | 1,173 | 1,171 | - | - |
| Deferred income tax assets | 1,095 | 841 | - | - |
| | 85,944 | 85,690 | 117,153 | 116,698 |
| Total Assets | 554,163 | 554,288 | 142,172 | 141,037 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 169,260 | 165,444 | 23,707 | 21,739 |
| Current income tax liabilities | 4,376 | 2,861 | 179 | 106 |
| Borrowings | 215,246 | 229,242 | 2,441 | 2,395 |
| | 388,882 | 397,547 | 26,327 | 24,240 |
| Non-current liabilities | | | | |
| Other payable | - | - | 2,635 | 2,585 |
| Borrowings | 9,867 | 10,340 | 6,103 | 6,587 |
| Defined benefit plans liabilities | 897 | 831 | - | - |
| Deferred income tax liabilities | 838 | 555 | 249 | 249 |
| | 11,602 | 11,726 | 8,987 | 9,421 |
| Total Liabilities | 400,484 | 409,273 | 35,314 | 33,661 |
| Net Assets | 153,679 | 145,015 | 106,858 | 107,376 |

| | The Group | | The Company | |
|--|------------------------|---------------------------------------|------------------------|---------------------------------------|
| | 31/03/2018 US\$'000 | 31/12/2017 ⁽¹⁾ US\$'000 | 31/03/2018 US\$'000 | 31/12/2017 ⁽¹⁾ US\$'000 |
| EQUITY | | | | |
| Capital and reserves attributable to the Company's equity holders | | | | |
| 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 | (149) | (149) | - | - |
| Fair value reserve ⁽³⁾ | - | 4,454 | - | - |
| Revaluation reserve | 59 | 59 | - | - |
| Other reserve | (765) | (765) | - | - |
| Currency translation reserve ⁽⁴⁾ | 12,412 | 10,159 | - | - |
| Retained earnings ^{(3) (4)} | 60,225 | 50,581 | 34,766 | 35,284 |
| | 144,970 | 137,527 | 106,858 | 107,376 |
| Non-controlling interests | 8,709 | 7,488 | - | - |
| Total Equity | 153,679 | 145,015 | 106,858 | 107,376 |

(1) Figures have been restated with adoption of the SG-IFRS.

(2) Financial assets, at FVPL and Financial assets, at FVOCI were reclassified from Financial assets, available-for-sale during the current financial period upon the adoption of SG-IFRS 9 (see Section 5(b) below)

(3) The effect on adoption of the SG-IFRS 9 has resulted in a decrease of US\$4,454,000 in fair value reserve and a corresponding increase in retained earnings of US\$4,454,000 in the opening reserves of the Group as at 1 January 2018 (see Section 5(b) below)

(4) Currency translation reserve and retained earnings for the Group and Company as at 31 December 2017 have been restated with adoption of the SG-IFRS 1(See Section 5(a) below).

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

Amount repayable in one year or less, or on demand

| 31/03/2018 | | 31/12/2017 | |
|----------------|------------------|----------------|------------------|
| <u>Secured</u> | <u>Unsecured</u> | <u>Secured</u> | <u>Unsecured</u> |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 5,063 | 210,183 | 5,153 | 224,089 |

Amount repayable after one year

| 31/03/2018 | | 31/12/2017 | |
|----------------|------------------|----------------|------------------|
| <u>Secured</u> | <u>Unsecured</u> | <u>Secured</u> | <u>Unsecured</u> |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 9,867 | - | 10,340 | - |

Details of any collateral

- a) A US\$15.2 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$8.5 million (31 December 2017: US\$9.0 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\$0.5 million (31 December 2017: US\$0.5 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\$5.6 million (31 December 2017: US\$5.6 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) Bank borrowing of US\$0.2 million (31 December 2017: US\$0.4 million) taken by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited, to part finance the acquisition of a property in South Korea is secured by a first legal mortgage of the property.
- e) Finance lease liabilities of US\$0.09 million (31 December 2017: US\$0.09 million) are secured on the Group's motor vehicles 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 | |
|--|-----------------|----------------|
| | 1Q2018 | 1Q2017 |
| | US\$'000 | US\$'000 |
| Cash flows from operating activities | | |
| Profit before income tax | 8,306 | 3,894 |
| Adjustments for: | | |
| Amortisation of computer software license costs | 70 | 82 |
| Amortisation of distribution rights | 3 | 3 |
| Depreciation of property, plant and equipment | 668 | 590 |
| Loss on disposal of property, plant and equipment | 8 | 8 |
| Fair value gain on financial assets, at FVPL | (1) | (8) |
| Gain on sale of financial assets, at FVPL | (25) | - |
| Impairment losses on goodwill arising from acquisition of subsidiaries | 300 | 230 |
| Loss on closure of subsidiaries | - | 23 |
| Provision for defined benefit plans liabilities | 137 | 352 |
| Interest income | (512) | (337) |
| Interest expense | 3,080 | 2,187 |
| Share of results of associated companies | 229 | 302 |
| Share of loss of joint venture | 63 | - |
| Operating cash flow before working capital changes | 12,326 | 7,326 |
| Changes in working capital | | |
| Trade and other receivables | (23,159) | 2,533 |
| Inventories | 48,796 | 7,346 |
| Other current assets | (532) | (801) |
| Other assets (non-current) | (2) | (36) |
| Trade and other payables | 3,471 | (17,733) |
| Cash from/(used in) operations | 40,900 | (1,365) |
| Income tax paid | (691) | (1,256) |
| Net cash provided by/(used in) operating activities | 40,209 | (2,621) |
| Cash flows from investing activities | | |
| Payments for intangible assets (computer software license costs) | (22) | (16) |
| Payments for property, plant and equipment | (125) | (137) |
| Proceeds from disposal of property, plant and equipment | 11 | - |
| Proceeds from sale of financial assets, at FVPL | 355 | - |
| Interest received | 508 | 313 |
| Net cash provided by investing activities | 727 | 160 |
| Cash flows from financing activities | | |
| Payment for acquisition of additional interest in a subsidiary from a non-controlling interest | 40 | - |
| Proceeds from bank borrowings | 231,838 | 228,738 |
| Repayment of bank borrowings | (247,062) | (211,200) |
| Repayment of finance lease liabilities | (8) | (5) |
| Interest paid | (3,069) | (2,130) |
| Net cash (used in)/provided by financing activities | (18,261) | 15,403 |
| Net increase in cash and cash equivalents held | 22,675 | 12,942 |
| Cash and cash equivalents at the beginning of the period | 72,157 | 65,153 |
| Effect of currency translation on cash and cash equivalents | 332 | 521 |
| Cash and cash equivalents at the end of the period | 95,164 | 78,616 |
| Reconciliation: | | |
| Cash and cash equivalents per statement of financial position | 96,124 | 78,616 |
| Less : Bank deposits pledged for overdraft facility | (960) | - |
| Cash and cash equivalents per consolidated cash flow statement | 95,164 | 78,616 |

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 →

| | Share capital US\$'000 | Treasury shares US\$'000 | Capital reserve US\$'000 | Defined benefit plans reserve US\$'000 | Fair value reserve US\$'000 | Revaluation reserve US\$'000 | Other reserve US\$'000 | Currency translation reserve US\$'000 | Retained earnings US\$'000 | Total attributable to equity holders of the Company US\$'000 | Non-controlling interests US\$'000 | Total equity US\$'000 |
|--|---------------------------|-----------------------------|-----------------------------|---|--------------------------------|---------------------------------|---------------------------|--|-------------------------------|---|---------------------------------------|--------------------------|
| Balance at 1 January 2018 | 72,648 | (736) | 1,276 | (149) | 4,454 | 59 | (765) | 10,159 | 50,581 | 137,527 | 7,488 | 145,015 |
| Effect of change in accounting policy on adoption of SG-IFRS 9 | - | - | - | - | (4,454) | - | - | - | 4,454 | - | - | - |
| 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 |
| Balance at 1 January 2017 (<i>previously reported</i>) | 72,648 | (736) | 1,276 | (257) | 3,670 | 59 | (771) | (2,683) | 46,719 | 119,925 | 4,862 | 124,787 |
| Effect of change in accounting policy on adoption of SG-IFRS 1 | - | - | - | - | - | - | - | 2,683 | (2,683) | - | - | - |
| Balance at 1 January 2017 (<i>restated</i>) | 72,648 | (736) | 1,276 | (257) | 3,670 | 59 | (771) | - | 44,036 | 119,925 | 4,862 | 124,787 |
| Total comprehensive income for the period | - | - | - | - | 1,366 | - | - | 3,447 | 2,708 | 7,521 | 124 | 7,645 |
| Closure of subsidiaries | - | - | - | - | - | - | - | - | - | - | (39) | (39) |
| Balance at 31 March 2017 | 72,648 | (736) | 1,276 | (257) | 5,036 | 59 | (771) | 3,447 | 46,744 | 127,446 | 4,947 | 132,393 |

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 2018 | 72,648 | (736) | 180 | - | 35,284 | 107,376 |
| Total comprehensive income for the period | - | - | - | - | (518) | (518) |
| Balance at 31 March 2018 | 72,648 | (736) | 180 | - | 34,766 | 106,858 |
| Balance at 1 January 2017 (<i>previously reported</i>) | 72,648 | (736) | 180 | 17,589 | 14,109 | 103,790 |
| Effect of change in accounting policy on adoption of SG-IFRS 1 | | | | (17,589) | 17,589 | - |
| Balance at 1 January 2017 (restated) | 72,648 | (736) | 180 | - | 31,698 | 103,790 |
| Total comprehensive income for the period | - | - | - | - | 937 | 937 |
| Balance at 31 March 2017 | 72,648 | (736) | 180 | - | 32,635 | 104,727 |

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 2017.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2017.

There were no outstanding share options as at 31 March 2018 (31 March 2017: 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>31/03/2018</u> | <u>31/12/2017</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 2018 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 2017 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:

Singapore-incorporated companies listed on the Singapore Exchange Securities Trading Limited are required to apply a new financial reporting framework identical to the IFRS (referred to as SG-IFRS in these financial statements) for the financial year ended 31 December 2018 onwards.

(a) FRS 101 First-time Adoption of International Financial Reporting Standards

The Group has performed an assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework and does not expect to change its existing accounting policies on adoption of the new framework except for the adoption of the optional exemptions under SG-IFRS 1 on the accounting treatment for cumulative translation differences. The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SG-IFRS 1 on 1 January 2017. The effect on adoption of the SG-IFRS 1 has resulted in a decrease of US\$17,589,000 and an increase of US\$2,684,000 respectively in the Company and the Group's currency translation reserves and a corresponding increase and decrease respectively in retained earnings in the opening reserves of the Company and the Group as at 1 January 2017.

(b) FRS 109 Financial Instruments

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies.

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SG-IFRS 9 as follows:

- Investments in certain listed equity shares are reclassified from the “available-for-sale” (“financial assets, available-for-sale”) category to “fair value through profit or loss” (“financial assets, at FVPL”) as the Group's business model is neither to hold these investments to collect contractual cash flows nor does the asset's contractual cash flows represent only payments of principal and interest. The effect on adoption of the SG-IFRS 9 has resulted in a decrease of US\$4,454,000 respectively in fair value reserve and a corresponding increase in retained earnings in the opening reserves of the Group as at 1 January 2018.
- The Group has elected to recognize changes in the fair value of all its unlisted equity investments not held for trading and previously classified as financial assets, available-for-sale, in other comprehensive income (“financial assets, at FVOCI”).
- The Group has applied the simplified impairment approach to recognise only lifetime expected credit loss impairment charges on all trade and other receivables. The effect on adoption of the SG-IFRS 9 has resulted in a decrease in income statement of the Group amounting to US\$778,000 and a corresponding decrease in trade and other receivables for the financial period ended 31 March 2018.

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 | |
| | 1Q2018 | 1Q2017 |
| Based on the weighted average number of ordinary shares in issue (in US\$); and | 0.58 cent | 0.30 cent |
| On a fully diluted basis (in US\$) | 0.58 cent | 0.30 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 (1Q2017: 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 (1Q2017: 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 2018 and 31 March 2017.

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 | |
|--|-------------|-------------|-------------|-------------|
| | 31/03/2018 | 31/12/2017 | 31/03/2018 | 31/12/2017 |
| Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$) | 17.15 cents | 16.19 cents | 11.93 cents | 11.99 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 2018

The Group recorded turnover of US\$405.2 million for the first quarter ended 31 March 2018 ("1Q2018"), an increase of 22% compared to US\$332.9 million from the same period last year ("1Q2017").

Turnover for the electronic components distribution business increased 23% to US\$386.5 million, driven by higher sales in all markets except South Asia. Turnover in Taiwan, Hong Kong and China, and South Korea increased 56%, 34% and 19% respectively, on higher demand for their product lines from new and existing customers. Turnover from South Asia declined 16% as a result of keen price competition and weak demand for certain product lines.

Turnover for the Group's consumer products distribution business increased 3% to US\$17.6 million, boosted by higher demand for its product lines in Malaysia and Indonesia market.

Overall gross profit margin increased to 7.7% in 1Q2018 from 7.2% in 1Q2017, mainly due to higher margins achieved by both the electronic components distribution business and consumer products distribution business as the Group deliberately focused more sales and marketing efforts on higher-margin products and customers.

Other operating income increased by US\$1.2 million or 69%, due mainly to a currency translation gain of US\$1.6 million recognised in 1Q2018 and higher finance income earned in 1Q2018. The Group reported a currency translation loss of US\$0.6 million in 1Q2017. The increase in other operating income was partially offset by lower commission and office rental income earned in 1Q2018.

In line with the increased sales, distribution expenses increased by US\$2.6 million or 23%. This was mainly due to higher staff costs, sales commission expenses, freight and handling charges and rework costs associated with the electronic components distribution business.

Administrative expenses increased by US\$1.4 million or 45%, mainly due to higher professional fees of US\$1.1 million attributable to the Group's proposed listing of its 91%-owned Hong Kong subsidiary, Serial Microelectronics (HK) Limited, and higher staff-related costs associated with the electronic components distribution business.

Finance expenses increased by US\$0.9 million or 41%, mainly due to higher utilisation of non-recourse trade receivables facilities by the Group's electronic components distribution subsidiaries to finance their working capital requirements. Higher interest rates across all trade facilities in 1Q2018 added to the increase in finance expenses.

Other operating expenses decreased by US\$0.7 million or 15% mainly due to a write-back of allowance for inventory obsolescence of US\$1.2 million in 1Q2018 versus a US\$0.5 million allowance for inventory obsolescence in 1Q2017. A currency translation gain (recorded in other operating income) in 1Q2018 versus a currency translation loss of US\$0.6 million in 1Q2017 also resulted in a reduction in other operating expenses. The decrease was partly negated by higher staff costs, allowance for impairment losses on trade and non-trade receivables, impairment losses on goodwill arising from acquisition of subsidiaries and higher depreciation expenses in 1Q2018.

Total expenses as a percentage of turnover declined to 6.4% from 6.5% in 1Q2017 as the Group continued to improve operational and cost efficiencies amid rising staff and business costs, especially in China.

The Group's share of losses in associated companies in 1Q2018 amounted to US\$0.2 million, mainly due to a share of loss of US\$0.1 million each (1Q2017: US\$0.2 million each) in 27.34%-owned SPL Holdings (Australia) Pty Ltd and 19.02%-owned Bull Will Co., Ltd.

The Group's share of loss in 27.5% joint venture Musang Durians Frozen Food (M) Sdn. Bhd. ("Musang Durians") amounted to US\$0.1 million in 1Q2018. The loss was mainly due to lower sales generated in China as a result of the Chinese New Year holidays.

With the higher gross profit contributed by both higher sales and higher margins, coupled with gains from currency translation and write-back of inventory obsolescence, the Group reported a net profit after tax of US\$5.2 million in 1Q2018, a 92% increase compared to US\$2.7 million in 1Q2017. The Group's net margin consequently improved to 1.3% in 1Q2018 from 0.8% in the previous period.

Statement of Financial Position

Trade and other receivables increased by US\$24.8 million (net of factored trade receivables) mainly due to increased trade receivables in the Group's electronic components distribution subsidiaries in line with higher sales. An increase in other receivables at Bast Investment Pte Ltd, due to a working capital loan extended to joint venture Musang Durians, also contributed to the increase in trade and other receivables. Average turnover days for trade receivables remains the same at 51 in 1Q2018 and FY2017.

Inventories decreased by US\$48.8 million, mainly due to lower inventory holding by the Group's Singapore and Hong Kong subsidiaries arising from the discontinuation of a product line. Better inventory management at the Group's Indonesia consumer product distribution subsidiary also contributed to the decrease in inventories.

Property, plant and equipment increased by US\$0.6 million, mainly due to additions to plant and equipment and currency exchange gain totalling about US\$1.3 million in 1Q2018. Depreciation on property, plant and equipment amounting to US\$0.7 million offset the increase in property, plant and equipment.

Trade and other payables increased by US\$3.8 million, mainly due to increase in purchases by the South Korea and Taiwan electronic components distribution subsidiaries in anticipation of higher sales. Average payment days for trade payables declined to 31 in 1Q2018 from 35 in FY2017.

Borrowings decreased by US\$14.5 million in 1Q2018 due to lower bank borrowings by the Group's electronic components distribution subsidiaries in Singapore and Hong Kong. These subsidiaries made less purchases and utilized more non-recourse trade receivables factoring in 1Q2018 to finance working capital requirements compared to FY2017.

Currency translation reserve rose by US\$2.3 million mainly due to an increase in the value of the Group's investments in its subsidiaries, arising from the weakening of the United States Dollar against these subsidiaries' functional currencies; in particular, the Chinese Renminbi, Singapore Dollar and Thailand Baht.

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 global semiconductor industry achieved its highest annual growth in 14 years in 2017 with revenue up 21.7% at US\$429.1 billion, driven in part by strong demand for memory integrated circuits, according to business information provider IHS Markit. Growth is likely to continue in 2018, albeit at a less rapid clip, with market research firm Gartner forecasting global semiconductor revenue of US\$451 billion this year.

The Group, which has one of the largest distribution networks in Asia for electronic components, expects to benefit from this favourable industry outlook. It is keeping a close watch, however, on potential risks on the horizon, including growing trade tensions between the United States and China. As various commentators have highlighted, an all-out trade war between the world's two largest economies is expected to dampen business and investor confidence and possibly even weaken global economic growth.

To strengthen the foundation for its long-term growth, the Group plans to spin off its 91%-owned Hong Kong electronic components distribution subsidiary, Serial Microelectronics (HK) Limited ("SMHK"). By listing on the mainboard of the Stock Exchange of Hong Kong, SMHK will be able to raise funds for its distribution business in China and Hong Kong, which currently accounts for about 70% of the Group's total revenue.

The Group will continue to keep a close watch on competitive and cost pressures and seek to remain nimble so as to uphold profit margins and better meet the needs of its customers. Barring unforeseen circumstances, it expects to remain profitable in FY2018.

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.

No dividend was declared for the first quarter ended 31 March 2018.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), the Board would like to announce the following Interested Person Transactions (“IPTs”) for 1Q2018 as follows:

| Name of Interested Person | Aggregate value of all IPTs during 1Q2018 (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual) US\$’000 | Aggregate value of all IPTs during 1Q2018 conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) US\$’000 |
|---------------------------|---|--|
| Nil | Nil | Not applicable |

14. 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.

15. 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 2018