SERIAL SYSTEM LTD

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

Unaudited Third Quarter and Nine Months Financial Statement Announcement for the Period Ended 30 September 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.

		The Group					
		Third Quarter			**Year-To-Date**		
		3Q2018	3Q2017		**30/09/2018**	30/09/2017	
	Note	**US$'000**	US$'000		**US$'000**	US$'000	
Sales		**385,567**	395,240	-2%	**1,199,490**	1,102,104	9%
Cost of sales		**(355,346)**	(368,604)	-4%	**(1,104,268)**	(1,025,365)	8%
Gross profit		**30,221**	26,636	13%	**95,222**	76,739	24%
Gross profit margin		***7.8%***	*6.7%*	*1.1 pt*	***7.9%***	*7.0%*	*0.9 pt*
Other income:							
Other operating income		**20,951**	895	2,241%	**23,757**	4,010	492%
Expenses:							
Distribution		**(14,615)**	(13,253)	10%	**(41,983)**	(36,841)	14%
Administrative		**(5,327)**	(3,069)	74%	**(14,369)**	(9,323)	54%
Finance		**(4,075)**	(2,672)	53%	**(10,484)**	(7,360)	42%
Other		**(14,887)**	(3,651)	308%	**(27,073)**	(12,675)	114%
Total expenses		**(38,904)**	(22,645)	72%	**(93,909)**	(66,199)	42%
		12,268	4,886	151%	**25,070**	14,550	72%
Share of results of associated companies (after income tax)		**6**	128	-95%	**(282)**	(502)	44%
Share of results of joint venture (after income tax)		**(151)**	28	NM	**(229)**	28	NM
Profit before income tax	1	**12,123**	5,042	140%	**24,559**	14,076	74%
Income tax expense	2	**(2,101)**	(1,350)	56%	**(6,249)**	(3,653)	71%
Profit after income tax		**10,022**	3,692	171%	**18,310**	10,423	76%
Attributable to:							
Equity holders of the Company		**10,267**	3,114	230%	**17,499**	9,192	90%
Non-controlling interests		**(245)**	578	NM	**811**	1,231	-34%
		10,022	3,692	171%	**18,310**	10,423	76%

Notes :

1. Profit before income tax

	The Group					
	Third Quarter			**Year-To-Date**		
	3Q2018	3Q2017		**30/09/2018**	30/09/2017	
	US$'000	US$'000	%	**US$'000**	US$'000	%
Profit from operations is arrived at after charging/(crediting) :-						
a. Depreciation and amortisation	**754**	705	7	**2,223**	2,051	8
b. Amortisation of distribution rights	**4**	3	33	**10**	10	-
c. Impairment losses on goodwill arising from acquisition of subsidiaries	**3,626**	230	1,477	**4,526**	680	566
d. Gain on closure of subsidiaries	**-**	-	NM	**-**	(41)	NM
e. Loss/(gain) on disposal of property, plant and equipment	**4**	(1)	NM	**13**	6	117
f. Property, plant and equipment written off	**3**	-	NM	**3**	5	-40
g. Loss/(gain) on sale of financial assets, at FVPL	**22**	-	NM	**(3)**	-	NM
h. Fair value loss/(gain) on financial assets, at FVPL	**302**	(9)	NM	**1,467**	8	18,238
i. Impairment loss on financial assets, at FVOCI	**-**	20	NM	**-**	20	NM
j. Gain on disposal of an associated company	**(19,706)**	-	NM	**(19,706)**	-	NM
k. Impairment loss on investment in an associated company	**3,937**	**-**	NM	**5,437**	-	NM
l. Allowance for impairment losses on trade receivables	**312**	157	99	**1,028**	323	218
m. Allowance for impairment losses on other receivables	**-**	-	NM	**515**	-	NM
n. (Write-back)/allowance for inventory obsolescence	**(751)**	449	NM	**(1,635)**	1,256	NM
o. Write-off of inventories	**71**	100	-29	**125**	161	-22
p. Currency translation loss/(gain) (net)	**3,340**	(302)	NM	**3,671**	425	764
q. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	**-**	28	NM	**-**	256	NM
r. Loss/(gain) on derivative financial instruments	**27**	49	-45	**(245)**	(120)	104
s. Fair value loss on derivative financial instruments	**6**	-	NM	**6**	-	NM
t. Hong Kong IPO expenses	**1,574**	-	NM	**3,593**	-	NM
u. Dividend income received from financial assets, at FVPL	**-**	(30)	NM	**(47)**	(124)	-62
v. Interest income	**(528)**	(400)	32	**(1,517)**	(1,106)	37

	3Q2018	3Q2017		**30/09/2018**	30/09/2017	
2. Income tax expense	**US$'000**	US$'000	%	**US$'000**	US$'000	%
Under/(over) provision in preceding financial years						
- Current income tax	**566**	62	813	**781**	(185)	NM
	566	62	813	**781**	(185)	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					
	Third Quarter			**Year-To-Date**		
	3Q2018	3Q2017		**30/09/2018**	30/09/2017	
	US$'000	US$'000		**US$'000**	US$'000	
Net profit after income tax	**10,022**	3,692	171%	**18,310**	10,423	76%
Items that may be reclassified subsequently to profit or loss:						
Net gain on fair value changes on financial assets, available-for-sale	**-**	(719)	NM	**-**	(1,073)	NM
Share of associated company's other comprehensive (loss)/income	**(176)**	(2)	8,700%	**(462)**	27	NM
Cumulative share of an associated company's other comprehensive income reclassified from equity to profit or loss upon disposal	**269**	-	NM	**269**	-	NM
Share of joint venture's other comprehensive loss	**(32)**	-	NM	**(76)**	-	NM
Currency translation differences	**(2,677)**	686	NM	**(5,039)**	5,924	NM
	(2,616)	(35)	7,374%	**(5,308)**	4,878	NM
Other comprehensive (loss)/income for the period	**(2,616)**	(35)	7,374%	**(5,308)**	4,878	NM
Total comprehensive income for the period	**7,406**	3,657	103%	**13,002**	15,301	-15%
Total comprehensive income attributable to:						
Equity holders of the Company	**8,087**	2,731	196%	**12,481**	13,812	-10%
Non-controlling interests	**(681)**	926	NM	**521**	1,489	-65%
	7,406	3,657	103%	**13,002**	15,301	-15%

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	
	30/09/2018 US$'000	31/12/2017[1] US$'000	**30/09/2018 US$'000**	31/12/2017[1] US$'000
ASSETS				
Current assets				
Cash and cash equivalents	**48,755**	73,080	**6,145**	8,478
Trade and other receivables	**305,564**	223,510	**14,677**	15,703
Inventories	**149,379**	168,465	**-**	-
Financial assets, at FVPL	**2,529**	810	**-**	-
Other current assets	**3,393**	2,733	**346**	158
	509,620	468,598	**21,168**	24,339
Non-current assets				
Loans and receivables	**-**	-	**44,533**	41,370
Financial assets, at FVPL[2]	**3,997**	-	**-**	-
Financial assets, at FVOCI[2]	**2,709**	-	**-**	-
Financial assets, available-for-sale[2]	**-**	6,894	**-**	-
Investments in associated companies	**989**	18,375	**1,936**	1,936
Investment in joint venture	**2,131**	2,436	**-**	-
Investments in subsidiaries	**-**	-	**72,789**	72,789
Property, plant and equipment	**35,590**	37,630	**376**	355
Investment properties	**4,429**	4,534	**-**	-
Intangible assets	**9,122**	13,809	**108**	248
Other assets	**1,150**	1,171	**-**	-
Deferred income tax assets	**999**	841	**-**	-
	61,116	85,690	**119,742**	116,698
Total Assets	**570,736**	554,288	**140,910**	141,037
LIABILITIES				
Current liabilities				
Trade and other payables	**175,871**	165,444	**18,337**	21,739
Current income tax liabilities	**5,934**	2,861	**29**	106
Borrowings	**226,758**	229,242	**2,342**	2,395
	408,563	397,547	**20,708**	24,240
Non-current liabilities				
Other payables	**-**	-	**11,423**	2,585
Borrowings	**8,179**	10,340	**4,686**	6,587
Defined benefit plans liabilities	**976**	831	**-**	-
Deferred income tax liabilities	**998**	555	**419**	249
	10,153	11,726	**16,528**	9,421
Total Liabilities	**418,716**	409,273	**37,236**	33,661
Net Assets	**152,020**	145,015	**103,674**	107,376

	The Group		The Company	
	30/09/2018	31/12/2017[1]	**30/09/2018**	31/12/2017[1]
	US$'000	US$'000	**US$'000**	US$'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]	**5,141**	10,159	**-**	-
Retained earnings [3][4]	**66,798**	50,581	**31,582**	35,284
	144,272	137,527	**103,674**	107,376
Non-controlling interests	**7,748**	7,488	**-**	-
Total Equity	**152,020**	145,015	**103,674**	107,376

(1) Figures have been restated with adoption of the SFRS(I) (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 SFRS(I) 9 (see Section 5(b) below).

(3) The effect on adoption of the SFRS(I) 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 SFRS(I) 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

30/09/2018		31/12/2017	
Secured	**Unsecured**	Secured	Unsecured
US$'000	**US$'000**	US$'000	US$'000
4,675	**222,083**	5,153	224,089

Amount repayable after one year

30/09/2018		31/12/2017	
Secured	**Unsecured**	Secured	Unsecured
US$'000	**US$'000**	US$'000	US$'000
8,179	**-**	10,340	-

Details of any collateral

a) A US$14.6 million (S$20 million) four-year term loan with an outstanding balance amounting to US$7.0 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$5.2 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$0.16 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.

	Third Quarter		Year-To-Date	
	3Q2018	3Q2017	**30/09/2018**	30/09/2017
	US$'000	US$'000	**US$'000**	US$'000
Cash flows from operating activities				
Profit before income tax	**12,123**	5,042	**24,559**	14,076
Adjustments for:				
Amortisation of computer software license costs	**66**	82	**202**	246
Amortisation of distribution rights	**4**	3	**10**	10
Depreciation of property, plant and equipment	**688**	623	**2,021**	1,805
Property, plant and equipment written off	**3**	-	**3**	5
Loss/(gain) on disposal of property, plant and equipment	**4**	(1)	**13**	6
Fair value loss/(gain) on financial assets, at FVPL	**302**	(9)	**1,467**	8
Loss/(gain) on sale of financial assets, at FVPL	**22**	-	**(3)**	-
Impairment losses on goodwill arising from acquisition of subsidiaries	**3,626**	230	**4,526**	680
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year	**-**	(24)	**-**	(24)
Gain on disposal of an associated company	**(19,706)**	-	**(19,706)**	-
Gain on closure of subsidiaries	**-**	-	**-**	(41)
Impairment loss on investment in an associated company	**3,937**	-	**5,437**	-
Impairment loss on financial assets, at FVOCI	**-**	20	**-**	20
Provision for defined benefit plans liabilities	**114**	127	**362**	612
Dividend income received from financial assets, at FVPL	**-**	(30)	**(47)**	(124)
Interest income	**(528)**	(400)	**(1,517)**	(1,106)
Interest expense	**4,075**	2,672	**10,484**	7,360
Share of results of associated companies	**(6)**	(128)	**282**	502
Share of results of joint venture	**151**	(28)	**229**	(28)
Operating cash flow before working capital changes	**4,875**	8,179	**28,322**	24,007
Changes in working capital				
Trade and other receivables	**(12,800)**	10,779	**(55,552)**	(6,231)
Inventories	**(18,526)**	9,908	**19,219**	16,170
Other current assets	**711**	257	**(731)**	(584)
Other assets (non-current)	**(1)**	-	**20**	(25)
Trade and other payables	**(1,941)**	(474)	**10,775**	(16,109)
Cash (used in)/from operations	**(27,682)**	28,649	**2,053**	17,228
Income tax paid	**(698)**	(568)	**(2,816)**	(2,367)
Net cash (used in)/provided by operating activities	**(28,380)**	28,081	**(763)**	14,861
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	**(273)**	(27)	**(295)**	(43)
Payments for property, plant and equipment	**(678)**	(453)	**(1,232)**	(703)
Proceeds from disposal of property, plant and equipment	**10**	-	**26**	11
Proceeds from sale of financial assets, at FVPL	**153**	-	**508**	-
Net cash outflow on acquisition of subsidiaries	**-**	(6)	**-**	(71)
Payments for acquisition of interests in a joint venture	**-**	(2,344)	**-**	(2,344)
Payments for financial assets, at FVPL	**-**	(7)	**(1,777)**	(7)
Payments for financial assets, at FVOCI	**(1,800)**	-	**(1,800)**	-
Dividends received from financial assets, at FVPL	**-**	30	**47**	124
Interest received	**534**	374	**1,513**	1,049
Net cash used in investing activities	**(2,054)**	(2,433)	**(3,010)**	(1,984)

	Third Quarter		Year-To-Date	
	3Q2018	3Q2017	**30/09/2018**	**30/09/2017**
	US$'000	US$'000	**US$'000**	US$'000
Cash flows from financing activities				
Subscription of interests in subsidiaries by non-controlling interests	**-**	589	**40**	589
Payment for acquisition of additional interest in a subsidiary from non-controlling interests	**(35)**	-	**(35)**	-
Dividends paid	**(2,621)**	(1,914)	**(5,736)**	(3,005)
Dividend paid to non-controlling interest of a subsidiary	**-**	-	**(265)**	-
Proceeds from bank borrowings	**248,287**	189,484	**718,129**	623,929
Proceeds from lease liabilities	**45**	-	**92**	-
Repayment of bank borrowings	**(230,615)**	(192,944)	**(721,937)**	(618,214)
Repayment of finance lease liabilities	**(9)**	(6)	**(27)**	(16)
Interest paid	**(3,843)**	(2,695)	**(10,374)**	(7,544)
Net cash provided by/(used in) financing activities	**11,209**	(7,486)	**(20,113)**	(4,261)
Net (decrease)/increase in cash and cash equivalents held	**(19,225)**	18,162	**(23,886)**	8,616
Cash and cash equivalents at the beginning of the period	**67,122**	56,119	**72,157**	65,153
Effect of currency translation on cash and cash equivalents	**(69)**	224	**(443)**	736
Cash and cash equivalents at the end of the period	**47,828**	74,505	**47,828**	74,505
Reconciliation:				
Cash and cash equivalents per statement of financial position	**48,755**	74,505	**48,755**	74,505
Less : Bank deposits pledged for overdraft facility	**(927)**	-	**(927)**	-
Cash and cash equivalents per consolidated cash flow statement	**47,828**	74,505	**47,828**	74,505

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 *(previously reported)*	72,648	(736)	1,276	(149)	4,454	59	(765)	7,476	53,264	137,527	7,488	145,015
Effect of change in accounting policy on adoption of SFRS(I) 1	-	-	-	-	-	-	-	2,683	(2,683)	-	-	-
Effect of change in accounting policy on adoption of SFRS(I) 9	-	-	-	-	(4,454)	-	-	-	4,454	-	-	-
Balance at 1 January 2018 *(restated)*	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 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)
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	(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
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	(2,180)	10,267	8,087	(681)	7,406
One-tier tax-exempt interim cash dividend for year 2018	-	-	-	-	-	-	-	-	(2,621)	(2,621)	-	(2,621)
Acquisition of additional interest in a subsidiary from non-controlling interest	-	-	-	-	-	-	-	-	-	-	(35)	(35)
Balance at 30 September 2018	72,648	(736)	1,276	(149)	-	59	(765)	5,141	66,798	144,272	7,748	152,020

Consolidated Statement of Changes in Equity [cont'd]

	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 *(previously reported)*	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 SFRS(I) 1	-	-	-	-	-	-	-	2,683	(2,683)	-	-	-
Balance at 1 January 2017 *(restated)*	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
Total comprehensive (loss)/income for the period	-	-	-	-	(719)	-	-	336	3,114	2,731	926	3,657
One-tier tax-exempt interim cash dividend for year 2017	-	-	-	-	-	-	-	-	(1,914)	(1,914)	-	(1,914)
Adjustment to acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Subscription of interests in subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	589	589
Acquisition of additional interests in a subsidiary from non-controlling interests	-	-	-	-	-	-	6	-	-	6	5	11
Closure of a subsidiary	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Balance at 30 September 2017	72,648	(736)	1,276	(257)	2,597	59	(765)	5,693	50,223	130,738	6,920	137,658

Statement of Changes in Equity - Company

	Share capital US$'000	Treasury shares US$'000	Capital reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2018 *(previously reported)*	**72,648**	**(736)**	**180**	**17,589**	**17,695**	**107,376**
Effect of change in accounting policy on adoption of SFRS(I) 1	**-**	**-**	**-**	**(17,589)**	**17,589**	**-**
Balance at 1 January 2018 (restated)	**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 2018	**-**	**-**	**-**	**-**	**(3,115)**	**(3,115)**
Balance at 30 June 2018	**72,648**	**(736)**	**180**	**-**	**34,855**	**106,947**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(652)**	**(652)**
One-tier tax-exempt interim cash dividend for year 2018	**-**	**-**	**-**	**-**	**(2,621)**	**(2,621)**
Balance at 30 September 2018	**72,648**	**(736)**	**180**	**-**	**31,582**	**103,674**
Balance at 1 January 2017 *(previously reported)*	72,648	(736)	180	17,589	14,109	103,790
Effect of change in accounting policy on adoption of SFRS(I) 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
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
Total comprehensive income for the period	-	-	-	-	6,217	6,217
One-tier tax-exempt interim cash dividend for year 2017	-	-	-	-	(1,914)	(1,914)
Balance at 30 September 2017	72,648	(736)	180	-	36,674	108,766

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 30 June 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 September 2018 (30 September 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.

	30/09/2018	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 Third Quarter and Nine Months Financial Statements for the period ended 30 September 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 SFRS(I) in these financial statements) for the financial year ended 31 December 2018 onwards.

(a) SFRS(I) 1 First-time Adoption of International Financial Reporting Standards

The Group has performed an assessment of the impact of SFRS(I) 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 SFRS(I) 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 SFRS(I) 1 on 1 January 2017. The effect on adoption of the SFRS(I) 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) SFRS(I) 9 Financial Instruments

SFRS(I) 9 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. SFRS(I) 9 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 SFRS(I) 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 though 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 SFRS(I) 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 receivables. The effect on adoption of the SFRS(I) 9 has resulted in a decrease in income statement of the Group amounting to US$1,028,000 and a corresponding decrease in trade receivables for the financial period ended 30 September 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			
	Third Quarter		**Year-To-Date**	
	3Q2018	3Q2017	**30/09/2018**	30/09/2017
Based on the weighted average number of ordinary shares in issue (in US$); and	**1.14 cents**	0.35 cent	**1.95 cents**	1.03 cents
On a fully diluted basis (in US$)	**1.14 cents**	0.35 cent	**1.95 cents**	1.03 cents

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 (3Q2017/ Year-To-Date 30/09/2017: 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 (3Q2017/ Year-To-Date 30/09/2017: 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 September 2018 and 30 September 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	
	30/09/2018	31/12/2017	**30/09/2018**	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$)	**16.10 cents**	15.35 cents	**11.57 cents**	11.99 cents

Net assets value per ordinary share as at 30 September 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.

<u>Income Statement</u>

Results for Nine Months Ended 30 September 2018

The Group recorded turnover of US$1.20 billion for the nine months ended 30 September 2018 ("**YTD3Q2018**"), an increase of 9% compared to US$1.10 billion from the same period last year ("**YTD3Q2017**").

Turnover for the electronic components distribution business increased 9% to US$1.15 billion, driven by higher sales in all markets except South Asia. Turnover in Taiwan, South Korea and Hong Kong and China, increased 56%, 23% and 9% respectively, on higher demand for certain product lines from both new and existing customers. Turnover from South Asia declined 7% 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 15% to US$45.3 million, boosted by higher sales in Malaysia and Indonesia, and contributions from 70%-owned subsidiary Print-IQ Singapore Pte. Ltd., which was acquired in May 2017. These increases were mitigated by lower sales in Singapore affected by keen competition.

Overall gross profit margin increased to 7.9% in YTD3Q2018 from 7.0% in YTD3Q2017 contributed by higher margins achieved by both the electronic components distribution business and consumer products distribution business as the Group focused sales and marketing efforts on higher-margin products.

The Group reported a net profit after tax of US$17.5 million in YTD3Q2018, a 90% increase compared to US$9.2 million in YTD3Q2017. The higher profit was contributed by increased in gross profit achieved from higher sales and higher gross margin, a write-back of inventory obsolescence and a one-off gain on disposal of 27.34%-owned SPL Holdings (Australia) Pty Ltd which was offset by an impairment loss on investment in 21%-owned associated company, Tong Chiang Group Pte. Ltd., professional fees arising from the proposed Hong Kong IPO, higher impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries, currency translation loss, fair value loss on financial assets, at FVPL and allowance for impairment losses on trade and other receivables. The Group's net margin increased to 1.5% in YTD3Q2018 compared to 0.8% in YTD3Q2017.

Results for 3Q2018

The Group recorded turnover of US$385.6 million for the third quarter ended 30 September 2018 ("**3Q2018**"), a marginal decrease of 2% compared to US$395.2 million for the same period last year ("**3Q2017**").

Turnover for the electronic components distribution business declined 3% to US$369.5 million, mainly due to slowdown in demand for certain product lines from existing customers in Hong Kong and China, and South Asia, which saw a decrease in turnover of 9% and 1% respectively. Turnover from Taiwan and South Korea increased 55% and 32% respectively mainly due to higher demand for certain product lines from existing and new customers.

Turnover for the Group's consumer products distribution business increased 23% to US$14.7 million mainly due to higher sales in Malaysia.

Overall gross profit margin increased to 7.8% in 3Q2018 from 6.7% in 3Q2017, due mainly to better margins achieved by the electronic components distribution business as a result of continued emphasis on sales of higher-margin products.

Other operating income increased by US$20.1 million mainly due to a one-off gain of US$19.7 million on disposal of the Group's 27.34%-owned SPL Holdings (Australia) Pty Ltd, higher finance and factoring income of US$0.2 million and higher rebates and commission income amounting to US$0.2 million from suppliers associated with the consumer products distribution business in 3Q2018.

Distribution expenses increased by US$1.4 million or 10% mainly due to higher staff and related costs and sales commission expenses in 3Q2018.

Administrative expenses increased by US$2.3 million or 74%. This was mainly due to professional fees of US$1.6 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$1.4 million or 53%, 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 3Q2018 compared with 3Q2017 also added to the increase in finance expenses.

Other operating expenses increased by US$11.2 million or 308%. This was mainly due to an impairment loss of US$3.9 million on investment in 21%-owned Tong Chiang Group Pre. Ltd., and higher impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries, currency translation loss and fair value loss on financial assets, at FVPL. There was a write-back of allowance for inventory obsolescence in 3Q2018 as opposed to an allowance for inventory obsolescence in the previous period which offset slightly the increase in other operating expenses.

The Group had lower profits of about US$6,000 from associated companies in 3Q2018 compared to US$128,000 in 3Q2017 mainly due to lower share of profits of US$134,000 (3Q2017: US$237,000) in 27.34%-owned SPL Holdings (Australia) Pty Ltd, which the Group disposed of on 27 September 2018. There were small net share of losses in the remaining associated companies of the Group amounting to US$128,000 (3Q2017: US$109,000).

The Group's share of net loss in 27.5%-owned Musang Durians Frozen Food (M) Sdn. Bhd. amounted to US$151,000 compared to share of net profit of US$28,000 in 3Q2017 arising from lower sales.

With the higher gross profit contributed by higher gross margin and a one-off gain on disposal of 27.34%-owned SPL Holdings (Australia) Pty Ltd, the Group reported a net profit after tax of US$10.3 million in 3Q2018, a 230% increase compared to US$3.1 million in 3Q2017. The Group's net margin improved to 2.7% in 3Q2018 from 0.8% in the previous period.

Statement of Financial Position

Trade and other receivables increased by US$82.1 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 and /or longer payment terms from customers. A receivable of US$30.5 million at wholly owned subsidiary, SCE Enterprise Pte. Ltd., being sales proceed in transit from the disposal of 27.34%-owned SPL Holdings (Australia) Pty Ltd, also contributed to the increase in trade and other receivables. SCE Enterprise Pte. Ltd. received U$29.0 million being part of the sales proceed on 3 October 2018. Average turnover days for trade receivables increased to 54 in YTD3Q2018 from 51 in FY2017.

Inventories decreased by US19.1 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$17.4 million, mainly due to the disposal of 27.34%-owned SPL Holdings (Australia) Pty Ltd of US$11.5 million and an impairment loss of US$5.4 million in 21%-owned Tong Chiang Group Pte. Ltd. in YTD3Q2018.

Property, plant and equipment decreased by US$2.0 million, mainly due to depreciation charges amounting to US$2.0 million and a currency translation loss of about US$1.2 million in YTD3Q2018. Additions to property, plant and equipment amounting to US$1.2 million partly offset the decrease in property, plant and equipment.

Intangible assets decreased by US$4.7 million, mainly due to impairment losses provided on goodwill arising from acquisition of consumer products distribution subsidiaries.

Trade and other payables increased by US$10.4 million, mainly due to increased purchases by electronic components distribution subsidiaries in South Korea and Taiwan and a consumer products distribution subsidiary in Singapore. Average payment days for trade payables declined to 32 in YTD3Q2018 from 35 in FY2017.

Borrowings decreased by US$4.6 million due to lower bank borrowings by the Group's Singapore electronic components distribution subsidiary, which utilized more non-recourse trade receivables factoring in YTD3Q2018 to finance working capital requirements compared to FY2017 and repayment of term loans by the Company and a Singapore subsidiary in YTD3Q2018. An increase in bank borrowings by the Group's Hong Kong and Taiwan electronic components distribution subsidiaries and the Group's Malaysia consumer products distribution subsidiary, to finance their working capital requirements, partially offset the overall decrease in bank borrowings in YTD3Q2018.

Currency translation reserves decreased by US$5.0 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 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.

Following the Company's announcement on 2 October 2018 in relation to the cessation of the distribution business ("**TI Distribution Business**") between Texas Instruments ("**TI**") and Serial Microelectronics Pte. Ltd. ("**SMPL**"), a wholly-owned subsidiary of Company, the Company has been in close discussions with TI to work out the terms of a collaborative business transition that facilitates an orderly transition of the TI Distribution Business. These discussions culminated in the Company's announcement of 1 November 2018 that Serial and TI has entered into a Business Transition Agreement ("**BTA**"). Pursuant and subject to the BTA, the TI Distribution Business is extended to 30 June 2019 to facilitate an orderly winding down of the TI Distribution Business; and a proposed sale of the TI Distribution Business ("**Proposed TI Business Sale**"). The Proposed TI Business Sale is envisaged to be completed by the first quarter of 2019 and a transition of the Group's customers of TI products to a potential purchaser will take place within the first half of 2019.

The Group remains confident and committed to its core electronic components distribution business. It will continue to grow the businesses with its existing suppliers by leveraging on its industry experience and extensive distribution network in Asia. It has also begun to actively pursue relationships with new suppliers, channel partners and product lines. The Group also plans to right-size its workforce in line with the transition of the TI Distribution Business.

The Company is reviewing the proposed listing of its 91%-owned subsidiary, Serial Microelectronics (HK) Limited, on the Mainboard of the Stock Exchange of Hong Kong with the above developments. The Company will provide further updates as and when there are material developments on the matter.

Overall, the current outlook for the global semiconductor industry remains encouraging, with demand for semiconductors and microprocessors continuing to be supported by diverse applications in sectors such as industrial, automotive, mobile communication, cloud computing, robotics, consumer electronics and household appliances. The Group remains mindful, however of the 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, foreign-exchange volatility, and risks relating to credit and cash flows.

Barring unforeseen circumstances, the Group expects to be 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 third quarter ended 30 September 2018.

There was a special one-off interim one-tier tax-exempt cash dividend of 1.00 Singapore Cent per share (the **"Special Dividend"**) declared on 3 October 2018 for the financial year ending 31 December 2018, pursuant to the disposal of SPL Holdings (Australia) Pty Ltd, a 27.34% associated company of the Group. This Special Dividend has been paid on 19 October 2018.

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
5 November 2018