



SERIAL SYSTEM LTD

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

Unaudited Second Quarter and Half Year Financial Statement and Dividend Announcement for the Period Ended 30 June 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	Second Quarter		The Group			
		2Q2018 US\$'000	2Q2017 US\$'000		Year-To-Date		
					30/06/2018 US\$'000	30/06/2017 US\$'000	
Sales		408,703	373,927	9%	813,923	706,864	15%
Cost of sales		(375,095)	(347,783)	8%	(748,922)	(656,761)	14%
Gross profit		33,608	26,144	29%	65,001	50,103	30%
Gross profit margin		8.2%	7.0%	1.2 pt	8.0%	7.1%	0.9 pt
Other income:							
Other operating income		(137)	1,374	NM	2,806	3,115	-10%
Expenses:							
Distribution		(13,259)	(12,099)	10%	(27,368)	(23,588)	16%
Administrative		(4,460)	(3,098)	44%	(9,042)	(6,254)	45%
Finance		(3,329)	(2,501)	33%	(6,409)	(4,688)	37%
Other		(8,219)	(4,352)	89%	(12,186)	(9,024)	35%
Total expenses		(29,267)	(22,050)	33%	(55,005)	(43,554)	26%
		4,204	5,468	-23%	12,802	9,664	32%
Share of results of associated companies (after income tax)		(59)	(328)	-82%	(288)	(630)	-54%
Share of loss of joint venture (after income tax)		(15)	-	NM	(78)	-	NM
Profit before income tax	1	4,130	5,140	-20%	12,436	9,034	38%
Income tax expense	2	(1,873)	(1,423)	32%	(4,148)	(2,303)	80%
Profit after income tax		2,257	3,717	-39%	8,288	6,731	23%
Attributable to:							
Equity holders of the Company		2,042	3,370	-39%	7,232	6,078	19%
Non-controlling interests		215	347	-38%	1,056	653	62%
		2,257	3,717	-39%	8,288	6,731	23%

Notes :

1. Profit before income tax

	The Group					
	Second Quarter			Year-To-Date		
	2Q2018	2Q2017	%	30/06/2018	30/06/2017	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit before income tax is arrived at after charging/(crediting) :-						
a. Depreciation and amortisation	731	674	8	1,469	1,347	9
b. Amortisation of distribution rights	3	4	-25	7	7	-
c. Impairment losses on goodwill arising from acquisition of subsidiaries	600	220	173	900	450	100
d. Gain on closure of subsidiaries	-	(64)	NM	-	(41)	NM
e. Loss/(gain) on disposal of property, plant and equipment	1	(1)	NM	9	7	29
f. Property, plant and equipment written off	-	5	NM	-	5	NM
g. Gain on sale of financial assets, at FVPL	-	-	NM	(25)	-	NM
h. Fair value loss on financial assets, at FVPL	1,166	24	4,758	1,165	16	7,181
i. Impairment loss on investment in an associated company	1,500	-	NM	1,500	-	NM
j. Allowance for impairment losses on trade receivables	318	93	242	716	166	331
k. Allowance for impairment losses on other receivables	135	-	NM	515	-	NM
l. Allowance/ (write-back) for inventory obsolescence	347	330	5	(884)	807	NM
m. Write-off of inventories	14	79	-82	54	61	-11
n. Currency translation loss (net)	1,972	140	1,309	331	727	-54
o. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	-	185	NM	-	228	NM
p. Gain on derivative financial instruments	(47)	(10)	370	(272)	(169)	61
q. Hong Kong IPO expenses	957	-	NM	2,019	-	NM
r. Dividend income received from FVPL	(47)	(94)	-50	(47)	(94)	-50
s. Interest income	(477)	(369)	29	(989)	(706)	40
2. Income tax expense						
	2Q2018	2Q2017		30/06/2018	30/06/2017	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Under/(over) provision in preceding financial years						
- Current income tax	15	3	400	215	(247)	NM
	15	3	400	215	(247)	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					
	Second Quarter			Year-To-Date		
	2Q2018	2Q2017		30/06/2018	30/06/2017	
US\$'000	US\$'000		US\$'000	US\$'000		
Net profit after income tax	2,257	3,717	-39%	8,288	6,731	23%
Items that may be reclassified subsequently to profit or loss:						
Net loss on fair value changes on financial assets, available-for-sale	-	(1,720)	NM	-	(354)	NM
Share of associated company's other comprehensive (loss)/income	(183)	(15)	1,120%	(286)	29	NM
Share of joint venture's other comprehensive loss	(156)	-	NM	(44)	-	NM
Currency translation differences	(4,947)	2,017	NM	(2,363)	5,238	NM
	(5,286)	282	NM	(2,693)	4,913	NM
Other comprehensive (loss)/income for the period	(5,286)	282	NM	(2,693)	4,913	NM
Total comprehensive (loss)/income for the period	(3,029)	3,999	NM	5,595	11,644	-52%
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(3,049)	3,560	NM	4,394	11,081	-60%
Non-controlling interests	20	439	-95%	1,201	563	113%
	(3,029)	3,999	NM	5,595	11,644	-52%

NM – Not Meaningful

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	
	30/06/2018 US\$'000	31/12/2017 ⁽¹⁾ US\$'000	30/06/2018 US\$'000	31/12/2017 ⁽¹⁾ US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	68,027	73,080	7,056	8,478
Trade and other receivables	263,550	223,510	15,461	15,703
Inventories	130,770	168,465	-	-
Financial assets, at FVPL	790	810	-	-
Other current assets	4,116	2,733	478	158
	467,253	468,598	22,995	24,339
Non-current assets				
Loans and receivables	-	-	43,138	41,370
Financial assets, at FVPL ⁽²⁾	6,223	-	-	-
Financial assets, at FVOCI ⁽²⁾	943	-	-	-
Financial assets, available-for-sale ⁽²⁾	-	6,894	-	-
Investments in associated companies	16,300	18,375	1,936	1,936
Investment in joint venture	2,315	2,436	-	-
Investments in subsidiaries	-	-	72,789	72,789
Property, plant and equipment	36,352	37,630	261	355
Investment properties	4,439	4,534	-	-
Intangible assets	12,608	13,809	159	248
Other assets	1,149	1,171	-	-
Deferred income tax assets	1,031	841	-	-
	81,360	85,690	118,283	116,698
Total Assets	548,613	554,288	141,278	141,037
LIABILITIES				
Current liabilities				
Trade and other payables	177,491	165,444	23,852	21,739
Current income tax liabilities	4,773	2,861	68	106
Borrowings	208,443	229,242	2,350	2,395
	390,707	397,547	26,270	24,240
Non-current liabilities				
Other payable	-	-	2,522	2,585
Borrowings	8,849	10,340	5,290	6,587
Defined benefit plans liabilities	956	831	-	-
Deferred income tax liabilities	831	555	249	249
	10,636	11,726	8,061	9,421
Total Liabilities	401,343	409,273	34,331	33,661
Net Assets	147,270	145,015	106,947	107,376

	The Group		The Company	
	30/06/2018 US\$'000	31/12/2017 ⁽¹⁾ US\$'000	30/06/2018 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⁾	7,321	10,159	-	-
Retained earnings ⁽³⁾⁽⁴⁾	59,152	50,581	34,855	35,284
	138,806	137,527	106,947	107,376
Non-controlling interests	8,464	7,488	-	-
Total Equity	147,270	145,015	106,947	107,376

(1) Figures have been restated with adoption of the SG-IFRS (see Section 5 below).

(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

30/06/2018		31/12/2017	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
4,686	203,757	5,153	224,089

Amount repayable after one year

30/06/2018		31/12/2017	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
8,849	-	10,340	-

Details of any collateral

- a) A US\$14.7 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$7.6 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\$5.3 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 taken by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited, to part finance the acquisition of a property in South Korea and secured by a first legal mortgage of the property, is fully repaid as at 30 June 2018 (31 December 2017: US\$0.4 million).
- e) Finance lease liabilities of US\$0.1 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.

	Second Quarter		Year-To-Date	
	2Q2018 US\$'000	2Q2017 US\$'000	30/06/2018 US\$'000	30/06/2017 US\$'000
Cash flows from operating activities				
Profit before income tax	4,130	5,140	12,436	9,034
Adjustments for:				
Amortisation of computer software license costs	66	84	136	166
Amortisation of distribution rights	3	4	7	7
Depreciation of property, plant and equipment	665	590	1,333	1,181
Property, plant and equipment written off	-	5	-	5
Loss / (gain) on disposal of property, plant and equipment	1	(1)	9	7
Fair value loss on financial assets, at FVPL	1,166	24	1,165	16
Gain on sale of financial assets, at FVPL	-	-	(25)	-
Impairment losses on goodwill arising from acquisition of subsidiaries	600	220	900	450
Gain on closure of subsidiaries	-	(64)	-	(41)
Impairment loss on investment in an associated company	1,500	-	1,500	-
Provision for defined benefit plans liabilities	111	133	248	485
Dividend income received from FVPL	(47)	(94)	(47)	(94)
Interest income	(477)	(369)	(989)	(706)
Interest expense	3,329	2,501	6,409	4,688
Share of results of associated companies	59	328	288	630
Share of loss of joint venture	15	-	78	-
Operating cash flow before working capital changes	11,121	8,501	23,448	15,828
Changes in working capital				
Trade and other receivables	(19,595)	(17,067)	(42,753)	(14,530)
Inventories	(11,051)	(1,085)	37,745	6,260
Other current assets	(910)	(42)	(1,442)	(843)
Other assets (non-current)	23	11	21	(25)
Trade and other payables	9,245	(618)	12,716	(18,351)
Cash (used in)/from operations	(11,167)	(10,300)	29,735	(11,661)
Income tax paid	(1,427)	(542)	(2,118)	(1,798)
Net cash (used in)/provided by operating activities	(12,594)	(10,842)	27,617	(13,459)
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	-	-	(22)	(16)
Payments for property, plant and equipment	(429)	(113)	(554)	(250)
Proceeds from disposal of property, plant and equipment	5	11	17	11
Proceeds from sale of financial assets, at FVPL	-	-	355	-
Net cash outflow on acquisition of subsidiaries	-	(65)	-	(65)
Payments for financial assets, at FVPL	(1,777)	-	(1,777)	-
Dividends received from financial assets, at FVPL	47	94	47	94
Interest received	471	362	979	675
Net cash (used in)/provided by investing activities	(1,683)	289	(955)	449

	Second Quarter		Year-To-Date	
	2Q2018	2Q2017	30/06/2018	30/06/2017
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from financing activities				
Payment for acquisition of additional interest in a subsidiary from a	-	-	40	-
Dividend paid	(3,115)	(1,091)	(3,115)	(1,091)
Dividend paid to non-controlling interests	(265)	-	(265)	-
Proceeds from bank borrowings	238,004	205,708	469,842	434,446
Proceeds from lease liabilities	47	-	47	-
Repayment of bank borrowings	(244,260)	(214,070)	(491,322)	(425,270)
Repayment of finance lease liabilities	(10)	(5)	(18)	(10)
Interest paid	(3,462)	(2,719)	(6,531)	(4,849)
Net cash (used in)/provided by financing activities	(13,061)	(12,177)	(31,322)	3,226
Net decrease in cash and cash equivalents held	(27,338)	(22,730)	(4,660)	(9,784)
Cash and cash equivalents at the beginning of the period	95,164	78,616	72,157	65,153
Effect of currency translation on cash and cash equivalents	(704)	233	(375)	750
Cash and cash equivalents at the end of the period	67,122	56,119	67,122	56,119
Reconciliation:				
Cash and cash equivalents per statement of financial position	68,027	56,119	68,027	56,119
Less : Bank deposits pledged for overdraft facility	(905)	-	(905)	-
Cash and cash equivalents per consolidated cash flow statement	67,122	56,119	67,122	56,119

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	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	Non-controlling interests	Total equity
	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 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
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(5,091)	2,042	(3,049)	20	(3,029)
One-tier tax-exempt final cash dividend for year 2017	-	-	-	-	-	-	-	-	(3,115)	(3,115)	-	(3,115)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(265)	(265)
Balance at 30 June 2018	72,648	(736)	1,276	(149)	-	59	(765)	7,321	59,152	138,806	8,464	147,270
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
Total comprehensive (loss)/income for the period	-	-	-	-	(1,720)	-	-	1,910	3,370	3,560	439	3,999
One-tier tax-exempt final cash dividend for year 2016	-	-	-	-	-	-	-	-	(1,091)	(1,091)	-	(1,091)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 30 June 2017	72,648	(736)	1,276	(257)	3,316	59	(771)	5,357	49,023	129,915	5,426	135,341

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 loss for the period	-	-	-	-	(518)	(518)
Balance at 31 March 2018	72,648	(736)	180	-	34,766	106,858
Total comprehensive income for the period	-	-	-	-	3,204	3,204
One-tier tax-exempt final cash dividend for year 2017	-	-	-	-	(3,115)	(3,115)
Balance at 30 June 2018	72,648	(736)	180	-	34,855	106,947
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 (<i>restated</i>)	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
Total comprehensive income for the period	-	-	-	-	827	827
One-tier tax-exempt final cash dividend for year 2016	-	-	-	-	(1,091)	(1,091)
Balance at 30 June 2017	72,648	(736)	180	-	32,371	104,463

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 March 2018.

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 30 June 2018 (30 June 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.

	30/06/2018	31/12/2017
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 Second Quarter and Half Year Financial Statements for the period ended 30 June 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\$2,683,000 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\$1,231,000 and a corresponding decrease in trade and other receivables for the financial period ended 30 June 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			
	Second Quarter		Year-To-Date	
	2Q2018	2Q2017	30/06/2018	30/06/2017
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.23 cent	0.38 cent	0.81 cent	0.68 cent
On a fully diluted basis (in US\$)	0.23 cent	0.38 cent	0.81 cent	0.68 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 (2Q2017/1H2017: 895,841,914).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares in issue during the period of 895,841,914 (2Q2017/1H2017: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 June 2018 and 30 June 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	
	30/06/2018	31/12/2017	30/06/2018	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\$)	15.49 cents	15.35 cents	11.94 cents	11.99 cents

Net assets value per ordinary share as at 30 June 2018 and 31 December 2017 are calculated based on the net assets value attributable to the owners of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 895,841,914.

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 Six Months Ended 30 June 2018

The Group recorded turnover of US\$813.9 million for the half year ended 30 June 2018 ("1H2018"), an increase of 15% compared to US\$706.9 million from the same period last year ("1H2017").

Turnover for the electronic components distribution business increased 15% to US\$780.9 million, driven by higher sales in all markets except South Asia. Turnover in Taiwan, Hong Kong and China, and South Korea increased 56%, 20% and 18% respectively, on higher demand on their existing product lines from both new and existing customers. Turnover from South Asia declined 10% as a result of weak demand for certain product lines and discontinuation of a product line.

Turnover for the Group's consumer products distribution business increased 11% to US\$30.6 million, boosted by higher sales in Malaysia and Indonesia, and contribution from 70% owned subsidiary, Print-IQ Singapore Pte. Ltd. which was acquired in May 2017. These increases were negated by lower sales in Singapore affected by keen competition.

Overall gross profit margin increased to 8.0% in 1H2018 from 7.1% in 1H2017, mainly due to higher margins achieved by both the electronic components distribution business and the consumer products distribution business as the Group focused sales and marketing efforts on higher-margin products and customers.

With the higher gross profit contributed by both higher sales and higher margins, and write-back of inventory obsolescence and lower currency translation loss, which were offset by an impairment loss on investment in an associated company, higher fair value loss on financial assets, at FVPL, higher allowance for impairment losses on trade and other receivables, and professional fees arising from the proposed Hong Kong IPO, the Group turned in a net profit after tax of US\$7.2 million in 1H2018, a 19% increase compared to US\$6.1 million in 1H2017. The Group maintained its net margin at 0.9% in 1H2018 compared to 1H2017.

Results for 2Q2018

The Group recorded turnover of US\$408.7 million for the second quarter ended 30 June 2018 (“2Q2018”), an increase of 9% compared to US\$373.9 million for the same period last year (“2Q2017”).

Turnover for the electronic components distribution business grew 9% to US\$394.4 million, mainly due to higher demand for their existing products from new and existing customers in Taiwan, South Korea, Hong Kong and China. Turnover increased 56%, 17% and 9% respectively in these markets. Turnover from South Asia declined 3% due to slowdown in demand for certain product lines.

Turnover for the Group’s consumer products distribution business increased 24% to US\$13.0 million mainly due to higher sales in Malaysia and contribution from 70% owned subsidiary, Print-IQ Singapore Pte. Ltd. which was acquired in May 2017.

Overall gross profit margin increased to 8.2% in 2Q2018 from 7.0% in 2Q2017, due mainly to better margins achieved by both the electronic components distribution business and the consumer products distribution business as a result of continued emphasis on sales of higher-margin products in both business segments.

Other operating income decreased by US\$1.5 million mainly due to the reclassification of US\$1.6 million currency translation gain recognised in 1Q2018 from other operating income to other operating loss in 2Q2018 as the Group recorded an overall net currency translation loss of US\$0.3 million in 1H2018.

In line with the increased sales, distribution expenses increased by US\$1.2 million or 10%. This was mainly due to higher staff and related costs, sales commission expenses, business taxes, freight and handling charges and storage costs associated primarily with the electronic components distribution business.

Administrative expenses increased by US\$1.4 million or 44%. This was mainly due to professional fees of US\$1.0 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\$0.8 million or 33%, 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 2Q2018 compared with 2Q2017 also added to the increase in finance expenses.

Other operating expenses increased by US\$3.9 million or 89%. This was mainly due to an impairment loss of US\$1.5 million on investment in an associated company, higher fair value loss on financial assets at FVPL of US\$1.1 million, higher allowance for impairment losses on trade and other receivables and impairment losses on goodwill arising from acquisition of subsidiaries. Higher staff costs also contributed to the increase in other operating expenses in 2Q2018 when compared with 2Q2017.

The Group shared lower losses of US\$0.3 million in associated companies in 2Q2018 when compared to 2Q2017 mainly due to lower share of losses of US\$0.08 million (2Q2017: US\$0.3 million) in 27.34%-owned SPL Holdings (Australia) Pty Ltd.

The Group reported a net profit after tax of US\$2.0 million, a decrease of 39% compared to US\$3.4 million in 2Q2017. The Group’s net margin reduced to 0.5% in 2Q2018 compared to 0.9% in 2Q2017.

Statement of Financial Position

Trade and other receivables increased by US\$40.0 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 in most of the regions. An increase in other receivables at Bast Investment Pte Ltd, due to a working capital loan extended to 27.5% owned joint venture company Musang Durians Frozen Food (M) Sdn. Bhd., also contributed to the increase in trade and other receivables. Average turnover days for trade receivables increased to 52 in 1H2018 from 51 in FY2017.

Inventories decreased by US\$37.7 million, mainly due to lower inventory holding by the Group's Singapore and Hong Kong subsidiaries arising from the discontinuation of a product line.

Investments in associated companies decreased by US\$2.1 million, mainly due to an impairment loss of US\$1.5 million in an associated company, share of losses of US\$0.3 million in associated companies and currency exchange loss of US\$0.3 million in 1H2018.

Property, plant and equipment decreased by US\$1.3 million, mainly due to depreciation charges amounting to US\$1.3 million and currency exchange loss totalling about US\$0.5 million in 1H2018. Additions to property, plant and equipment amounting to US\$0.5 million partly offset the decrease in property, plant and equipment.

Trade and other payables increased by US\$12.0 million, mainly due to increased purchases by South Korea and Taiwan electronic components distribution subsidiaries and the consumer electronic products distribution subsidiaries. Average payment days for trade payables declined to 32 in 1H2018 from 35 in FY2017.

Borrowings decreased by US\$22.3 million in 1H2018 due to lower bank borrowings by the Group's electronic components distribution subsidiaries in Singapore and Hong Kong. These subsidiaries utilized more non-recourse trade receivables factoring in 1H2018 to finance working capital requirements compared to FY2017. Lower inventory holdings by these subsidiaries also contributed to decrease in borrowings for working capital requirement.

Currency translation reserve decreased by US\$2.8 million mainly due to a decrease in the value of the Group's investments in its subsidiaries, arising from the strengthening of the United States Dollar against these subsidiaries' functional currencies, in particular, the Chinese Renminbi, Korean Won, 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.

Underlying global demand for semiconductors and microprocessors remains firm, driven by a host of fast-growing applications in a broad range of sectors including automotive, mobile communication, cloud computing, robotics and consumer electronics. As one of the largest distributors of electronic components in Asia, the Group believes this bodes well for its business.

The Group is mindful, however, of ongoing trade tensions between the United States and its key trading partners, especially China, and the potential impact of this friction on global supply chains. The trade war between the United States and China has already taken a toll on global financial markets. Business spending and economic growth worldwide are expected to be hurt if both countries continue to dish out tit-for-tat tariffs. China and Hong Kong collectively accounted for more than 70% of the Group's current electronic components distribution revenue.

As part of efforts to better position itself to seize growth opportunities, the Group is pushing ahead with plans to spin off its 91%-owned Hong Kong electronic components distribution subsidiary, Serial Microelectronics (HK) Limited ("SMHK"). A public listing on the mainboard of the Stock Exchange of Hong Kong will enable SMHK, which currently relies on the Company to partly fund its business, to support itself independently. The exercise will also free up resources for the Company to redeploy to its other businesses.

Barring unforeseen circumstances, the Group expects to be profitable for the whole of FY2018.

11. Dividend

a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD cents)	0.40 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD cents)	0.29 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

c) Date payable

17 September 2018

d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 4 September 2018 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 3 September 2018 will be registered to determine shareholders' entitlements to the interim dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 3 September 2018 will be entitled to the interim dividend which will be paid on 17 September 2018. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the interim dividend will be paid by the Company to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

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
13 August 2018