



## 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 2017

#### 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		
		1Q2017 US\$'000	1Q2016 US\$'000	
Sales		332,937	332,796	0.04%
Cost of sales		(308,978)	(310,439)	-0.5%
<b>Gross profit</b>		<b>23,959</b>	<b>22,357</b>	<b>7%</b>
<b>Gross profit margin</b>		<b>7.2%</b>	<b>6.7%</b>	<b>0.5 pt</b>
Other income:				
Other operating income		1,741	2,945	-41%
Expenses:				
Distribution		(11,489)	(12,595)	-9%
Administrative		(3,156)	(3,192)	-1%
Finance		(2,187)	(2,209)	-1%
Other		(4,672)	(9,496)	-51%
<b>Total expenses</b>		<b>(21,504)</b>	<b>(27,492)</b>	<b>-22%</b>
		<b>4,196</b>	<b>(2,190)</b>	<b>292%</b>
Share of results of associated companies (after income tax)		(302)	(3,249)	91%
<b>Profit/(loss) before income tax</b>	1	<b>3,894</b>	<b>(5,439)</b>	<b>172%</b>
Income tax expense	2	(880)	(955)	-8%
<b>Profit/(loss) after income tax</b>		<b>3,014</b>	<b>(6,394)</b>	<b>147%</b>
<b>Attributable to:</b>				
Equity holders of the Company		2,708	(6,559)	141%
Non-controlling interests		306	165	85%
		<b>3,014</b>	<b>(6,394)</b>	<b>147%</b>

Notes :

**1. Profit/(loss) before income tax**

	The Group First Quarter		%
	1Q2017 US\$'000	1Q2016 US\$'000	
Profit from operations is arrived at after charging/(crediting) :-			
a. Depreciation and amortisation	672	1,171	-43
b. Amortisation of distribution rights	3	-	NM
c. Impairment losses on goodwill arising from acquisition of subsidiaries	230	225	2
d. Negative goodwill arising from acquisition of subsidiaries	-	(345)	NM
e. Loss on remeasuring previously held equity in an associated company	-	449	NM
f. Loss on closure of subsidiaries	23	-	NM
g. Loss on disposal of property, plant and equipment	8	11	-27
h. Gain on sale of financial asset, available-for-sale	-	(146)	NM
i. Fair value gain on financial asset, at fair value through profit or loss	(8)	(4)	100
j. Allowance for impairment losses on trade receivables	73	195	-63
k. Allowance for inventory obsolescence	477	1,878	-75
l. (Write-back)/write-off of inventories	(18)	16	213
m. Currency translation loss (net)	587	2,268	-74
n. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	43	892	-95
o. Gain on derivative financial instruments	(159)	(189)	-16
p. Interest income	(337)	(217)	55

**2. Income tax expense**

	1Q2017 S\$'000	1Q2016 US\$'000	%
Over provision in preceding financial years			
- Current income tax	(250)	-	NM
	(250)	-	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		
	1Q2017 US\$'000	1Q2016 US\$'000	
Net profit/(loss) after income tax	3,014	(6,394)	147%
<b>Other comprehensive income for the period:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Share of associated company's other comprehensive income	-	19	NM
	-	19	NM
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net gain on fair value changes on financial assets, available-for-sale	1,366	6,906	-80%
Fair value loss on financial assets, available-for-sale reclassified to profit or loss	-	(146)	NM
Share of associated company's other comprehensive income	44	4	980%
Currency translation differences	3,221	3,833	-16%
	4,631	10,597	-56%
<b>Other comprehensive income for the period</b>	<b>4,631</b>	<b>10,616</b>	<b>-56%</b>
<b>Total comprehensive income for the period</b>	<b>7,645</b>	<b>4,222</b>	<b>81%</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	7,521	4,194	79%
Non-controlling interests	124	28	343%
	7,645	4,222	81%

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	
	31/03/2017 US\$'000	31/12/2016 US\$'000	31/03/2017 US\$'000	31/12/2016 US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	78,616	65,153	750	859
Trade and other receivables	209,169	207,750	14,036	12,393
Inventories	146,207	152,901	-	-
Financial assets, at fair value through profit or loss	820	812	-	-
Other current assets	3,253	3,944	572	245
	<b>438,065</b>	<b>430,560</b>	<b>15,358</b>	<b>13,497</b>
<b>Non-current assets</b>				
Loans and receivables	820	820	45,130	45,241
Financial assets, available-for-sale	8,892	7,517	-	-
Investments in associated companies	18,085	16,738	4,872	4,872
Investments in subsidiaries	-	-	67,547	65,547
Property, plant and equipment	35,694	35,200	351	305
Investment properties	5,540	5,267	-	-
Intangible assets	14,053	14,721	414	465
Other assets	1,104	1,068	-	-
Deferred income tax assets	761	711	-	-
	<b>84,949</b>	<b>82,042</b>	<b>118,314</b>	<b>116,430</b>
<b>Total Assets</b>	<b>523,014</b>	<b>512,602</b>	<b>133,672</b>	<b>129,927</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	162,513	178,507	11,966	9,128
Current income tax liabilities	3,896	4,070	329	405
Borrowings	209,162	189,393	2,289	2,216
	<b>375,571</b>	<b>371,970</b>	<b>14,584</b>	<b>11,749</b>
<b>Non-current liabilities</b>				
Other payable	-	-	6,350	6,078
Borrowings	14,050	15,032	8,011	8,310
Defined benefit plans liabilities	727	542	-	-
Deferred income tax liabilities	273	271	-	-
	<b>15,050</b>	<b>15,845</b>	<b>14,361</b>	<b>14,388</b>
<b>Total Liabilities</b>	<b>390,621</b>	<b>387,815</b>	<b>28,945</b>	<b>26,137</b>
<b>Net Assets</b>	<b>132,393</b>	<b>124,787</b>	<b>104,727</b>	<b>103,790</b>

	The Group		The Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US\$'000	US\$'000	US\$'000	US\$'000
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
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	(257)	(257)	-	-
Fair value reserve	5,036	3,670	-	-
Revaluation reserve	59	59	-	-
Other reserve	(771)	(771)	-	-
Currency translation reserve	764	(2,683)	17,589	17,589
Retained earnings	49,427	46,719	15,046	14,109
	127,446	119,925	104,727	103,790
<b>Non-controlling interests</b>	4,947	4,862	-	-
<b>Total Equity</b>	<b>132,393</b>	<b>124,787</b>	<b>104,727</b>	<b>103,790</b>

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

Amount repayable in one year or less, or on demand

31/03/2017		31/12/2016	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
5,330	203,832	5,065	184,328

Amount repayable after one year

31/03/2017		31/12/2016	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
12,059	1,991	12,378	2,654

### Details of any collateral

- a) A US\$14.3 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$10.3 million (31 December 2016: US\$10.5 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 2016: 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\$5.7 million (31 December 2016: US\$5.4 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\$0.9 million (31 December 2016: US\$1.0 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\$0.04 million (31 December 2016: US\$0.04 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	
	1Q2017 US\$'000	1Q2016 US\$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	3,894	(5,439)
Adjustments for:		
Amortisation of computer software license costs	82	74
Amortisation of distribution rights	3	-
Depreciation of property, plant and equipment	590	1,097
Loss on disposal of property, plant and equipment	8	11
Impairment losses on goodwill arising from acquisition of subsidiaries	230	225
Negative goodwill arising from acquisition of subsidiaries	-	(345)
Loss on remeasuring previously held equity in an associated company	-	449
Loss on closure of subsidiaries	23	-
Gain on sale of financial asset, available for sale	-	(146)
Fair value gain on financial assets, at fair value through profit or loss	(8)	(4)
Provision for defined benefit plans liabilities	352	71
Interest income	(337)	(217)
Interest expense	2,187	2,209
Share of results of associated companies	302	3,249
Operating cash flow before working capital changes	7,326	1,234
<b>Changes in working capital</b>		
Trade and other receivables	2,533	(5,147)
Inventories	7,346	15,653
Other current assets	(801)	(395)
Other assets (non-current)	(36)	27
Trade and other payables	(17,733)	2,833
Cash from operations	(1,365)	14,205
Income tax paid	(1,256)	(828)
<b>Net cash (used in)/provided by operating activities</b>	<b>(2,621)</b>	<b>13,377</b>

	First Quarter	
	1Q2017	1Q2016
	US\$'000	US\$'000
<b>Cash flows from investing activities</b>		
Payments for intangible assets (computer software license costs)	(16)	(142)
Payments for property, plant and equipment	(137)	(185)
Proceeds from sale of financial assets, available-for-sale	-	153
Net cash inflow on acquisition of subsidiaries	-	2,233
Payments for acquisition of additional interests in an associated company	-	(4,996)
Payments for financial assets, available-for-sale	-	(6)
Dividend received from an associated company	-	154
Interest received	313	210
<b>Net cash provided by/(used in) investing activities</b>	<b>160</b>	<b>(2,579)</b>
<b>Cash flows from financing activities</b>		
Payment for investment in a subsidiary by non-controlling interests	-	40
Proceeds from bank borrowings	228,738	203,208
Repayment of bank borrowings	(211,200)	(178,556)
Repayment of other borrowings	-	(1,479)
Repayment of finance lease liabilities	(5)	(6)
Interest paid	(2,130)	(1,776)
<b>Net cash provided by financing activities</b>	<b>15,403</b>	<b>21,431</b>
<b>Net increase in cash and cash equivalents held</b>	<b>12,942</b>	<b>32,229</b>
Cash and cash equivalents at the beginning of the period	65,153	64,048
Effect of currency translation on cash and cash equivalents	521	469
<b>Cash and cash equivalents at the end of the period</b>	<b>78,616</b>	<b>96,746</b>



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 2017	72,648	(736)	1,276	(257)	3,670	59	(771)	(2,683)	46,719	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)
<b>Balance at 31 March 2017</b>	<b>72,648</b>	<b>(736)</b>	<b>1,276</b>	<b>(257)</b>	<b>5,036</b>	<b>59</b>	<b>(771)</b>	<b>764</b>	<b>49,427</b>	<b>127,446</b>	<b>4,947</b>	<b>132,393</b>
Balance at 1 January 2016	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384
Total comprehensive income/(loss) for the period	-	-	19	-	6,760	-	-	3,974	(6,559)	4,194	28	4,222
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 31 March 2016	72,648	(736)	1,295	(557)	5,407	59	(718)	2,476	40,121	119,995	3,651	123,646

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 2017	72,648	(736)	180	17,589	14,109	103,790
Total comprehensive income for the period	-	-	-	-	937	937
<b>Balance at 31 March 2017</b>	<b>72,648</b>	<b>(736)</b>	<b>180</b>	<b>17,589</b>	<b>15,046</b>	<b>104,727</b>
Balance at 1 January 2016	72,648	(736)	180	17,589	13,908	103,589
Total comprehensive income for the period	-	-	-	-	436	436
Balance at 31 March 2016	72,648	(736)	180	17,589	14,344	104,025

**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 also 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 2016.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2016.

There were no outstanding share options as at 31 March 2017 (31 March 2016: 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 at the end of the immediately preceding year.**

	<u>31/03/2017</u>	<u>31/12/2016</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	<u>895,841,914</u>	<u>895,841,914</u>

**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 2017 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 2016.

**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.**

Please refer to paragraph 4 above.

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	
	1Q2017	1Q2016
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.30 cent	(0.73) cent
On a fully diluted basis (in US\$)	0.30 cent	(0.73) cent

Earnings/(Loss) 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 (1Q2016: 895,841,914).

Earnings/(Loss) per ordinary share on a fully diluted basis are computed based on the weighted average number of shares during the period of 895,841,914 (1Q2016: 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 2017 and 31 March 2016.

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	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	14.78 cents	13.93 cents	11.69 cents	11.59 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 First Quarter Ended 31 March 2017

The Group recorded turnover of US\$332.9 million for the first quarter ended 31 March 2017 ("1Q2017") compared to US\$332.8 million from the same period last year ("1Q2016").

Turnover for the electronic components distribution business increased 20% to US\$315.0 million, driven mainly by higher contributions from the Group's operations in Hong Kong, China and South Asia Pacific. Turnover from the three markets increased 26%, 36% and 16% respectively on higher demand for their product lines from new and existing customers. Turnover from South Korea and Taiwan declined 13% and 11% respectively due to a slowdown in both markets.

Turnover for the Group's consumer products distribution business declined 75% to US\$17.1 million mainly due to lower sales of product lines across all subsidiaries.

Overall gross profit margin increased to 7.2% in 1Q2017 from 6.7% in 1Q2016, mainly due to higher margins achieved by the consumer products distribution business. This is offset by lower margin achieved by the electronic components distribution business.

Other operating income decreased by US\$1.2 million or 41% mainly due to lower advertising and promotion income, and a smaller gain on derivative financial instruments. The absence of gain from sale of financial assets, available-for-sale and a negative goodwill arising from the acquisition of the remaining 51% equity interest in Achieva Technology group amounting to US\$0.15 million and US\$0.35 million in 1Q2016 also contributed to the decline in 1Q2017 other operating income. The decrease was partly offset by higher finance income earned in 1Q2017.

Distribution expenses decreased by US\$1.1 million or 9% mainly due to decline in staff costs, advertising and promotion expenses, license fees, maintenance and service costs and sales commission expenses. The decrease was partly offset by higher freight and handling charges, customs and business taxes, and storage costs in 1Q2017.

Other operating expenses decreased by US\$4.8 million or 51% mainly due to decline in currency translation losses, allowances for inventory obsolescence and depreciation expense.

The Group's share of losses in associated companies in 1Q2017 amounted to US\$0.3 million, mainly due to losses incurred by 29.03%-owned Bull Will Co., Ltd and 27.34%-owned SPL Holdings (Australia) Pty Ltd. The share of losses in associated companies in 1Q2017 was substantially less than the share of losses of US\$3.2 million in 1Q2016. The 1Q2016 US\$3.2 million loss mainly related to provisions made by Bull Will for doubtful debts and inventory obsolescence.

With the higher gross profit margin, reduced losses from associated companies, lower currency translation losses and allowance for inventory obsolescence, the Group turned in a net profit after tax of US\$2.7 million in 1Q2017 compared to a net loss of US\$6.6 million in 1Q2016.

## Balance sheet

Trade and other receivables increased by US\$1.4 million (net of factored trade receivables) mainly due to increased trade receivables in the Group's Singapore, South Korea and Taiwan electronic components distribution subsidiaries. Serial Factoring (Thailand) Co., Ltd also accounted for the increase in trade receivables. Lower trade receivables in the Group's Hong Kong and China electronic components distribution subsidiaries and Achieva Technology Sdn Bhd partially offset the increase in trade and other receivables. Average turnover days for trade receivables increased to 56 in 1Q2017 from 49 in FY2016.

Inventories decreased by US\$6.7 million mainly due to more efficient inventory management by the Group's Singapore, Hong Kong and China electronic components distribution subsidiaries.

Financial assets, available-for-sale increased by US\$1.4 million mainly due to a fair value gain of US\$1.4 million (recognised in equity as "Fair value reserve") from the Group's investment in Unitron Tech Co., Limited ("Unitron"), which is listed on the Korean Securities Dealers Automated Quotations (KOSDAQ) of the Korean Exchange.

Investments in associated companies increased by US\$1.3 million in 1Q2017 mainly due to the reclassification of a US\$1.5 million deposit paid by the Group's wholly-owned subsidiary, Serial System International Pte Ltd, from other current assets to investments in associated companies. This followed the completion of additional investment in Tong Chiang Group in 1Q2017.

The Company's investments in subsidiaries increased by US\$2 million mainly due to the capitalisation of an amount of US\$2 million owing from the Company's wholly owned subsidiary, SCE Enterprise Pte Ltd.

Trade and other payables decreased by US\$16.0 million as a result of lower trade payables at the Group's Hong Kong and Singapore electronic components distribution subsidiaries due to timing of certain payment to suppliers. Average payment days for trade payables increased to 39 in 1Q2017 from 33 in FY2016.

Borrowings increased by US\$18.8 million due to higher bank borrowings by the Group's electronic components distribution subsidiaries for increased working capital requirements and higher bank borrowings at Swift-Value.

Currency translation reserves rose by US\$3.4 million mainly due to an increase in the value of the Group's investments in China, South Korea and Singapore arising from the weakening of the United States Dollar against these subsidiaries' functional currencies, namely, Chinese Renminbi, Korean Won and Singapore Dollar.

## **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.**

In an update to its outlook for the global semiconductor industry, Gartner said in April 2017 that semiconductor sales worldwide are expected to rise 12.3% to US\$386 billion this year over 2016. The increase will be driven by higher selling prices of flash memory for products such as servers, solid-state drives and premium smartphones, according to Gartner.

Notwithstanding the highly cyclical nature of the semiconductor industry, Gartner's outlook for 2017 bodes well for the Group, given its close business ties with leading chip suppliers and electronics manufacturers. In seeking to further develop the electronic components distribution business, the Group will look to expand into higher-value segments, such as security and surveillance, automotive and mobile devices and enterprise cloud solutions.

For the consumer products distribution business, the Group will seek to further rationalize operations and explore new profitable investments in order to improve overall performance. In line with this strategy, the Group entered into an agreement on 5 April 2017 to acquire 70% of Print IQ Singapore Pte Ltd, which provides managed print services and the administration, maintenance and distribution of copiers and printers. On 12 April 2017, the Group announced the disposal of its entire 100% stake in JEL Distribution (Kazakhstan) LLP, which is involved in the trading and distribution of consumer goods.

Barring unforeseen circumstances, the Group expects to be profitable in FY2017.

**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 2017.

**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 1Q2017 as follows:

Name of Interested Person	Aggregate value of all IPTs during 1Q2017 (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 1Q2017 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  
28 April 2017