SERIAL 新曄集團

SERIAL SYSTEM LTD

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

Unaudited First Quarter Financial Statement Announcement for the Period Ended 31 March 2014

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		
		First Quarter		
		1Q2014	1Q2013	
	Note	**US$'000**	US$'000	
Sales		**212,360**	171,573	24%
Cost of sales		**(193,315)**	(155,929)	24%
Gross profit		**19,045**	15,644	22%
Gross profit margin		***9.0%***	*9.1%*	*-0.1pt*
Other operating income		**1,243**	741	68%
Expenses:				
Distribution		**(9,890)**	(7,969)	24%
Administrative		**(2,760)**	(2,156)	28%
Finance		**(948)**	(688)	38%
Other		**(3,592)**	(3,281)	9%
Total expenses		**(17,190)**	(14,094)	22%
		3,098	2,291	35%
Share of results of associated companies (after income tax)		**(90)**	(150)	-40%
Profit before income tax	1	**3,008**	2,141	40%
Income tax expense	2	**(948)**	(544)	74%
Profit after income tax		**2,060**	1,597	29%
Attributable to:				
Equity holders of the Company		**2,110**	1,608	31%
Non-controlling interests		**(50)**	(11)	355%
		2,060	1,597	29%

Notes :

1. Profit before income tax

		The Group		
		First Quarter		
		1Q2014	1Q2013	
		US$'000	US$'000	%
Profit from operations is arrived at after charging/(crediting) :-				
a.	Depreciation and amortisation	**732**	568	29
b.	Amortisation of distribution rights	**430**	655	-34
c.	Impairment losses on goodwill arising from acquisition of subsidiaries	**180**	216	-17
d.	Gain on disposal of property, plant and equipment	**(1)**	-	NM
e.	Gain on dilution of interests in an associated company	**(7)**	-	NM
f.	Allowance for impairment losses on trade receivables	**34**	33	3
g.	Write back of allowance for impairment losses on other receivables	**(10)**	-	NM
h.	Allowance for inventory obsolescences	**85**	332	-74
i.	Write-off of inventories	**14**	-	NM
j.	Currency translation gain (net)	**(209)**	(61)	243
k.	Gain on derivative financial instruments	**(43)**	(7)	514
l.	Loss on sale of financial assets, at fair value through profit or loss	**-**	17	NM
m.	Fair value gain on financial assets, at fair value through profit or loss	**(4)**	(93)	-96
n.	Interest income	**(26)**	(28)	-7

	1Q2014	1Q2013	
2. Income tax expense	**US$'000**	US$'000	%
Under/(over) provision in preceding financial years			
- Current income tax	**136**	(80)	-270
- Deferred income tax	**42**	-	NM
	178	(80)	-323

NM – Not Meaningful

1(a)(ii) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group		
	First Quarter		
	1Q2014	1Q2013	
	US$'000	US$'000	
Profit after income tax	**2,060**	1,597	29%
Other comprehensive income/(loss) for the period:			
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes on financial asset, available-for-sale	**(763)**	-	NM
Currency translation differences	**(1,101)**	(812)	36%
Other comprehensive loss for the period	**(1,864)**	(812)	130%
Total comprehensive income for the period	**196**	785	-75%
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	**462**	802	-42%
Non-controlling interests	**(266)**	(17)	1,465%
	196	785	-75%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	31/3/2014	31/12/2013	**31/3/2014**	31/12/2013
	US$'000	US$'000	**US$'000**	US$'000
ASSETS				
Current assets				
Cash and cash equivalents	**47,560**	40,548	**586**	1,026
Trade and other receivables	**184,407**	165,909	**16,296**	16,370
Inventories	**68,092**	67,925	**-**	-
Financial assets, at fair value through profit or loss	**66**	61	**-**	-
Other current assets	**3,048**	2,601	**985**	116
	303,173	277,044	**17,867**	17,512
Non-current assets				
Financial assets, at fair value through profit or loss	**1,303**	1,297	**-**	-
Loans and receivables	**-**	-	**41,730**	41,757
Financial assets, available-for-sale	**4,318**	5,182	**-**	-
Investments in associated companies	**12,928**	6,097	**6,626**	6,626
Investments in subsidiaries	**-**	-	**52,883**	52,883
Property, plant and equipment	**34,682**	36,009	**333**	346
Investment properties	**7,185**	6,392	**-**	-
Intangible assets	**8,462**	9,066	**579**	588
Other assets	**2,148**	1,834	**-**	-
Deferred income tax assets	**545**	555	**-**	-
	71,571	66,432	**102,151**	102,200
Total Assets	**374,744**	343,476	**120,018**	119,712

	The Group		The Company	
	31/3/2014	31/12/2013	**31/3/2014**	31/12/2013
	US$'000	US$'000	**US$'000**	US$'000
LIABILITIES				
Current liabilities				
Trade and other payables	**109,962**	92,473	**3,831**	3,088
Current income tax liabilities	**1,718**	1,478	**-**	78
Redemption liabilities	**410**	410	**-**	-
Borrowings	**138,519**	124,298	**2,971**	2,964
	250,609	218,659	**6,802**	6,130
Non-current liabilities				
Other payable	**-**	-	**4,706**	4,683
Borrowings	**13,076**	14,115	**6,378**	7,079
Defined benefit plans liabilities	**740**	651	**-**	-
Deferred income tax liabilities	**129**	89	**-**	-
	13,945	14,855	**11,084**	11,762
Total Liabilities	**264,554**	233,514	**17,886**	17,892
Net Assets	**110,190**	109,962	**102,132**	101,820
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	**180**	180	**180**	180
Defined benefit plans reserve	**(424)**	(424)	**-**	-
Fair value reserve	**(1,657)**	(894)	**-**	-
Other reserve	**(410)**	(410)	**-**	-
Currency translation reserve	**5,140**	6,025	**17,589**	17,589
Retained earnings	**33,161**	31,051	**12,451**	12,139
	107,902	107,440	**102,132**	101,820
Non-controlling interests	**2,288**	2,522	**-**	-
Total Equity	**110,190**	109,962	**102,132**	101,820

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

Amount repayable in one year or less, or on demand

As at 31 March 2014		As at 31 December 2013	
Secured	**Unsecured**	Secured	Unsecured
US$'000	**US$'000**	US$'000	US$'000
4,007	**134,512**	4,003	120,295

Amount repayable after one year

As at 31 March 2014		As at 31 December 2013	
Secured	**Unsecured**	Secured	Unsecured
US$'000	**US$'000**	US$'000	US$'000
13,076	**-**	14,115	-

Details of any collateral

a) A US$15.8 million (S$20 million) four years term loan amounting to US$9.3 million (31 December 2013: US$10.0 million) taken up by the Company with a bank is secured with the following:
- a first legal mortgage of 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$4.5 million (31 December 2013: US$4.7 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc. to part finance the acquisition of a property in Taiwan is secured by a first legal mortgage of the property.

c) Bank borrowing of US$3.2 million (31 December 2013: US$3.4 million) taken by a 98.2% Korean subsidiary, Serial Microelectronics Korea Limited to part finance the acquisition of a property in South Korea is secured by a first legal mortgage of the property.

d) Finance lease liabilities of US$0.1 million (31 December 2013: US$0.05 million) are secured on the Company and Group's motor vehicles acquired under finance lease agreements.

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

	First Quarter	
	1Q2014	1Q2013
	US$'000	US$'000
Cash flows from operating activities		
Profit before income tax	**3,008**	2,141
Adjustments for:		
Amortisation of computer software license costs	**64**	49
Amortisation of distribution rights	**430**	655
Depreciation of property, plant and equipment	**668**	519
Gain on disposal of property, plant and equipment	**(1)**	-
Impairment losses on goodwill arising from acquisition of subsidiaries	**180**	216
Gain on dilution of interests in an associated company	**(7)**	-
Loss on sale of financial assets, at fair value through profit or loss	**-**	17
Fair value gain on financial assets, at fair value through profit or loss	**(4)**	(93)
Provision for severance benefits	**94**	92
Interest income	**(26)**	(28)
Interest expense	**948**	688
Share of results of associated companies	**90**	150
Operating cash flow before working capital changes	**5,444**	4,406
Change in operating assets and liabilities, net of effects from investment in a subsidiary		
Trade and other receivables	**(19,232)**	(12,462)
Inventories	**(167)**	(1,874)
Other current assets	**334**	(602)
Other assets (non-current)	**(314)**	-
Trade and other payables	**10,586**	18,335
Cash (used in)/from operations	**(3,349)**	7,803
Income tax paid	**(1,441)**	(1,163)
Net cash (used in)/provided by operating activities	**(4,790)**	6,640

	First Quarter	
	1Q2014	1Q2013
	US$'000	US$'000
Cash flows from investing activities		
Payments for intangible assets (computer software license costs)	**(52)**	(54)
Payments for property, plant and equipment	**(312)**	(763)
Proceeds from disposal of property, plant and equipment	**15**	-
Proceeds from sale of financial assets, at fair value through profit or loss	**-**	236
Payments for financial assets, available-for-sale	**-**	(121)
Interest received	**21**	24
Net cash used in investing activities	**(328)**	(678)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of share issue expenses	**-**	17
Payment for investment in a subsidiary by non-controlling interests	**32**	-
Proceeds from bank borrowings	**143,321**	94,058
Repayment of bank borrowings	**(130,081)**	(94,051)
Repayment of finance lease liabilities	**(14)**	(31)
Interest paid	**(907)**	(694)
Net cash provided by/(used in) financing activities	**12,351**	(701)
Net increase in cash and cash equivalents held	**7,233**	5,261
Cash and cash equivalents at the beginning of the period	**40,548**	37,180
Effect of currency rate changes on cash and cash equivalents	**(221)**	(219)
Cash and cash equivalents at the end of the period	**47,560**	42,222

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$'000	Other reserve US$'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 2014	72,648	(736)	180	(424)	(894)	(410)	6,025	31,051	107,440	2,522	109,962
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	2,110	2,110	(50)	2,060
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	32	32
Net loss on fair value changes on financial asset, available-for-sale	-	-	-	-	(763)	-	-	-	(763)	-	(763)
Currency translation differences	-	-	-	-	-	-	(885)	-	(885)	(216)	(1,101)
Balance at 31 March 2014	**72,648**	**(736)**	**180**	**(424)**	**(1,657)**	**(410)**	**5,140**	**33,161**	**107,902**	**2,288**	**110,190**

	← Attributable to equity holders of the Company →									
	Share capital US$'000	Treasury shares US$'000	Share option reserve US$'000	Capital reserve US$'000	Defined benefit plans 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 2013	72,626	(736)	5	180	(188)	5,496	25,497	102,880	1,658	104,538
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,608	1,608	(11)	1,597
Serial System Executives Share Option Scheme										
- Exercise of share options	17	-	-	-	-	-	-	17	-	17
Currency translation differences	-	-	-	-	-	(806)	-	(806)	(6)	(812)
Balance at 31 March 2013	72,643	(736)	5	180	(188)	4,690	27,105	103,699	1,641	105,340

Statement of Changes in Equity - Company

	Share capital	Treasury shares	Share option reserve	Capital reserve	Currency translation reserve	Retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2014	72,648	(736)	-	180	17,589	12,139	101,820
Total comprehensive income for the period	-	-	-	-	-	312	312
Balance at 31 March 2014	72,648	(736)	-	180	17,589	12,451	102,132
Balance at 1 January 2013	72,626	(736)	5	180	17,589	830	90,494
Total comprehensive income for the period	-	-	-	-	-	625	625
Serial System Executives Share Option Scheme							
- Exercise of share options	17	-	-	-	-	-	17
Balance at 31 March 2013	72,643	(736)	5	180	17,589	1,455	91,136

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no ordinary shares issued since the end of the financial period ended 31 December 2013.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial period ended 31 December 2013.

The existing Serial System Executives Share Option Scheme expired on 29 January 2014. The Group will implement a new Serial System Employee Share Option Scheme 2014 subject to the approval by the shareholders at the Extraordinary General Meeting of the Company to be held on 26 April 2014.

There were no outstanding share options as at 31 March 2014 (31 December 2013: 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.

	31/03/2014	31/12/2013
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(e) Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited First Quarter Financial Statements for the period ended 31 March 2014 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 2013.

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

Please refer to paragraph 4 above.

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

	The Group	
	First Quarter	
	1Q2014	1Q2013
Based on the weighted average number of ordinary shares in issue (in US$); and	**0.24 cent**	0.18 cent
On a fully diluted basis (in US$)	**0.24 cent**	0.18 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 (1Q2013: 895,568,914).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (1Q2013: 895,583,591) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive shares for the financial period ended 31 March 2014.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	31/3/2014	31/12/2013	**31/3/2014**	31/12/2013
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US$)	**12.30 cents**	12.27 cents	**11.40 cents**	11.37 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

__Income Statement__

The Group's turnover for the first quarter ended 31 March 2014 ("1Q2014") rose 24% as compared to the equivalent quarter a year ago ("1Q2013") to US$212.4 million. Turnover in North Asia (comprising Greater China, South Korea, Taiwan and Japan) rose 32% as compared to 1Q2013. Greater China's revenue grew 45% due to the expansion of major product lines arising from strong growth in sales to telecommunication and consumer electronic customers, especially to a Chinese domestic smartphone, television and router manufacturer. Taiwan, on the other hand, grew marginally at 0.3%. The Group's Japan subsidiary contributed US$7.1 million revenue in 1Q2014, accounting for a 5% increase in revenue for North Asia. South Korea recorded a decrease of 3% as compared to 1Q2013 due to lower sales contribution from certain product lines resulting from its competitive environment. North Asia accounted for 83% of the Group's turnover in 1Q2014 as compared to 79% in 1Q2013.

Turnover in South-East Asia and India declined by 4% as compared to 1Q2013, mainly due to lower sales contribution from a product line as a result of slower market demand in 1Q2014.

The Group's gross profit margin declined marginally to 9.0% from 9.1% in 1Q2013 as a result of lower margins from the Group's South Korea and Singapore subsidiaries which faced stiffer market competition, while Greater China subsidiaries experienced higher sales volume of lower-margin products.

The Group reported NPAT of US$2.1 million, an increase of 31% as compared to US$1.6 million in 1Q2013, mainly due to increased gross profit from higher sales and higher other operating income earned. Other operating income increased by about US$0.5 million mainly due to higher advertising and service income and higher suppliers' rebates income earned by the Group's Singapore subsidiaries and higher currency translation gain.

Distribution, administrative and other operating expenses increased by 24%, 28% and 9%, respectively, as compared to 1Q2013. The higher distribution expenses was mainly due to increased direct costs including higher salaries and related costs, higher freight and transportation costs and increased sales and staff salaries contributed by the Group's Japan subsidiary which was acquired in May 2013. Lower sales commission expenses incurred by the Group's Singapore subsidiary negated the impact of these increase in distribution costs and related costs. Administrative expenses rose mainly due to higher bank charges resulting from higher utilisation of trade finance facilities and a one-off custom tax compliance cost incurred by a South Korea subsidiary. The increase in other operating expenses was mainly due to higher salaries and related costs as well as higher depreciation charges from new office buildings in China and South Korea. These increase in other operating expenses were offset by lower allowance for inventory obsolescences and lower amortisation charges of distribution rights. Finance expenses increased by 38% mainly due to higher utilisation of trade facilities by the Group's Hong Kong, Singapore and Taiwan subsidiaries. Interest expenses on bank borrowings incurred by the Group's Japan subsidiary also contributed to the increase in finance expenses.

The Group's share of losses in its 43% owned associated company, Bull Will Co., Ltd, declined to about US$0.1 million from US$0.2 million in 1Q2013, mainly because of higher sales due to the addition of new customers. The Group's newly-acquired 20% owned associated companies, E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited, contributed a total of US$30,000 profit in 1Q2014.

Total expenses as a percentage of turnover declined to 8.1% from 8.2% in 1Q2013 as the Group continued to improve operational and cost efficiencies. The Group's net margin improved to 1.0% from approximately 0.9% in 1Q2013.

Balance sheet

Trade and other receivables increased by about US$18.5 million mainly due to higher sales and longer average credit period granted to certain customers. Trade receivables average turnover days increased from 62 days in FY2013 to 74 days in 1Q2014.

Financial assets available-for-sale decreased by about US$0.9 million mainly due to recognition of fair value loss under "Fair value reserve" in equity, in an investment in a Singapore-listed equity security.

Investment in associated companies increased by about US$6.8 million mainly due to the acquisition of 20% equity interests in E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited, respectively, by the Group's wholly-owned Singapore subsidiary, SCE Enterprise Pte. Ltd. in March 2014.

Property, plant and equipment decreased by about US$1.3 million mainly due to the transfer of a leasehold building in Shenzhen, China, amounting to about US$0.9 million to investment property, following the cessation of owner-occupied status in 1Q2014.

Investment properties increased by about US$0.8 million mainly due to transfer of the aforementioned leasehold building from property, plant and equipment in 1Q2014.

Trade and other payables increased by about US$17.5 million due to higher purchases by the Group's subsidiaries due to higher expected sales for the second quarter of 2014, and longer average payment terms to certain suppliers. Trade payable average payment days increased from 32 days in FY2013 to 38 days in 1Q2014. The purchase consideration of US$6.8 million accrued as at 31 March 2014, for the acquisition of 20% equity interests in E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited respectively, also contributed to the increase in trade and other payables.

Borrowings increased by about US$13.2 million mainly due to higher borrowings by the Group's Hong Kong, Singapore and Taiwan subsidiaries to provide additional working capital for the increased sales volume.

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 has been 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.

Having crossed the S$1 billion revenue target for the financial year ended 31 December 2013 ("FY2013"), the Group has been working resolutely towards its next revenue target of US$1 billion (approximately S$1.3 billion) for the financial year ended 31 December 2014 ("FY2014"), amidst a challenging operating environment.

Against this backdrop, the Group continues to carry out the three-pronged strategy, outlined on 27 January 2014, which aims to increase revenue, deepen its value proposition and improve internal efficiencies and margins. Towards this end, the Group announced on 25 April 2014 that it has established a third and a fourth joint-venture with China-based chip designers and manufacturers to increase its capabilities to supply modules – which commands higher margins compared to standalone components – for the automotive and surveillance systems segments. In line with this strategy, the Group will continue to introduce new products and expand its customer base, while improving internal efficiencies.

In 1Q2014 the Group sharply increased shipment volume to a Chinese domestic smartphone, television and router manufacturer which is embarking on an accelerated product rollout. This surge in orders led to the volume of lower-margin components increasing faster than higher-margin modules, which impacted gross margins in the quarter under review. The longer payment terms for this customer and certain Chinese manufacturers for 1Q2014 impacted the trade receivables average turnover days in this quarter, although this should improve from next quarter when factoring facilities commence.

To penetrate existing Asian market deeper, the Group on 13 March 2014 established a 60% owned Singapore joint venture with Japanese electronic and electrical component distributor, Nippon Denka Kogyosho Co., Ltd. The Group will continue to explore opportunities to expand in new markets such as Europe and United States.

The Group announced on 20 March 2014 that it has acquired a 20% equity interest each in the Australia-based E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited, both industrial laundries servicing hotels, resorts, hospitals, care centers and restaurants in Melbourne, Sydney and country areas of Victoria. Its unique technology and processes allow it to wash, iron, and fold linen in record time on an industrial scale, with healthy gross margins. The Group recognised US$30,000 as its share of profits in 1Q2014, and intends to explore opportunities with E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited to widen its network within Australia.

Traditionally, the first quarter of the financial year is the weakest quarter due to the festive period and first half-year is generally slower than the second half-year. The Group is reasonably confident, barring unforeseen circumstances, that 1H2014 will exceed that in 1H2013 in both revenue and gross profit on a year-on-year basis, even as it continues to build upon the momentum from FY2013 to achieve its revenue target of US$1 billion for the whole of FY2014.

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 quarter ended 31 March 2014.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), the Board would like to announce a negative statement on the Interested Person Transactions ("IPTs") for 1Q2014 as follows:

Name of Interested Person	Aggregate value of all IPTs during 1Q2014 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) US$'000	Aggregate value of all IPTs during 1Q2014 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000) US$'000
Nil	Nil	Not applicable

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

No mandate from shareholders has been obtained for IPTs.

BY ORDER OF THE BOARD

Derek Goh Bak Heng
Executive Chairman/Group CEO
26 April 2014