



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 2019

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

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

| | Note | The Group | | | Year-To-Date | | |
|---|------|--------------------|--------------------|---------|------------------------|------------------------|---------|
| | | 3Q2019 US\$'000 | 3Q2018 US\$'000 | | 30/09/2019 US\$'000 | 30/09/2018 US\$'000 | |
| Sales | | 184,612 | 385,567 | -52% | 615,864 | 1,199,490 | -49% |
| Cost of sales | | (172,906) | (355,346) | -51% | (574,072) | (1,104,268) | -48% |
| Gross profit | | 11,706 | 30,221 | -61% | 41,792 | 95,222 | -56% |
| Gross profit margin | | 6.3% | 7.8% | -1.5 pt | 6.8% | 7.9% | -1.1 pt |
| Other income: | | | | | | | |
| Other operating income | | 10,739 | 20,951 | -49% | 28,227 | 23,757 | 19% |
| Expenses: | | | | | | | |
| Distribution | | (10,418) | (14,615) | -29% | (30,809) | (41,983) | -27% |
| Administrative | | (2,614) | (5,327) | -51% | (7,498) | (14,369) | -48% |
| Finance | | (1,877) | (4,075) | -54% | (7,296) | (10,484) | -30% |
| Other: | | | | | | | |
| Loss allowance on trade and other receivables | | (421) | (312) | 35% | (890) | (1,543) | -42% |
| Other operating | | (5,108) | (14,575) | -65% | (17,413) | (25,530) | -32% |
| Total expenses | | (20,438) | (38,904) | -47% | (63,906) | (93,909) | -32% |
| | | 2,007 | 12,268 | -84% | 6,113 | 25,070 | -76% |
| Share of results of associated companies (after income tax) | | (42) | 6 | NM | 343 | (282) | NM |
| Share of loss of joint venture (after income tax) | | (78) | (151) | -48% | (283) | (229) | 24% |
| Profit before income tax | 1 | 1,887 | 12,123 | -84% | 6,173 | 24,559 | -75% |
| Income tax expense | 2 | (372) | (2,101) | -82% | (305) | (6,249) | -95% |
| Profit after income tax | | 1,515 | 10,022 | -85% | 5,868 | 18,310 | -68% |
| Attributable to: | | | | | | | |
| Equity holders of the Company | | 2,000 | 10,267 | -81% | 7,429 | 17,499 | -58% |
| Non-controlling interests | | (485) | (245) | 98% | (1,561) | 811 | NM |
| | | 1,515 | 10,022 | -85% | 5,868 | 18,310 | -68% |

Notes :

1. Profit before income tax

| | The Group | | | | | |
|---|---------------|----------|-----|--------------|------------|--------|
| | Third Quarter | | | Year-To-Date | | |
| | 3Q2019 | 3Q2018 | % | 30/09/2019 | 30/09/2018 | % |
| | US\$'000 | US\$'000 | | US\$'000 | US\$'000 | |
| Profit from operations is arrived at after charging/(crediting) :- | | | | | | |
| a. Depreciation and amortisation | 1,111 | 754 | 47 | 3,697 | 2,223 | 66 |
| b. Amortisation of distribution rights | 3 | 4 | -25 | 10 | 10 | - |
| c. Gain on closure of a subsidiary | - | - | - | (14) | - | NM |
| d. Property, plant and equipment written off | - | 3 | NM | - | 3 | NM |
| e. Loss on disposal of property, plant and equipment | - | 4 | NM | - | 13 | NM |
| f. Fair value (gain)/loss on financial assets, at fair value through profit or loss | (146) | 302 | NM | (1,158) | 1,467 | NM |
| g. Loss/(gain) on sale on financial assets, at fair value through profit or loss | 12 | 22 | -45 | (940) | (3) | 31,233 |
| h. Dividend income from financial assets, at fair value through profit or loss | - | - | - | (45) | (47) | -4 |
| i. Impairment losses on goodwill arising from acquisition of subsidiaries | 540 | 3,626 | -85 | 1,480 | 4,526 | -67 |
| 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. Currency translation (gain)/loss (net) | (263) | 3,340 | NM | (504) | 3,671 | NM |
| m. Loss/(gain) on derivative financial instruments | 16 | 33 | -52 | 113 | (239) | NM |
| n. Loss allowance on trade receivables | 421 | 312 | 35 | 890 | 1,028 | -13 |
| o. Loss allowance on other receivables | - | - | - | - | 515 | NM |
| p. Allowance/(write-back) of allowance for inventory obsolescence | 2,436 | (751) | NM | 5,518 | (1,635) | NM |
| q. Write-off of inventories | 75 | 71 | 6 | 98 | 125 | -22 |
| r. Hong Kong IPO expenses | - | 1,574 | NM | - | 3,593 | NM |
| s. Consideration in relation to transfer of TI distribution business to an authorized distributor | (7,631) | - | NM | (20,314) | - | NM |
| t. Interest income | (659) | (528) | 25 | (1,827) | (1,517) | 20 |
| 2. Income tax expense | | | | | | |
| | 3Q2019 | 3Q2018 | % | 30/09/2019 | 30/09/2018 | % |
| | US\$'000 | US\$'000 | | US\$'000 | US\$'000 | |
| Under/(over) provision in preceding financial years | | | | | | |
| - Current income tax | 21 | 566 | -96 | (283) | 781 | 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 | | |
| | 3Q2019 | 3Q2018 | | 30/09/2019 | 30/09/2018 | |
| US\$'000 | US\$'000 | | US\$'000 | US\$'000 | | |
| Net profit after income tax | 1,515 | 10,022 | -85% | 5,868 | 18,310 | -68% |
| Other comprehensive loss for the period: | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | |
| Share of associated company's other comprehensive loss | - | - | - | (14) | - | NM |
| | - | - | - | (14) | - | NM |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Share of associated companies' other comprehensive income/(loss) | 16 | (176) | NM | 62 | (462) | 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 | (10) | (32) | -68% | (6) | (76) | -92% |
| Currency translation differences | (2,106) | (2,677) | -21% | (1,772) | (5,039) | -65% |
| | (2,100) | (2,616) | -20% | (1,716) | (5,308) | -68% |
| Other comprehensive loss for the period | (2,100) | (2,616) | -20% | (1,730) | (5,308) | -67% |
| Total comprehensive (loss)/income for the period | (585) | 7,406 | NM | 4,138 | 13,002 | -68% |
| Total comprehensive (loss)/income attributable to: | | | | | | |
| Equity holders of the Company | 87 | 8,087 | -99% | 5,687 | 12,481 | -54% |
| Non-controlling interests | (672) | (681) | -1% | (1,549) | 521 | NM |
| | (585) | 7,406 | NM | 4,138 | 13,002 | -68% |

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 | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30/09/2019 US\$'000 | 31/12/2018 US\$'000 | 30/09/2019 US\$'000 | 31/12/2018 US\$'000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 48,282 | 59,180 | 7,826 | 8,057 |
| Trade and other receivables | 126,072 | 181,161 | 19,849 | 18,418 |
| Inventories | 101,460 | 144,995 | - | - |
| Financial assets, at fair value through profit or loss | 30,821 | 70,953 | - | - |
| Other current assets | 2,377 | 2,232 | 447 | 261 |
| | 309,012 | 458,521 | 28,122 | 26,736 |
| Non-current assets | | | | |
| Income tax recoverable | 1,667 | 1,667 | - | - |
| Loans and other receivables | - | - | 38,368 | 34,970 |
| Financial assets, at fair value through profit or loss | 4,200 | 3,506 | - | - |
| Financial assets, at fair value through other comprehensive income | 189 | 1,995 | - | - |
| Investments in associated companies | 4,181 | 3,742 | 1,390 | 1,390 |
| Investment in joint venture | 1,527 | 1,815 | - | - |
| Investments in subsidiaries | - | - | 69,151 | 68,653 |
| Property, plant and equipment | 32,733 | 35,323 | 580 | 720 |
| Investment properties | 4,359 | 4,402 | - | - |
| Right-of-use assets ⁽¹⁾ | 2,591 | - | - | - |
| Intangible assets | 7,494 | 9,062 | 136 | 58 |
| Other assets | 498 | 566 | - | - |
| Deferred income tax assets | 485 | 481 | - | - |
| | 59,924 | 62,559 | 109,625 | 105,791 |
| Total Assets | 368,936 | 521,080 | 137,747 | 132,527 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 95,159 | 156,621 | 22,611 | 13,766 |
| Current income tax liabilities | 2,430 | 3,438 | 139 | 163 |
| Borrowings ⁽¹⁾ | 114,261 | 211,443 | 53 | 6,496 |
| | 211,850 | 371,502 | 22,803 | 20,425 |
| Non-current liabilities | | | | |
| Other payables | - | - | 11,416 | 12,028 |
| Borrowings ⁽¹⁾ | 9,577 | 3,594 | 5,955 | 208 |
| Defined benefit plans liabilities | 999 | 863 | - | - |
| Deferred income tax liabilities | 659 | 660 | 288 | 288 |
| | 11,235 | 5,117 | 17,659 | 12,524 |
| Total Liabilities | 223,085 | 376,619 | 40,462 | 32,949 |
| Net Assets | 145,851 | 144,461 | 97,285 | 99,578 |

| | The Group | | The Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30/09/2019 US\$'000 | 31/12/2018 US\$'000 | 30/09/2019 US\$'000 | 31/12/2018 US\$'000 |
| EQUITY | | | | |
| Capital and reserves attributable to the equity holders of the Company | | | | |
| Share capital | 72,648 | 72,648 | 72,648 | 72,648 |
| Treasury shares | (736) | (736) | (736) | (736) |
| Capital reserve | 1,276 | 1,276 | 180 | 180 |
| Defined benefit plans reserve | (206) | (206) | - | - |
| Fair value reserve | (742) | (742) | - | - |
| Revaluation reserve | 45 | 59 | - | - |
| Other reserve | (765) | (765) | - | - |
| Currency translation reserve | 3,066 | 4,794 | - | - |
| Retained earnings ⁽¹⁾ | 64,634 | 60,401 | 25,193 | 27,486 |
| | 139,220 | 136,729 | 97,285 | 99,578 |
| Non-controlling interests | 6,631 | 7,732 | - | - |
| Total Equity | 145,851 | 144,461 | 97,285 | 99,578 |

- ⁽¹⁾ The effect on adoption of the SFRS(I) 16 has resulted in an increase in right-of-use assets of approximately US\$4,755,000, an increase in lease liabilities of US\$4,925,000 (included in current borrowings of US\$2,292,000 and non-current borrowings of US\$2,633,000), with a corresponding decrease in retained earnings of US\$170,000 as at 1 January 2019 (see Section 5 below). The right-of-use assets and lease liabilities were further reduced by US\$2,164,000 and US\$2,143,000 respectively in YTD3Q2019.

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

Amount repayable in one year or less, or on demand

| 30/09/2019 | | 31/12/2018 | |
|----------------|------------------|----------------|------------------|
| <u>Secured</u> | <u>Unsecured</u> | <u>Secured</u> | <u>Unsecured</u> |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 5,861 | 108,400 | 8,811 | 202,632 |

Amount repayable after one year

| 30/09/2019 | | 31/12/2018 | |
|----------------|------------------|----------------|------------------|
| <u>Secured</u> | <u>Unsecured</u> | <u>Secured</u> | <u>Unsecured</u> |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 9,048 | 529 | 3,594 | - |

Details of any collateral

- a) A term loan of the Company amounting to US\$5.8 million (31 December 2018: US\$6.4 million) which was re-financed to be payable on 31 May 2021, is secured on the following:
 - a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$0.4 million (31 December 2018: US\$0.4 million) taken by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to part finance the acquisition of a property in Malaysia is secured by a first legal mortgage of the property and guarantee by a subsidiary of the Group.
- c) Bank borrowing of US\$4.9 million (31 December 2018: US\$5.1 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan and for working capital requirements is secured by a first legal mortgage of the property.
- d) Bank borrowings of US\$3.5 million taken up by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited with two banks in YTD3Q2019 for working capital requirements, are secured by a first legal mortgage of its property in South Korea.
- e) Finance lease liabilities of US\$0.33 million (31 December 2018: US\$0.40 million) are secured on the Group's assets acquired under finance lease agreements.

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

| | Third Quarter | | Year-To-Date | |
|--|--------------------|--------------------|------------------------|------------------------|
| | 3Q2019 US\$'000 | 3Q2018 US\$'000 | 30/09/2019 US\$'000 | 30/09/2018 US\$'000 |
| Cash flows from operating activities | | | | |
| Profit before income tax | 1,887 | 12,123 | 6,173 | 24,559 |
| Adjustments for: | | | | |
| Amortisation of computer software license costs | 32 | 66 | 109 | 202 |
| Amortisation of distribution rights | 3 | 4 | 10 | 10 |
| Depreciation of property, plant and equipment | 1,079 | 688 | 3,588 | 2,021 |
| Property, plant and equipment written off | - | 3 | - | 3 |
| Loss on disposal of property, plant and equipment | - | 4 | - | 13 |
| Fair value (gain)/loss on financial assets, at fair value through profit or loss | (146) | 302 | (1,158) | 1,467 |
| Loss/(gain) on sale of financial assets, at fair value through profit or loss | 12 | 22 | (940) | (3) |
| Dividend income from financial assets, at fair value through profit or loss | - | - | (45) | (47) |
| Impairment losses on goodwill arising from acquisition of subsidiaries | 540 | 3,626 | 1,480 | 4,526 |
| Gain on closure of a subsidiary | - | - | (14) | - |
| Gain on disposal of an associated company | - | (19,706) | - | (19,706) |
| Impairment loss on investment in an associated company | - | 3,937 | - | 5,437 |
| Consideration in relation to transfer of TI distribution business to an authorized distributor | (7,631) | - | (20,314) | - |
| Provision for defined benefit plans liabilities | 125 | 114 | 507 | 362 |
| Interest income | (659) | (528) | (1,827) | (1,517) |
| Interest expense | 1,877 | 4,075 | 7,296 | 10,484 |
| Share of results of associated companies | 42 | (6) | (343) | 282 |
| Share of loss of joint venture | 78 | 151 | 283 | 229 |
| Operating cash flow before working capital changes | (2,761) | 4,875 | (5,195) | 28,322 |
| Changes in working capital | | | | |
| Trade and other receivables | 11,952 | (12,800) | 54,031 | (55,552) |
| Financial assets, at fair value through profit or loss | 4,833 | - | 40,132 | - |
| Inventories | 11,687 | (18,526) | 43,613 | 19,219 |
| Other current assets | (25) | 711 | (160) | (731) |
| Other assets (non-current) | 20 | (1) | 68 | 20 |
| Trade and other payables | 86 | (1,941) | (40,411) | 10,775 |
| Cash from/(used in) operations | 25,792 | (27,682) | 92,078 | 2,053 |
| Income tax paid | (224) | (698) | (1,434) | (2,816) |
| Net cash provided by/(used in) operating activities | 25,568 | (28,380) | 90,644 | (763) |

| | Third Quarter | | Year-To-Date | |
|--|--------------------|--------------------|------------------------|------------------------|
| | 3Q2019 US\$'000 | 3Q2018 US\$'000 | 30/09/2019 US\$'000 | 30/09/2018 US\$'000 |
| Cash flows from investing activities | | | | |
| Payments for intangible assets (computer software license costs) | (20) | (273) | (152) | (295) |
| Payments for property, plant and equipment | (24) | (678) | (236) | (1,232) |
| Proceeds from disposal of property, plant and equipment | - | 10 | - | 26 |
| Proceeds from sale of financial assets, at fair value through profit or loss | 7 | 153 | 2,854 | 508 |
| Payments for financial assets, at fair value through profit or loss | (200) | - | (683) | (1,777) |
| Payments for additional investment in an associated company | (49) | - | (49) | - |
| Payments for financial assets, at fair value through other comprehensive income | - | (1,800) | - | (1,800) |
| Dividends received from financial assets, at fair value through profit or loss | - | - | 45 | 47 |
| Interest received | 661 | 534 | 1,831 | 1,513 |
| Net cash provided by/(used in) investing activities | 375 | (2,054) | 3,610 | (3,010) |
| Cash flows from financing activities | | | | |
| Subscription of interests in subsidiaries by non-controlling interests | 490 | - | 491 | 40 |
| Payment for acquisition of additional interests in subsidiaries from non-controlling interests | (43) | (35) | (43) | (35) |
| Dividends paid to shareholders of the Company | - | (2,621) | (3,026) | (5,736) |
| Dividend paid to non-controlling interest of a subsidiary | - | - | - | (265) |
| Proceeds from bank borrowings | 98,535 | 248,287 | 443,046 | 718,129 |
| Proceeds from finance lease liabilities | - | 45 | - | 92 |
| Proceeds from other borrowings | 6,178 | - | 6,178 | - |
| Repayment of bank borrowings | (124,656) | (230,615) | (539,751) | (721,937) |
| Repayment of other borrowings | (2,482) | - | (2,482) | - |
| Repayment of finance lease liabilities | (24) | (9) | (75) | (27) |
| Repayment of lease liabilities | (541) | - | (1,801) | - |
| Interest paid | (1,788) | (3,843) | (7,483) | (10,374) |
| Net cash (used in)/provided by financing activities | (24,331) | 11,209 | (104,946) | (20,113) |
| Net increase/(decrease) in cash and cash equivalents held | 1,612 | (19,225) | (10,692) | (23,886) |
| Cash and cash equivalents at the beginning of the period | 45,948 | 67,122 | 58,254 | 72,157 |
| Effect of currency translation on cash and cash equivalents | (258) | (69) | (260) | (443) |
| Cash and cash equivalents at the end of the period | 47,302 | 47,828 | 47,302 | 47,828 |
| Reconciliation: | | | | |
| Cash and cash equivalents per statement of financial position | 48,282 | 48,755 | 48,282 | 48,755 |
| Less: Bank deposits pledged for overdraft facility | (980) | (927) | (980) | (927) |
| Cash and cash equivalents per consolidated cash flow statement | 47,302 | 47,828 | 47,302 | 47,828 |

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

Consolidated Statement of Changes in Equity

| | ← Attributable to equity holders of the Company → | | | | | | | | | | Non-controlling interests US\$'000 | Total equity US\$'000 |
|---|---|-----------------------------|-----------------------------|---|--------------------------------|---------------------------------|---------------------------|--|-------------------------------|---|---------------------------------------|--------------------------|
| | 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 | | |
| Balance at 1 January 2019 | 72,648 | (736) | 1,276 | (206) | (742) | 59 | (765) | 4,794 | 60,401 | 136,729 | 7,732 | 144,461 |
| Effect of change in accounting policy on adoption of SFRS(I) 16 | - | - | - | - | - | - | - | - | (170) | (170) | - | (170) |
| Balance at 1 January 2019 (restated) | 72,648 | (736) | 1,276 | (206) | (742) | 59 | (765) | 4,794 | 60,231 | 136,559 | 7,732 | 144,291 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | - | 1,083 | 3,178 | 4,261 | (380) | 3,881 |
| Subscription of interests in a subsidiary by a non-controlling interest | - | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Balance at 31 March 2019 | 72,648 | (736) | 1,276 | (206) | (742) | 59 | (765) | 5,877 | 63,409 | 140,820 | 7,353 | 148,173 |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | (14) | - | (898) | 2,251 | 1,339 | (497) | 842 |
| One-tier tax-exempt final cash dividend for year 2018 | - | - | - | - | - | - | - | - | (3,026) | (3,026) | - | (3,026) |
| Balance at 30 June 2019 | 72,648 | (736) | 1,276 | (206) | (742) | 45 | (765) | 4,979 | 62,634 | 139,133 | 6,856 | 145,989 |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | - | - | (1,913) | 2,000 | 87 | (672) | (585) |
| Subscription of interests in a subsidiary by a non-controlling interest | - | - | - | - | - | - | - | - | - | - | 490 | 490 |
| Acquisition of additional interests in a subsidiary from a non-controlling interest | - | - | - | - | - | - | - | - | - | - | (43) | (43) |
| Balance at 30 September 2019 | 72,648 | (736) | 1,276 | (206) | (742) | 45 | (765) | 3,066 | 64,634 | 139,220 | 6,631 | 145,851 |

Consolidated Statement of Changes in Equity [cont'd]

| | ← Attributable to equity holders of the Company → | | | | | | | | | | | |
|--|---|-----------------|-----------------|-------------------------------|---------------------|---------------|------------------------------|-------------------|---|---------------------------|--------------|--|
| | Share capital | Treasury shares | Capital reserve | Defined benefit plans 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 | |
| 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 | |
| Subscription of interests 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) | |
| 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 | |

Statement of Changes in Equity - Company

| | Share capital | Treasury shares | Capital reserve | Retained earnings | Total equity |
|---|------------------|--------------------|--------------------|----------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Balance at 1 January 2019 | 72,648 | (736) | 180 | 27,486 | 99,578 |
| Total comprehensive income for the period | - | - | - | 31 | 31 |
| Balance at 31 March 2019 | 72,648 | (736) | 180 | 27,517 | 99,609 |
| Total comprehensive income for the period | - | - | - | 309 | 309 |
| One-tier tax-exempt final cash dividend for year 2018 | - | - | - | (3,026) | (3,026) |
| Balance at 30 June 2019 | 72,648 | (736) | 180 | 24,800 | 96,892 |
| Total comprehensive income for the period | - | - | - | 393 | 393 |
| Balance at 30 September 2019 | 72,648 | (736) | 180 | 25,193 | 97,285 |
| 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 |
| 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 |

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 2019.

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

There were no outstanding share options as at 30 September 2019 (30 September 2018: Nil).

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

| | <u>30/09/2019</u> | <u>31/12/2018</u> |
|---|--------------------|--------------------|
| Total number of issued shares | 905,787,914 | 905,787,914 |
| Total number of treasury shares | (9,946,000) | (9,946,000) |
| Total number of issued shares excluding treasury shares | <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 Third Quarter and Nine Months Financial Statements for the period ended 30 September 2019 to be false or misleading.

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

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

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

Not applicable.

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

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

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

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

SFRS(I) 16 Leases

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

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

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

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

| | The Group | | | |
|---|------------------|------------|------------------|------------|
| | Third Quarter | | Year-To-Date | |
| | 3Q2019 | 3Q2018 | 30/09/2019 | 30/09/2018 |
| Based on the weighted average number of ordinary shares in issue (in US\$); and | 0.22 cent | 1.14 cents | 0.83 cent | 1.95 cents |
| On a fully diluted basis (in US\$) | 0.22 cent | 1.14 cents | 0.83 cent | 1.95 cents |

Earnings per ordinary share on existing issued share capital are computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period of 895,841,914 (3Q2018/ Year-To-Date 30/09/2018: 895,841,914).

Earnings per ordinary share on a fully diluted basis are computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period of 895,841,914 (3Q2018/ Year-To-Date 30/09/2018: 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 2019 and 30 September 2018.

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | The Group | | The Company | |
|--|--------------------|-------------|--------------------|-------------|
| | 30/09/2019 | 31/12/2018 | 30/09/2019 | 31/12/2018 |
| Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$) | 15.54 cents | 15.26 cents | 10.86 cents | 11.11 cents |

Net assets value per ordinary share as at 30 September 2019 and 31 December 2018 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 Nine Months Ended 30 September 2019

The Group recorded a turnover of US\$615.9 million for the nine months ended 30 September 2019 (“YTD3Q2019”), a decrease of 49% compared to US\$1.20 billion for the same period last year (“YTD3Q2018”).

Turnover for the electronic components distribution business declined by 49% to US\$585.2 million, mainly due to the termination of the distribution business with Texas Instruments (“TI”) which has impacted sales in all markets in Asia. Taking out the impact of the decline in turnover due to TI termination and the discontinuation of a product line in March 2018, turnover for the electronic components distribution business would have increased by 13%. The increase despite the continuous trade tensions between China and United States which have dampened market sentiment, can be attributed to the Group’s conscientious efforts to grow its existing product lines and contribution from new product lines which the Group secured post-TI termination.

Turnover for the consumer products distribution business declined 40% to US\$27.2 million, mainly due to the weak demand and keen competition in the markets (Singapore and Malaysia) in which the Group operates and the Group’s continued rationalisation and exit of non-profitable products.

Overall gross profit margin decreased to 6.8% from 7.9% in YTD3Q2018, due to lower margins achieved by both the electronic components distribution and consumer products distribution businesses as a result of keen market competition in a challenging environment.

The Group reported a net profit after tax of US\$7.4 million, a decrease of 58% as compared to US\$17.5 million in YTD3Q2018 mainly due to lower gross profit earned as a result of lower sales and gross profit margin. The YTD3Q2019 net profit after tax included a US\$20.3 million consideration in relation to the transfer of TI distribution business to an authorized distributor whereas the YTD3Q2018 included a gain of US\$19.7 million on disposal of the Group’s 27.34% stake in SPL Holdings (Australia) Pty Ltd. The Group posted a net margin of 1.2% compared to 1.5% in the previous period.

Results for 3Q2019

The Group recorded a turnover of US\$184.6 million for the third quarter ended 30 September 2019 (“3Q2019”), a decrease of 52% compared to US\$385.6 million for the same period last year (“3Q2018”).

Turnover for the electronic components distribution business declined 53% to US\$173.5 million, mainly due to the TI termination. Excluding the impact of the decline in turnover due to TI termination, turnover for the electronic components distribution business would have increased by 21%, despite the ongoing and broadening trade tensions between China and United States which have affected demand in China and Hong Kong. The increase was due to increased sales for certain existing product lines and contribution from new product lines as the Group realigned its resources to grow these product lines following TI termination.

Turnover for the consumer products distribution business declined by 33% to US\$9.8 million, mainly due to the weak demand in the markets (Singapore and Malaysia) in which the Group operates and the Group’s continued rationalisation and exit of non-profitable products.

Overall gross profit margin decreased to 6.3% from 7.8% in 3Q2018, due to lower margin achieved by the electronic components distribution business as a result of keen market competition in a challenging environment.

Other operating income decreased by US\$10.2 million or 49%, mainly due to the one-off gain of US\$19.7 million on disposal of the Group's 27.34%-owned SPL Holdings (Australia) Pty Ltd in 3Q2018. This is partially offset by a recognition in 3Q2019 of a consideration of US\$7.6 million in relation to the transfer of the distribution business with TI to an authorized distributor and higher rebates and commission income of US\$1.5 million from suppliers.

Distribution expenses decreased by US\$4.2 million or 29%, mainly due to lower staff and related costs, freight and handling charges, storage charges, custom duties and taxes associated with the electronic components distribution business as a result of the reduction of sales in 3Q2019.

Administrative expenses decreased by US\$2.7 million or 51%. The decrease was mainly due to the absence of legal and professional fees in relation to SMHK's Hong Kong IPO which amounted to US\$1.6 million in 3Q2018, and lower bank charges, and staff-related costs associated with the electronic components distribution business.

Finance expenses decreased by US\$2.2 million or 54%. The decrease was mainly due to lower bank borrowings, in line with the decrease in sales.

Other operating expenses decreased by US\$9.5 million or 65%. The decrease was mainly due to the absence of an impairment loss on investment in an associated company, currency translation loss and a fair value loss on financial assets, at fair value through profit or loss which amounted to US\$3.9 million, US\$3.3 million and US\$0.3 million respectively in 3Q2018. Lower impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries as well as staff costs in 3Q2019 also contributed to the reduction in other operating expenses. Allowance for inventory obsolescence as opposed to a write-back of allowance for inventory obsolescence in 3Q2018 partially offset the decrease in other operating expenses.

The Group's 19.02%-owned Bull Will Co., Ltd and 40.95%-owned Unitrontech China Co., Ltd contributed to the share of net loss from associated companies of US\$42,000 in 3Q2019.

The Group shared a lower net loss of US\$78,000 in 27.5%-owned Musang Durians Frozen Food (M) Sdn. Bhd. compared to US\$151,000 in the previous period, mainly due to lower operating expenses as the company took conscientious efforts to reduce its costs during the current period.

The Group reported a net profit after tax of US\$2.0 million compared to US\$10.3 million in 3Q2018. The Group posted a net margin of 1.1% in 3Q2019, compared to 2.7% in the previous period.

Statement of Financial Position

Trade and other receivables decreased by US\$55.1 million (net of factored trade receivables), mainly due to lower sales achieved by the Group's electronic components distribution and consumer products distribution subsidiaries in YTD3Q2019. The decrease is partially offset by longer payment terms from certain customers of the Group's electronic components distribution subsidiaries in YTD3Q2019. Average turnover days for trade receivables increased to 84 in YTD3Q2019 from 54 in FY2018.

Inventories decreased by US\$43.5 million, mainly due to lower inventories held by the Group's electronic components distribution subsidiaries. The Group's consumer products distribution subsidiaries also held lower inventories overall in YTD3Q2019 in anticipation of lower sales in the markets they operate.

Financial assets, at fair value through profit or loss (current assets) decreased by US\$40.1 million, mainly due to the reduction in reclassification from trade receivables by US\$40.1 million to US\$30.1 million (FY2018: reclassification from trade receivables of US\$70.2 million). This was due to lower sales achieved by the Group's electronic components distribution subsidiaries in YTD3Q2019.

The Company's loans and other receivables increased by US\$3.4 million, mainly due to additional inter-company loans to the Group's Hong Kong electronic components distribution subsidiary and the Group's Thailand subsidiary in YTD3Q2019.

Trade and other payables decreased by US\$61.5 million, mainly due to lower purchases by the Group's electronic components distribution subsidiaries. The recognition of contingent consideration received from the authorised distributor for the transfer of the TI business to other income in YTD3Q2019 also contributed to the decrease in trade and other payables. Average payment days for trade payables increased to 36 in YTD3Q2019 from 29 in FY2018.

The Company's trade and other payables increased by US\$8.8 million, mainly due to additional loans from its wholly owned Singapore subsidiary in YTD3Q2019.

Borrowings decreased by US\$91.2 million, mainly due to lower bank borrowings by the Group's electronic components distribution subsidiaries as the Group utilised funds generated from operations and the consideration received in relation to the transfer of the TI distribution business to an authorized distributor, to reduce its borrowings and to finance its working capital requirements. The Company's current portion of a term loan amounting to US\$5.8 million which was refinanced to be payable on 31 May 2021, was reclassified to non-current borrowings as at 30 September 2019.

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

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

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

The Group continues to monitor the state of the Asian markets in which it operates. Macroeconomic developments such as the ongoing trade tensions between China and the U.S., as well as Japan and South Korea, have resulted in a challenging environment that may affect business over the next 12 months.

Even as the semiconductor industry experiences a slowdown due to global economic uncertainties, there remains several areas of growth in the sector, driven by new applications in the Internet of Things, artificial intelligence, mobility services and autonomous vehicles. China has also formally created a RMB 204 billion (US\$28.9 billion) fund to grow its semiconductor supply chain from chip design to manufacturing. In light of these significant developments, the Group's electronic components distribution business is positioned to discover new opportunities for potential partnerships and revenue streams. In addition, the Group will continue to review its operations and reallocate resources and personnel to boost efficiency and reduce costs.

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

11. Dividend

a) Current Financial Period Reported On

Any dividend declared (recommended) for the current financial period reported on? No

b) Corresponding Period of the Immediately Preceding Financial Year

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

No 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.

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

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

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

No general mandate from shareholders has been obtained for IPTs.

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

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

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/Group CEO
5 November 2019