



Your Integral Component To Success

Navigating New Frontiers



SERIAL SYSTEM LTD
ANNUAL REPORT 2015

Contents

*By moving forward
and thinking forward,
Serial System helps its
partners to be more
competitive in the marketplace,
today and in the future*



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More than just an electronic components distributor, Serial System strategically bridges the gap between suppliers and manufacturers all over Asia and beyond.

We help our business partners and clients, which include global chipmakers and manufacturers of consumer electronics, plan their inventory needs, add value and mitigate business risks.

Over the years, Serial System has built a robust international distribution network not only for electronic components but also finished products for end consumers.



Corporate Profile



Established in 1988 and listed on the Main Board of the Singapore Stock Exchange since July 2000, Serial System has developed a synergistic global network that is built on strong partnerships with its suppliers and customers. In 2013, Serial System celebrated its 25th anniversary by crossing the S\$1 billion revenue mark, making it the largest electronic components distributor listed in Singapore.

Serial System has a customer base of more than 7,000, spanning a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunication, electronics manufacturing services, automotive and medical. Its major suppliers include Texas Instruments, Avago Technologies, ON Semiconductor, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors.

With over 1,000 employees in fifty eight offices and thirteen warehouses in key Asian markets, namely, Singapore, Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, Vietnam and United Arab Emirates, Serial System has one of the largest and most extensive distribution networks in the region. Being in close proximity to its partners gives Serial System the ability to align to the goals of its customers and suppliers, understand their needs better to reduce time-to-market and response time, as well as improve inventory management. In meeting their engineering and supply chain needs, Serial System has become their integral component to success.

Serial System also enhances the demand of its suppliers' components and the product development of its customers by adding value to the components through design and other demand-creation activities.

In 2014, Serial System entered a new chapter of growth and extended beyond its core competencies to include the distribution of finished consumer products. Its current finished consumer products portfolio ranges from lifestyle and consumer electronics goods to household appliances, and consists of IT accessories, photo accessories, printer accessories, timepieces and items such as CPUs, motherboards, hard-disk drives. Its major suppliers for consumer products distribution include Hewlett-Packard, Intel, Seagate, Asus, Western Digital, Apple, Tamron, Fujifilm, Titan, Nixon, Fossil and Gorenje. Beyond the product portfolio expansion, the extension of Serial System's network allows it to expand into new markets such as Middle East, Cambodia, Bangladesh and Australia.

Serial System will continue to help its partners to be more competitive in the marketplace, today and in the future.

OUR VISION

To be the leading electronic component distribution partner, known for our dynamic demand creation activities, extensive network and strong local expertise.

OUR MISSION

To provide a wealth of growth opportunities for our stakeholders.

Towards our partners

We provide market insights to our business partners to enable faster time-to-market. To our suppliers, we help expand their market reach. To our customers, we provide innovative and competitive solutions.

Towards our staff

By empowering our staff with the right resources and looking after their well-being, we help them to be their best at work, grooming them to be our leaders of tomorrow.

Towards our shareholders

We strive to make steady progress in every aspect of our business, providing our shareholders with consistent and favourable dividend yields.

Towards our community

By staying in touch with the community, we are able to contribute in ways that are close to their needs.

OUR VALUES

Progressiveness

Derived from the drive to achieve our targets and the courage to change for the better.

Empowerment

Encouraged by giving our staff the power to make decisions.

Teamwork

Striving towards a common goal in one spirit – despite our cultural or individual differences.

Efficiency

Arose from working smart, doing our work well, and using our resources effectively to serve our customers and suppliers well.

Corporate Highlights

2015 - 2016



09 February 2015

Appointed by Fairchild, a leading global supplier of high-performance power semiconductor solutions, to distribute all Fairchild products and solutions in Greater China, Southeast Asia and India

04 May 2015

Acquired 100% equity stake in Swift-Value Business Pte Ltd, which distributes printer accessories

19 June 2015

Subscribed 4.5% stake in Global Invacom Group Limited, a satellite communications equipment provider listed in Singapore and London

3 August 2015

Joint venture to invest a 80% equity stake in PT. Achieva Technology Indonesia, which imports computer peripherals, IT accessories and electronic products in Indonesia

12 August 2015

Joint venture to invest a 60% equity stake in Serial Netcom Co., Ltd which distributes mobile phone's subscriber identity module (SIM) cards and top-up cards in Cambodia for Smart Axiata Co., Ltd and other telecommunication operators

28 August 2015

Acquired 21% equity stake in Tong Chiang Group, a food manufacturer and caterer

16 October 2015

Won SIAS 2015 Most Transparent Company (Technology) for second year running

30 October 2015

Acquired 49% equity stake in Serial Factoring (Thailand) Co., Ltd which provides project financing in the form of leasing, hire-purchase and factoring to IT and related corporations in Thailand. The Group will also benefit from supplying electronic components and/or electronic consumer products to these companies

14 January 2016

Acquired 100% equity stake in Hydra & Thermal International (Cambodia) Co., Ltd (formerly known as Sear-R Corporation. Ltd), which distributes consumer electronic products and household appliances in Cambodia

27 January 2016

Acquired the remaining 51% equity stake in Achieva Technology Pte Ltd which distributes information technology (IT), computer peripherals, parts, software and related products

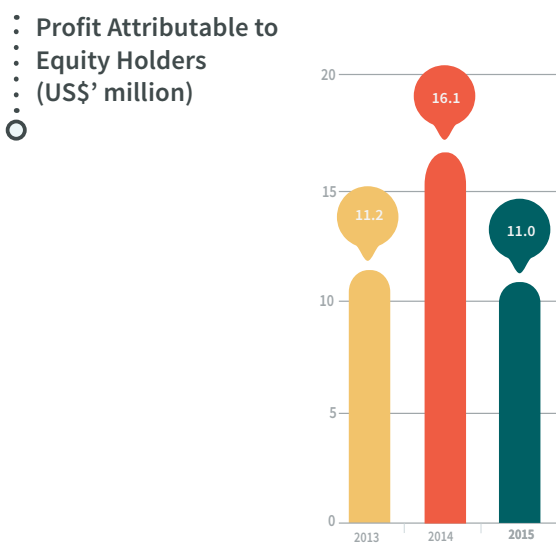
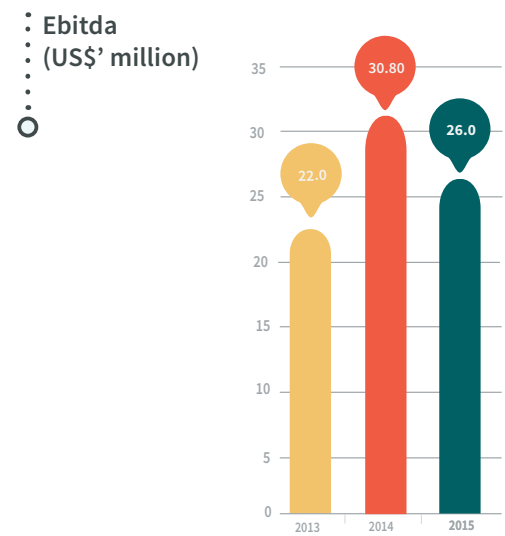
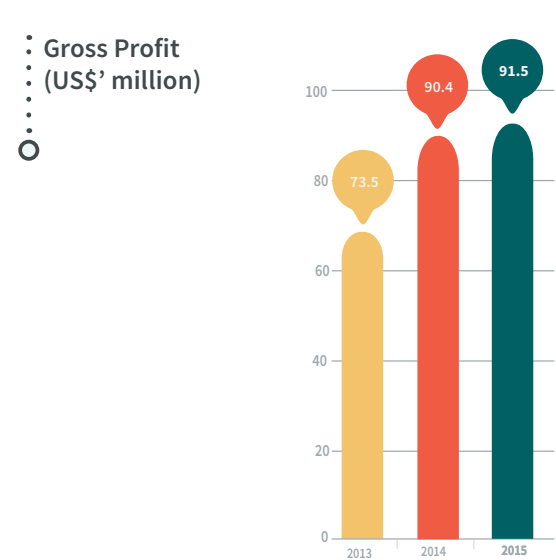
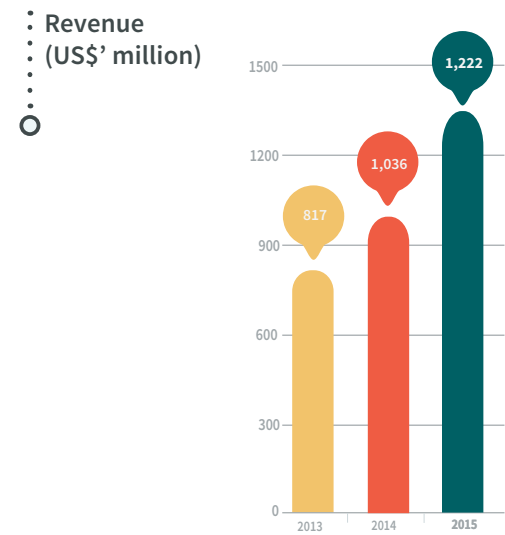
21 March 2016

Increased equity stake from 20% to 27.34% in SPL Holdings (Australia) Pty Ltd, which provides laundry services in the hospitality industry in Australia

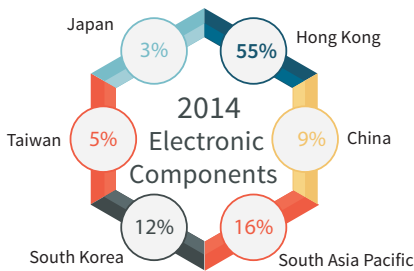
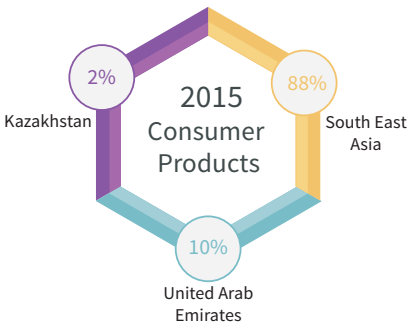
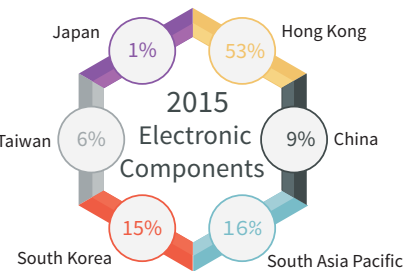
24 March 2016

Incorporated a 91% owned subsidiary, Serial Microelectronics (Beijing) Co., Ltd, in China

Financial Highlights



Revenue by Market



	2015 US\$'000	2014 US\$'000	2013 US\$'000
Capital Employed			
Working Capital	58,444	52,192	58,385
Total Assets	465,121	425,204	343,476
Net Assets	119,384	122,234	109,962
Net Assets per Share (United States cents)	13.33	13.64	12.27
Net Debts	137,974	120,150	97,865
Share Capital			
Issued and Fully Paid (including Treasury Shares)	72,648	72,648	72,648
Number of Shares Issued (thousands)	905,788	905,788	905,788
Number of Treasury Shares (thousands)	(9,946)	(9,946)	(9,946)
Number of Shares Issued excluding Treasury Shares (thousands)	895,842	895,842	895,842
Earnings and Dividend per Share			
Earnings per Share (United States cents) ⁽¹⁾	1.23	1.80	1.25
Dividend per Share (Singapore cent)	0.85	1.05	0.79
Dividend Yield (%) ⁽²⁾	6.3	8.0	6.3
Ratios			
Current Ratio	1.18	1.18	1.27
AR Turnover (days)	53	67	62
AP Turnover (days)	33	33	32
Inventory Turnover (days)	38	32	30
Cash Conversion Cycle (days)	58	66	60
Net Gearing Ratio	1.16	0.98	0.89

⁽¹⁾ Earnings per share is calculated based on profit after tax on weighted average of 895,841,914 shares in issue for 2015 and 2014, and 895,773,065 shares in issue for 2013.

⁽²⁾ Dividend yield is calculated based on dividend per share over Serial System Ltd's share price as at the end of each respective financial year.

Chairman's Statement

“Having built a strong international distribution network over the years for its electronic components business, the Group will make full use of this platform to expand its finished consumer products business.”



Dear Shareholders,

I am pleased to present to you Serial System's annual report for the financial year ended 31 December 2015 ("FY2015").

Since our diversification into the distribution of finished consumer products in 2014, our consumer products subsidiaries, including Serial I-Tech group and Swift-Value Business Pte. Ltd., helped lift the Group's FY2015 revenue to an all-time high of US\$1.2 billion, an 18% increase over the previous year.

The improvement is significant not only because it marks our highest revenue ever but also because it comes amid growing signs of a slowdown in the global semiconductor industry, which we are a part of.

Total semiconductor sales worldwide slipped 0.2% in 2015 from the previous year to US\$335.2 billion, according to the Semiconductor Industry Association, which expects sales growth this year to be modest given the increasingly uncertain global economic climate.

Financial Performance

In FY2015, our consumer products subsidiaries – Serial I-Tech group, PT. Achieva Technology Indonesia, Swift-Value Business and Hydra & Thermal – contributed total revenue of US\$154.8 million, accounting for 13% of Serial System's overall sales. Revenue from our electronic components distribution business increased 3% to US\$1.1 billion.

Our gross profit margin in FY2015 slipped to 7.5% from 8.7% in FY2014 due to increased sales of lower-margin electronic components in South Korea, Singapore and Taiwan, as well as greater competition in Hong Kong and China. Serial I-Tech group, Swift-Value Business and PT. Achieva, with their lower-margin businesses, also accounted for the drop in margins.

Our FY2015 net profit attributable to shareholders amounted to US\$11.0 million, compared to US\$16.1 million in FY2014. Besides the lower gross profit margin, the decline was also due to losses at two of our associated companies – Taiwan listed Bull Will Co., Ltd, which designs, manufactures and distributes magnetic components for electronic products; and Achieva Technology Pte. Ltd., which distributes IT and digital lifestyle products.

Fully diluted earnings per share for FY2015 was 1.23 U.S. cents, compared to 1.80 U.S. cents in FY2014. Net asset value per share was 13.33 U.S. cents as at 31 December 2015, compared to 13.64 U.S. cents as at 31 December 2014.

Forging Ahead

Having built a strong international distribution network over the years for its electronic components business, the Group will make full use of this platform to expand its finished consumer products business.

Subsequent to the year under review, we completed the acquisition of the remaining 51% equity stake in Achieva Technology and entered into a conditional sale and purchase agreement to acquire full control of Hydra & Thermal International (Cambodia) Co., Ltd (formerly known as Sear-R Corporation. Ltd), a Cambodia-based distributor of consumer electronic products and household appliances.

With these acquisitions, our portfolio of finished consumer products comprise a wide range of lifestyle and consumer electronics, including Apple products and accessories, IT products, photo and camera accessories, timepieces, household appliances and printer cartridges and toners.

The Group has even expanded its capabilities beyond distribution. In October 2015 we announced an acquisition of a 49% equity stake in Serial Factoring (Thailand) Co.,



Ltd, which will provide project financing services, including hire-purchase and factoring to IT and related corporations in Thailand. The Group will also benefit from supplying electronic components and/or electronic consumer products to these companies.

In August 2015, Serial System invested a 21% equity stake in Tong Chiang Group. Operating out of five factories and three warehouses, Tong Chiang provides food catering services for homes, corporate customers and private events.

Outlook

Amid signs of slowdown in the global semiconductor industry, we remain vigilant and will continue to improve operational efficiencies to contain costs and improve profit margins. These efforts will accelerate the integration of the electronic components and finished consumer products businesses, enabling the Group to achieve unified economies of scale across its entire distribution footprint.

For the electronic components business, we will continue to expand in higher-value business segments such as automotive, mobile devices, security and surveillance solutions and enterprise cloud solutions. We remain confident of prospects in the longer term, given the growing popularity of emerging technologies, especially those for wearable devices and the Internet of Things, all of which require integrated circuits and chips.

Dividends

In recognition of your continued support, I am pleased to inform you that the Board of Directors has proposed a final cash dividend of 0.50 Singapore cent a share. This brings our total FY2015 payout to 0.85 Singapore cent a share.

Accolades

We are honoured to have won “The Most Transparent Company Award 2015” in the technology category at the 16th Securities Investors Association Singapore (“SIAS”) Investors’ Choice Awards for the second year running. This award recognises listed companies that have demonstrated exemplary corporate governance.

On a personal level, I am humbled to be named one of the top leaders in the Asia Corporate Excellence & Sustainability Awards 2015 as well as the “UN Asia Pacific Most Prominent Entrepreneur” at the Small and Medium-sized Enterprises Asia Awards. I dedicate both awards to all Serial System employees, without whom I would not be where I am today.

Appreciation

On behalf of the Board, I would like to express my appreciation to Mr Peter Ho I Chin for his valuable contributions to the Group over the years. Peter has stepped down as an Executive Director. I wish him well in his future endeavours.

I would also like to thank all our customers, business partners, shareholders and employees for staying the course with us. With your support, I look forward to another exciting year for Serial System.

Dato’ Seri Dr. Derek Goh Bak Heng ^{BBM}
Executive Chairman & Group CEO
March 2016

Operations & Financial Review



Operations and Financial Review

The operating environment in 2015 was undoubtedly tough, with competition more acute and the global economy shaky. Still, our electronic components distribution business held up relatively well during the year, as leading chipmakers and end-product manufacturers continued to count us as a trusted and valuable business partner.

We also scaled up our nascent finished consumer products business, which we believe complements our electronic components business, and invested in a Singapore-based food company as part of our ongoing efforts to diversify into more profitable businesses and build recurring income streams.

Financial Performance

Serial System generated revenue of US\$1.2 billion in the 12 months ended 31 December 2015 (“FY2015”). This was a record for the Group and an 18% improvement over the previous year (“FY2014”).

Revenue from electronic components distribution rose 3% to US\$1.1 billion, driven mainly by higher contributions from the Group’s operations in South Korea, Taiwan, South East Asia and India.

Turnover from South Korea increased 22%, boosted by sales of an existing product line, while turnover from Taiwan increased 6% on contributions from new and existing customers. Contributions from South-East Asia and India increased by 4%, mainly due to increased sales from new and existing customers in India, the Philippines and Vietnam.

Turnover from China increased 6%, aided by contributions from a new product line and higher sales to some existing customers, but turnover from Hong Kong declined 1% on lower sales to certain existing customers.

The Group’s consumer products subsidiaries – Serial I-Tech group, Swift-Value Business Pte. Ltd., Hydra and Thermal Pte. Ltd. and PT. Achieva Technology Indonesia – contributed total revenue of US\$154.8 million in FY2015, accounting for 13% of Serial System’s overall sales.

Profit Margins

Gross profit margin declined to 7.5% in FY2015 from 8.7% in FY2014, due mainly to increased sales of lower-margin products in South Korea, Singapore and Taiwan as well as increased competition in Hong Kong and China. Serial I-Tech group, Swift-Value Business and PT. Achieva, with their lower-margin businesses, also accounted for the drop in overall gross profit margin in FY2015.

Expenses

Distribution expenses in FY2015 increased 6% due to higher freight, storage and transportation costs associated with the electronic components distribution business. The increase was also driven by higher advertising and promotional expenses at Serial I-Tech group.

Administrative expenses increased 9% on higher staff costs and office rental and related expenses for Serial I-Tech group and Swift-Value Business. Higher bank charges stemming from increased long-term borrowings to finance the Group’s new acquisitions also drove up overall administrative expenses.

Finance expenses rose 47% mainly due to higher utilisation of trade facilities by the Group’s Hong Kong and Singapore subsidiaries for working capital requirements. Interest costs for a term loan taken by a Singapore subsidiary to partially fund the acquisition of Serial I-Tech group also contributed to the overall rise in finance expenses.



Other operating expenses increased 4% due mainly to a net currency translation loss of US\$2.7 million and net loss on derivative financial instruments of US\$ 0.8 million.

Overall, total expenses as a percentage of revenue declined to 6.8% in FY2015 from 7.4% in FY2014 as the Group continued to improve operational efficiencies.

Associated Companies

The Group's share of losses in associated companies increased to US\$1.6 million in FY2015 from US\$0.2 million in FY2014. This was due to losses incurred by the Group's 29.03%-owned Bull Will Co. Ltd., which manufactures and distributes magnetic components for electronic components, and 49%-owned Achieva Technology Pte. Ltd., a distributor of IT and digital lifestyle products.

Bull Will's losses were due to provisions for doubtful debts and inventory obsolescence, as well as lower sales. Achieva Technology's losses stemmed mainly from foreign-exchange losses and provision for inventory obsolescence.

Profits generated by the Group's 20%-owned SPL Holdings (Australia) Pty Ltd, an industrial laundry servicing business, and 21%-owned Tong Chiang Group, a food caterer, mitigated the impact of Bull Will and Achieva's losses on Serial System.

Net Profit

The higher share of losses from associated companies, together with the drop in overall gross profit margin, led the Group to a net profit of US\$11.0 million, compared to US\$16.1 million in FY2014. Net profit margin for FY2015 slipped to 0.9% from 1.6% in FY2014.

Fully diluted earnings per share was 1.23 U.S. cents, compared to 1.80 U.S. cents for the previous year.

Consumer Products and Other Businesses

In the year under review, the Group took a 21% equity stake in food caterer Tong Chiang Group to invest in profitable businesses and build recurring income streams. The Group also acquired a 49% equity stake in a newly incorporated company in Thailand, Serial Factoring (Thailand) Co., Ltd which will provide project financing services to IT and related corporations in the country. Through this new company, Serial System plans to supply electronic components and/or consumer products to these companies.



Subsequent to the year-end, the Group acquired the remaining 51% of Achieva Technology Pte Ltd it did not already own to expand its finished consumer products distribution business and offered to acquire full control of Hydra & Thermal International (Cambodia) Co., Ltd (formerly known as Sear-R Corporation. Ltd), a Cambodia-based distributor of consumer electronic products and household appliances also through its 70%-owned Hydra & Thermal Pte Ltd. The Group also increased its equity stake in SPL Holdings (Australia) Pty Ltd from 20% to 27.34% pursuant to a rights issue undertaken by SPL Holdings to finance its expansion and acquisition.

Assets

As at 31 December 2015, the Group had cash and cash equivalents of US\$64.0 million, compared to US\$58.3 million at the end of 2014.

Trade and other receivables decreased by US\$5.3 million to US\$179.4 million mainly due to lower trade receivables in the Group's Hong Kong and Taiwan electronic components distribution subsidiaries. This was a result of a non-recourse factoring arrangement undertaken by these subsidiaries in FY2015. The decrease was partially offset by the addition of trade receivables from newly-acquired subsidiaries Swift-Value Business, Serial Factoring (Thailand) and PT. Achieva. Average turnover days for trade receivables decreased to 53 in FY2015 from 67 in FY2014, mainly due to the non-recourse factoring arrangement.

Inventories increased by US\$37.1 million to US\$135.7 million as the Group's Hong Kong and Singapore subsidiaries for electronic components distribution increased their purchases. Swift-Value Business and PT. Achieva also contributed to the overall increase in the Group's inventories.



Financial assets, available-for-sale increased by US\$1.3 million mainly due to the Group's investment in Singapore-listed Global Invacom Group Limited amounting to US\$2.7 million.

Serial System's investments in associated companies increased by US\$1.4 million to US\$18.7 million following the acquisition of a 21% stake in Tong Chiang Group. The increase was reduced by the Group's net share of losses and reserves in its associated companies. Investments in subsidiaries increased by US\$11.4 million to US\$64.9 million after Serial System acquired 100% equity stake in Swift-Value Business.

Property, plant and equipment decreased by about US\$3.0 million to US\$34.9 million due to depreciation, write-offs and currency translation losses, while intangible assets increased by about US\$6.4 million due mainly to goodwill arising from the acquisition of Swift-Value Business.

As at 31 December 2015, the Group's net asset value per share was 13.33 U.S. cents, compared to 13.64 U.S. cents as at 31 December 2014.

Liabilities

Trade and other payables increased by US\$19.1 million to US\$139.5 million due to trade payables at Swift-Value Business and higher purchases of inventories by the Group's Singapore electronic components distribution subsidiary. The increase was partly offset by lower trade payables at the Group's South Korea, Japan and Taiwan electronic



components distribution subsidiaries. Average payment days for trade payables remained at 33.

Borrowings increased by US\$23.6 million because of a loan due to the previous shareholder of Swift-Value Business as well as bank borrowings taken up by Swift-Value Business to finance its inventory purchases. The increase was also due to higher bank borrowings by the Group's Singapore electronic components distribution subsidiary for its working capital needs. Serial System also refinanced a S\$20.0 million (US\$14.1 million) four-year term loan with a bank in May 2015, resulting in net fresh borrowings of about US\$7.8 million. The increase in borrowings was partly offset by net US\$15.0 million repayment of bank borrowings by the Group's Japan, Taiwan and Singapore subsidiaries.

Share Capital

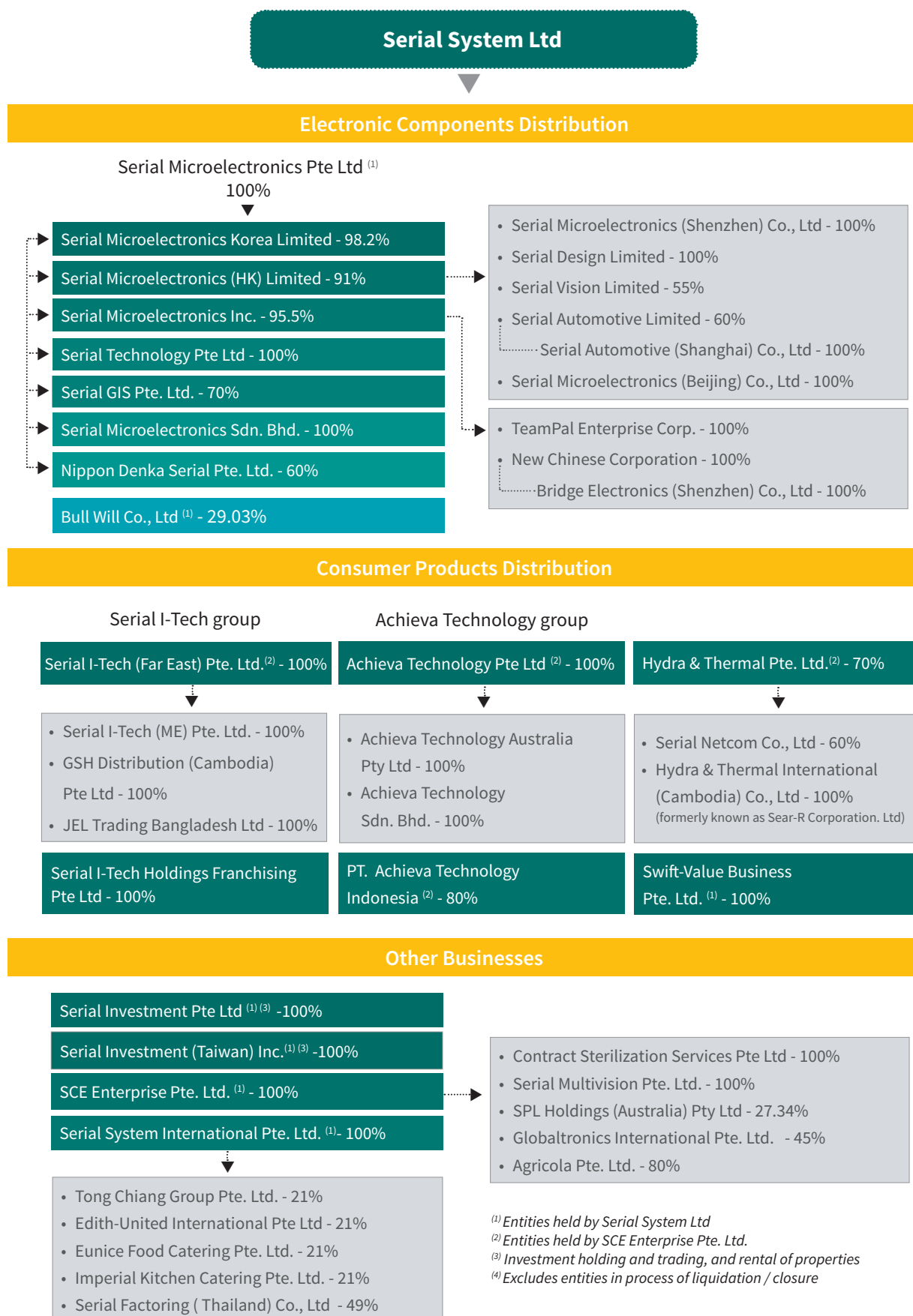
As at 31 December 2015, Serial System had a total of 895.8 million issued shares, excluding 9.9 million treasury shares, similar to the number at the end of the previous year.

SGX Watch List

Serial System was placed on the watch list of the Singapore Exchange Securities Trading Limited on 3 March 2016 after its share price fell below the mandatory minimum trading price of 20 Singapore cents stipulated for companies on the Mainboard. The Group has 36 months from the date of its inclusion in the watch list to meet the minimum price requirement.

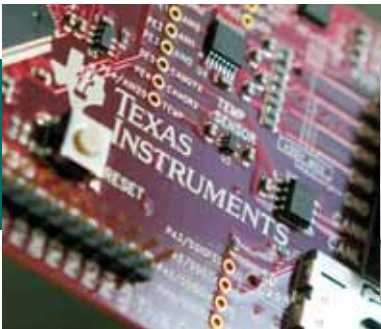
Group Structure

As at 28 March 2016



Extensive Distribution Network

- 01. Singapore
- 02. Australia
- 03. Bangladesh
- 04. Cambodia
- 05. China
- 06. Hong Kong
- 07. India
- 08. Indonesia
- 09. Malaysia
- 10. Philippines
- 11. South Korea
- 12. Taiwan
- 13. Thailand
- 14. United Arab Emirates
- 15. Vietnam



Electronic Components Distribution Product Line Cards



Consumer Products Distribution

Serial I-Tech (Far East) Pte Ltd

Serial I-Tech (Far East) Pte Ltd, a wholly owned subsidiary of the Group, focused on the distribution and retail business. It is an established distributor of information technology (IT), mobile, photographic and timepiece products.

Serial I-Tech group has extensive and strong business networks spanning across emerging markets in Vietnam, United Arab Emirates, Cambodia and Bangladesh.

Headquartered in Singapore, it distributes a wide range of globally renowned brands including Apple, Jabra, Tamron, Fujifilm, Marumi, Titan, Fossil and Nixon.

Serial I-Tech group has 8 offices in 5 countries and is supported by over 100 staff. It is set to leverage on its strengths in marketing and its diversified portfolio to build up its core capabilities, distribution and retail, in the emerging markets.



Achieva Technology Pte. Ltd.



Achieva Technology Pte. Ltd., a wholly owned subsidiary of the Group, is principally engaged in the business of distribution and marketing of information technology (IT), computer peripherals, parts, software and related products.

Achieva Technology group distributes and markets an extensive range of IT and digital lifestyle products, computer peripherals, parts and software including data storage devices such

as hard disk drives, motherboards, opto-magnetic removable disk drives, modems, graphics and sound cards, monitors and CPU. It counts global brands such as Intel, Western Digital, Seagate, Asus, Power Colour, Adata, Roccat as its suppliers and has presence in four markets namely Singapore, Malaysia, Indonesia and Australia.

Achieva Technology group has repeatedly been recognised by its

principals for its commitment to its partners and had been awarded “Outstanding Business Partner”, “Top Authorised Distributor” and “Strategic Partner” in the IT category.

Achieva Technology aims to position itself as the preferred distribution partner of choice in the IT peripherals and lifestyle segments delivering exceptional value to its partners in its operating markets.

Swift-Value Business Pte. Ltd.

Swift-Value Business Pte. Ltd., a wholly owned subsidiary of the Group, is a leading distributor of printer accessories, primarily ink and toner cartridges. It is the authorized distributor of Hewlett-Packard (HP), Epson and Canon products. It is also the authorized reseller of products from major brands such as Fuji Xerox, Samsung, Oki and Panasonic.

Swift-Value Business is a major supplier for the recipients of government tenders. Its customers range from retail superstores and system integrators to the hundreds of heartland stationers in Singapore.

Swift-Value Business takes pride in its relationships with its principal brands. It is recognised by HP and other major brands as one of their esteemed business partners.



Hydra & Thermal Pte. Ltd.

Serial System owns 70% of Singapore-based Hydra & Thermal Pte. Ltd., which has a multi-level, international distribution network of premium imported home and lifestyle products.

Established in 2010, Hydra & Thermal provides quality continental household and lifestyle appliances from world-class brands such as Gorenje, Angel's Sleep, Sennheiser and Varta. Its markets include Singapore, Cambodia and Brunei.

Hydra & Thermal is constantly innovating and acquiring new brands such as "Super" brand, to strengthen its product offerings, and plans to penetrate new markets to expand its distribution network.

In 2015, it formed a joint venture to take a 60% stake in Serial Netcom Co., Ltd to distribute and trade mobile-phone's subscriber identity module (SIM) cards and top-up cards in Cambodia for Smart Axiata Co., Ltd and other telecommunication operators.

In January 2016, Hydra & Thermal offered to acquire full control of Cambodia-based Hydra & Thermal International (Cambodia) Co., Ltd (formerly known as Sear-R Corporation. Ltd), which distributes consumer electronic products and household appliances.



Other Businesses

Bull Will Co. Ltd. (Taiwan Stock Code 6259)

Bull Will Co. Ltd., a Taiwan entity listed on the Over-The-Counter Securities Exchange in Taiwan, became an associated company after Serial System acquired a 34.3% equity interest in 2007. Serial System's current equity stake in Bull Will is 29.03%.

Bull Will, which started as a passive electronic components distributor, has over the years transformed itself into a company with capabilities in research and development, design and the manufacturing of a full range of magnetic components for electronic products.

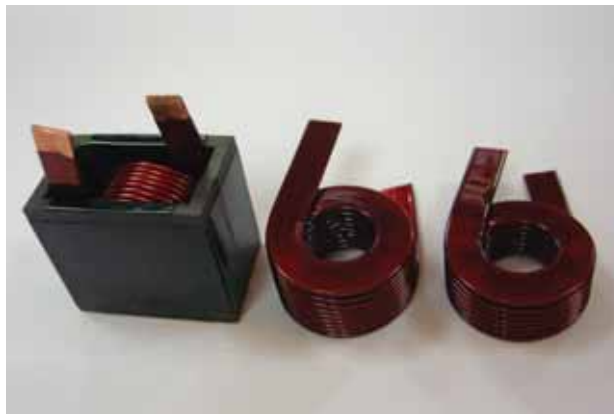
Bull Will's products include sensors, over-current protection devices, control systems and discrete components. These components are widely used in power supplies, LCD monitors, smartphones, notebooks, servers, air-conditioners, automotive, solar inverters, etc.

Bull Will's vertical integration, production capacity and technical know-how enable it to quickly adapt to its customers' requirements and achieve the best price, quality and delivery. It aims to be the leading supplier of magnetic, passive, electromechanical and discrete components with demand-creation capabilities for all tiers of customers in the electronic industry.

Headquartered in Taipei, Taiwan, Bull Will has two manufacturing plants in China and about 450 employees.



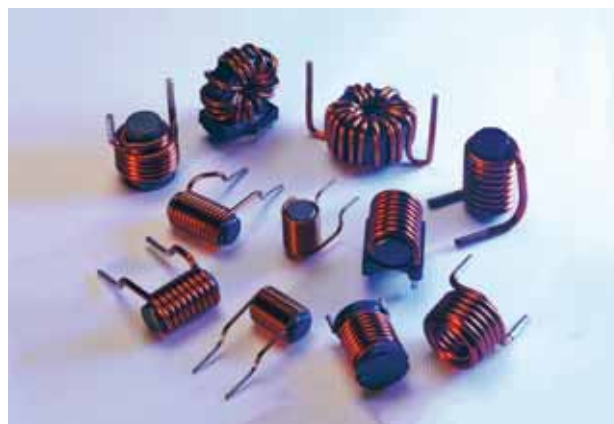
Automotive Magnetics



Hybrid Series (BW Patent)



Wireless Antenna Choke



Choke

Serial Multivision Pte. Ltd.



Serial Multivision Pte. Ltd., a wholly owned subsidiary of the Group, has two core business divisions: Outdoor Advertising Media and Hospitality Solutions.

The Outdoor Advertising Media business consists of large format outdoor LED and billboard advertising displays. Our key LED display, one of the largest outdoor commercial LED display in Asia, is at Grand Park Orchard @ Knightbridge (GPO LED). GPO LED has proven itself to be a key advertising display in Singapore. Samsung is currently taking up the advertising display exclusively.

The Hospitality Solutions business continues to bring immense value to premise operators through technology

to deliver a distinguished experience to customers and visitors while also improving the productivity of employees. The suite of technology solutions offered by Serial Multivision works in a seamless manner under a core venue management system. This system includes Intelligence Room Infotainment Solution, Digital Media Content Management System and a host of complementing software modules such as eMOS (Electronic Meal Ordering System). Our key soft-based solution product, which is the next-generation meal ordering system is co-developed by real nurses, dietitians and kitchen and operational staff that transforms the traditional meal ordering process into a fully integrated system. eMOS delivers leading-edge applications for

food service management, hospital kitchen operations, nutrition and dietetics office, hospital paperless mobile menus, clinical nutritional care, automated food allergy checking, safety nets for special dietetics requirement and much more. For seamless end-to-end workflow, eMOS also provides customized HL7 interfaces with real-time information to support patient's nutritional care and meal order delivery. Our clients include Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, St Andrews Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital with a list of other hospital deployments in the pipeline.



Touch Medical Pad at Khoo Teck Puat Hospital



iPad Touch for Nurse/Patient at Khoo Teck Puat Hospital



Incident Tracking and Quality Review



Inventory Management System

We have also launched the Hospital Incident Tracking System this year that allows health related incidents to be reported on a common platform so that the hospital operations can be streamlined and better positioned to handle critical decisions and reviews. The system had been implemented at Khoo Teck Puat Hospital and Yishun Community Hospital. Overall, we believe that we are in the right direction to reap the fruits of labour in the healthcare sector and we expect to extend our growth to overseas market this year.

Contract Sterilization Services Pte Ltd



Contract Sterilization Services Pte Ltd, a wholly owned subsidiary of the Group, assembles and distributes medical devices. It offers a full range of standard and customised perfusion tubing packs. Marketed all over the Asia Pacific region, these products are the preferred choices of many leading hospitals.

Contract Sterilization Services utilises the best components from the United States and Europe and customises the majority of its products to suit its

customers' stringent demands. The company is ISO 13485-certified and its perfusion products have the coveted CE mark.

Contract Sterilization Services' reputation for quality and innovative designs is a result of consistent attention to materials, machining and manufacturing techniques. Its engineers and technicians work closely with customers and clinical consultants to provide the best solutions to complex problems and applications. It

abides by the principles of total quality management, from initial contact with clinical professionals to the delivery of sterile finished products that meet stringent requirements.

Contract Sterilization Services is strategically located near the Medtech Hub@Tulang, which will house world-class medical companies in Singapore. The Medtech Hub is a government initiative to promote Singapore as Asia's medical hub.

SPL Holdings (Australia) Pty Ltd



Serial System has a 27.34% equity stake in SPL Holdings (Australia) Pty Ltd, which provides laundry services to hotels, resorts, care centres, hospitals and restaurants in key cities and towns in Australia.

Established in 1991, SPL Holdings uses state-of-the-art technologies, such as radio frequency identification devices and automated towel folders, to stay ahead of the competition and ensure its services are reliable and consistent. Its commitment to environmental protection through its on-site water recycling plant and other initiatives also differentiates it from many other players in the business.

Today, SPL Holdings has a loyal base of more than 660 clients in Melbourne and another 2,000 across Australia. These include established hospitality brands such as the Hyatt, Sofitel, Best Western, Stamford and Quest.

Besides Melbourne, Sydney, Brisbane and Canberra, SPL Holdings also operates in various cities and towns in the states of Victoria and New South Wales, namely Warnambool, Colac, Sale, Albury, Wagga Wagga, Port Macquarie, Forster and Nelson Bay.



Tong Chiang Group



Serial System invested a 21% equity stake in food manufacturer and caterer, Tong Chiang Group in August 2015. Singapore-based Tong Chiang has been offering healthy catering options with quality ingredients to multinational corporations, SMEs and local residences since 2007.

Tong Chiang has thirteen wholly-owned subsidiaries and three property investment holding entities. It operates in five factories and three warehouse units. Its products and services can be broadly categorized under home-meal catering (“tingkat delivery”), bento boxes (packet meals) for corporate customers, and halal and non-halal catering for private and corporate events.

Financial Calendar and Corporate Information

17 February 2015

Announcement of Fourth Quarter and Financial Year 2014 Results

13 April 2015

Release of Annual Report 2014

29 April 2015

Annual General Meeting 2015

29 April 2015

Announcement of First Quarter 2015 Results

02 June 2015

Payment of 2014 Final Cash Dividend

05 August 2015

Announcement of Second Quarter and Half Year 2015 Results

08 September 2015

Payment of 2015 Interim Cash Dividend

06 November 2015

Announcement of Third Quarter and Nine Months 2015 Results

24 February 2016

Announcement of Fourth Quarter and Financial Year 2015 Results

07 April 2016

Release of Annual Report 2015

22 April 2016

Annual General Meeting 2016

20 May 2016

Payment of 2015 Final Cash Dividend (subject to Shareholders' approval at Annual General Meeting 2016)

Board of Directors

Dato' Seri Dr. Derek Goh Bak Heng ^{BBM}
(Executive Chairman & Group CEO)
Mr. Tan Lye Heng Paul
Mr. Ravindran s/o Ramasamy
Mr. Lee Teck Leng Robson
Mr. Goi Kok Neng Ben

Audit Committee

Mr. Tan Lye Heng Paul (Chairman)
Mr. Ravindran s/o Ramasamy
Mr. Lee Teck Leng Robson

Nominating Committee

Mr. Lee Teck Leng Robson (Chairman)
Mr. Tan Lye Heng Paul
Mr. Ravindran s/o Ramasamy
Dato' Seri Dr. Derek Goh Bak Heng ^{BBM}

Remuneration Committee

Mr. Ravindran s/o Ramasamy
(Chairman)
Mr. Tan Lye Heng Paul
Mr. Lee Teck Leng Robson
Dato' Seri Dr. Derek Goh Bak Heng ^{BBM}

Serial System Employees Share Option Scheme 2014

Mr. Ravindran s/o Ramasamy
(Chairman)
Mr. Tan Lye Heng Paul
Mr. Lee Teck Leng Robson
Dato' Seri Dr. Derek Goh Bak Heng ^{BBM}

Company Secretary

Mr. Alex Wui Heck Koon

Registered Office

8 Ubi View #05-01
Serial System Building
Singapore 408554

Group Website

www.serialsystem.com

Registrar & Share Transfer Office

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Auditors

Moore Stephens LLP
Public Accountants and
Chartered Accountants
10 Anson Road #29-15
International Plaza
Singapore 079903
Audit Partner :
Mr. Christopher Bruce Johnson
(appointed in Year 2012)

Principal Bankers

Australia and New Zealand Banking
Group Limited
Bank of China (Hong Kong) Limited
BNP Paribas
China CITIC Bank International
China Construction Bank (Asia)
China Development Industrial Bank
CIMB Bank Berhad
CTBC Bank Co., Ltd
DBS Bank Ltd
Hang Seng Bank Limited
Industrial Bank of Taiwan
Industrial and Commercial Bank of
China Limited (Asia)
Malayan Banking Berhad
RHB Bank Berhad
Sumitomo Mitsui Banking Corporation
Taipei Fubon Bank
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

Board of Directors



Dato' Seri Dr. Derek Goh Bak Heng^{BBM} **Executive Chairman & Group CEO**

Dr. Derek Goh Bak Heng founded Serial System as a sole proprietorship in 1988, incorporated Serial System Ltd in 1992 and was the founding Chairman and CEO when the Company was listed in 1997.

Dr. Goh is currently the Executive Chairman and Group CEO of Serial System Ltd with overall management responsibilities for the Group. As Executive Chairman, Dr. Goh leads the Board in charting the future direction for the Group. He is currently also a member of the

Remuneration Committee and Nominating Committee.

Dr. Goh holds an Honorary MBA degree from the American University of Hawaii and the Honorary Doctor of Business Administration in Marketing degree from the Wisconsin International University. He was conferred the degree of Honorary Doctor of Philosophy in Business Administration by the Kennedy-Western University. Dr. Goh was appointed Adjunct Professor, Faculty of Business and Design for Swinburne University of Technology Sarawak Campus in Malaysia since 1 September 2013.

In 1996, Dr. Goh won the "Entrepreneur of the Year Award", organised by the Rotary Club of Singapore and the Association of Small and Medium Enterprises, supported by the Trade Development Board. In 1997, Dr. Goh was elected the National President of JCI Singapore and was conferred the Singapore Youth Award (Individual) for entrepreneurship, the nation's highest honour for youths. In 1999, Dr. Goh was conferred the ASEAN Best Young Entrepreneur Award 1999 by the ASEAN Secretariat, and the World Association of Small and Medium Enterprises (WASME) Special Honour Award by the World Association of Small and Medium Enterprises on 29 March 2000. In 2004, Dr. Goh was awarded the Public Service Medal by the President of the Republic of Singapore and in 2010, the Public Service Star Medal (Bintang Bakti Masyarakat) on the National Day Honours 2010. In 2010, Dr. Goh won the "Asia Pacific Entrepreneurship Awards 2010 Entrepreneur of the Year" organised by Enterprise Asia and APF Group Pte Ltd and in 2011, he won the Ernst & Young Entrepreneur Of The Year® 2011 Singapore Award for the Electronic Components Distribution Category. In 2014, Dr. Goh was elected the President of JCI Senators of South East Asian Nations.

In 2015, Dr Goh was awarded the International-Singapore ASEAN Leading Brand International Entrepreneur of the Year at the ASEAN Outstanding Business Award 2015 and was named the "UN Asia Pacific Most Prominent Entrepreneur" Co-organised by the Trade and Industry Association ("TIAS") Singapore and the United Nations("UN") Association of Singapore. He was also awarded one of the "Top Outstanding Leaders in Asia 2015" in the Asia Corporate Excellence & Sustainability Awards 2015 ("ACES").

As at 28 March 2016, Dr. Goh holds 355,132,070 shares (39.64%) in Serial System Ltd. Dr. Goh is a substantial shareholder of Serial System Ltd.



Tan Lye Heng Paul **Non-Executive & Lead Independent Director**

Mr. Tan Lye Heng Paul joined the Board of Directors on 16 June 2011. He is currently the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Tan is also a Non-Executive and Independent Director of SGX-listed China Sunshine Chemical Holdings Ltd, Sin Ghee Huat Corporation Ltd and Second Chance Properties Ltd.

Mr. Tan holds a MBA from the University of Birmingham in the United Kingdom. He is currently the managing director of CA TRUST PAC, a fellow member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants, CPA Australia and a member of Singapore Institute of Accredited Tax Professionals Limited and Singapore Institute of Directors.

As at 28 March 2016, Mr. Tan holds 240,000 shares (0.03%) in Serial System Ltd.

Ravindran s/o Ramasamy
Non-Executive & Independent Director

Mr. Ravindran s/o Ramasamy joined the Board of Directors on 14 August 2001. He is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Apart from Serial System Ltd, Mr. Ravindran is also a Non-Executive and Independent Director of SGX-listed Best World International Ltd.

Mr. Ravindran holds a Master of Law from the National University of Singapore and is a partner with Colin Ng & Partners.



Lee Teck Leng Robson
Non-Executive & Independent Director

Mr. Lee Teck Leng Robson joined the Board of Directors on 30 December 2002. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Lee is also a Non-Executive and Independent Director of several SGX-listed companies, such as Sheng Siong Group Ltd, Matex International Limited, Sim Lian Group Limited, OKH Global Ltd and Hong Kong Stock Exchange-listed Man Wah Holdings Ltd.

Mr. Lee graduated from the National University of Singapore with a Second Class Upper Honours degree in law, and was admitted as a solicitor in England and Wales in 2008. He is a member of the Singapore Academy of Law, and the Law Society of Singapore and is presently a member of the Audit Committee of the Law Society of Singapore. Mr. Lee is also an Exco member of the Board of Governors of Hwa Chong Institution, a director and Vice-Chairman of the board of directors of Singapore Chinese High School, as well as legal adviser to the Hwa Chong Alumni Association and the Singapore Plastic Industry Association. Mr. Lee was conferred the Bronze and Silver Service to Education Awards by the Ministry of Education respectively in 2004 and 2010, and was appointed a member of the Feedback Supervisory panel for 2005/2006 by the Prime Minister of Singapore. In recognition of his experience and expertise, Mr. Lee is appointed by the Deputy Prime Minister and Minister-in-charge of Monetary Authority of Singapore, as a member of the Appeal Advisory Panels, Constituted under the Business Trusts Act (Cap. 31A), Financial Advisers Act (Cap. 31A), Financial Advisers Act (Cap. 110), Insurance Act (Cap. 142), Securities and Futures Act (Cap. 289), and Trust Companies Act (Cap. 336), for a term of two years, from 1 October 2015 to 30 September 2017. Mr. Lee is currently a partner in the Singapore office of Gibson, Dunn & Crutcher LLP, a global law firm with 18 offices across the United States, Europe, the Middle East, Asia and South America. Before joining Gibson, Dunn & Crutcher LLP in 2015, Mr. Lee was a partner of Shook Lin & Bok LLP ("SLB")'s corporate finance and international finance practice and had been with SLB since 1994. Mr. Lee was also a partner in the SLB's China practice, focusing on cross-border corporate transactions in China.



Goi Kok Neng Ben
Non-Executive Director

Mr. Goi Kok Neng Ben joined the Board of Directors on 27 April 2013.

Apart from Serial System Ltd, Mr. Goi is also a Non-Executive Director of SGX-listed Yamada Green Resources Limited.

Mr. Goi is currently the managing director of Abaglobe (S) Pte. Ltd., an entity selling mainly abalone can food. Prior to joining Abaglobe (S) Pte. Ltd., Mr. Goi was Deputy Director of Overseas Sales at Hong Kong Stock Exchange-listed Trigiant Group Ltd, a leading manufacturer of mobile telecommunications cables in China, from November 2009 to August 2013, and General Manager of Singapore-based Honjji Foods (2005) Pte Ltd from 2005 to 2009. Mr. Goi started his career with global frozen foods manufacturer, TYJ Group in 1999 in various aspects of the business – namely investment, sales, marketing and operations.



Management Team

SERIAL SYSTEM LTD



Dato' Seri Dr. Derek Goh Bak Heng
Group Chief Executive Officer

As Group Chief Executive Officer, Derek leads the management team in executing strategies to achieve the goals set by the Board of Directors.



Alex Wui
Group Chief Financial Officer & Group Company Secretary

Alex Wui joined Serial System Ltd in August 2000 and was appointed Group Financial Controller in August 2006. He was re-designated as Group Chief Financial Officer in April 2011.

As Group Chief Financial Officer, Alex is responsible for the Group's accounting, finance, treasury and tax functions. As Group Company Secretary, he ensures the Group complies with all established procedures and relevant statutes and regulations.

Apart from Serial System Ltd, Alex is also a Non-Executive and Lead Independent Director of SGX Catalyst-listed Jason Holdings Limited.

Alex is a Chartered Accountant with corporate advisory and public accounting experiences gained with an international accounting firm. He holds a Bachelor of Accountancy degree with Honours from the Nanyang Technological University and a MBA from the Warwick Business School in the United Kingdom.



Dato' Sean Goh, DIMS
Senior Vice President
Corporate Planning, Development & Regional Marketing

Sean Goh joined Serial Microelectronics Pte Ltd in June 2004 as its Sales Engineer. He was appointed Vice President of Regional Marketing in October 2009 and Senior Vice President of Corporate Planning, Development and Regional Marketing in July 2011.

Sean is in-charge of marketing, planning and development activities for the Group and oversees the Group's consumer products distribution business.

Sean holds a Bachelor of Engineering degree with Honours from the Nanyang Technological University.



Datuk Sidney Thong, DIMP
Vice President
Corporate IT & Central Functions

Sidney Thong re-joined Serial System since May 2009 as the Senior Director for Corporate IT. He was appointed Vice President of Corporate IT and Central Functions in July 2014.

Sidney is in-charge of leading the corporate IT team and managing all core IT functions as a shared service for the Group. He plays a key role in integrating new businesses as the Group expands into larger geographical footprint and into new business segments. Sidney also leads the initiative to set up central functions within the Group to raise efficiency and to leverage on the strengths of collaborated cross functional teams region-wide.

Sidney is a Certified Project Management Professional with extensive project management experiences gained with SAP Asia. He holds a Bachelor of Electrical Engineering degree from the University of Illinois in the United States.

SERIAL MICROELECTRONICS PTE LTD



Dato' Adrian Chu, DIMS
Group Chief Operating Officer

Adrian Chu joined Serial Microelectronics Pte Ltd in June 2011 as its Group Chief Operating Officer.

Adrian is tasked to drive revenue growth and profitability throughout the Group's electronic components distribution business. He leads in defining new and growing markets for revenue growth, driving efficiency through implementation of new improved processes and logistics activities, enhancing productivity through optimization of assets and centralizing key activities. He also plays a major role in obtaining new franchise lines and engaging merger and acquisition activities.

Having based in Taiwan and China, Adrian has a vast regional experience of over 30 years in the electronic and semiconductor industry and had held various roles in Sales & Marketing, Product Line Management in multi-national semiconductor companies. Prior to joining the Group, he was the Senior Vice President, Asia Pacific Sales & Marketing and General Manager for the Standard Products Business Group in NASDAQ-listed Fairchild Semiconductor, and was Vice President of NASDAQ-listed NXP Semiconductors.

Adrian holds a Bachelor of Business Administration degree from the Royal Melbourne University in Australia. He also graduated from Singapore Polytechnic in Electronics and Communications and Singapore Institute of Management in Management Studies.



Ng Teck Cheng
Senior Vice President
Operations & Asset Management

TC Ng joined Serial Microelectronics Pte Ltd in June 2004 as its Operations and Logistics Director. He was appointed Senior Vice President, Operations and Asset Management in October 2009.

Prior to joining the Group, TC held senior level positions at Texas Instruments Singapore and Kintetsu World Express. He holds a Bachelor of Science degree from the National University of Singapore and a Master of Business in Information Technology from RMIT.



William Low
Vice President
South Asia Pacific

William Low joined Serial Microelectronics Pte Ltd in August 2013 as its Vice President.

William oversees the Group's electronic components distribution business in South Asia Pacific.

William has over 30 years of experience in the electronic and semiconductor industry and had held senior level positions at Excelpoint Systems and Dovatron International Inc.

William holds a Diploma in Production Engineering from Singapore Polytechnic and a Manufacturing Consultant certificate from SANNO Institute of Business Administration, Japan. He is also a qualified practitioner of MTMII from the MTM Association, Sweden.

COUNTRY HEADS



Kim Sang Yeol
President
Serial Microelectronics Korea Limited
South Korea

SY Kim was appointed President of Serial Microelectronics Korea Limited ("SMKR") in May 1999.

As Country Head of SMKR, SY oversees the Group's electronic components distribution business in South Korea.

SY has over 30 years of experience in the semiconductor and technology field and had held senior level positions at Space Semiconductor Trading Limited and Alpha Technology Industries Limited.

SY holds a Bachelor of Electronics Engineering degree from KwangWoon University in South Korea.



Jesse Jeng
President
Serial Microelectronics Inc.
Taiwan

Jesse Jeng was appointed President of Serial Microelectronics Inc. ("SMTW") in January 2007.

As Country Head of SMTW, Jesse oversees the Group's electronic components distribution business in Taiwan.

Jesse has over 29 years of experience in the electronic trading and distribution industry, including 4 years at Chander Electronics Corp and 11 years at Arrow Electronics (Taiwan) Ltd.

Jesse holds a Bachelor of Electrical Engineering degree from John's University and a Physics degree from Tamkang University in Taiwan.



Dato' Paduka Lawrence Ho, DSMP
President
Serial Microelectronics (HK) Limited
Hong Kong & China

Lawrence Ho was appointed President of Serial Microelectronics (HK) Limited ("SMHK") in July 2001.

As Country Head of SMHK, Lawrence oversees the Group's electronic components distribution business in Hong Kong and China.

Prior to joining SMHK, Lawrence owned Innwave Technology Ltd, a company engaged in trading and distribution of electronic components in Hong Kong.

Lawrence holds a Bachelor of Electronics Engineering degree from Hong Kong Polytechnic University in Hong Kong.



Duke Chen
Group Chief Executive Officer
Bull Will Co., Ltd
Taiwan

Duke Chen was appointed Group Chief Executive Officer of Bull Will Co., Ltd in January 2016.

As Group Chief Executive Officer, Duke leads the management team of Bull Will in executing strategies to achieve the goals set by its board of directors.

Duke holds a Bachelor of Electrical Engineering degree from National Taiwan University in Taiwan.

Corporate Social Responsibility



Giving back to society is a trait deeply imbued in Serial System's corporate culture and we continue to fulfill our duties as a responsible corporate citizen.

Our CSR efforts have a broad reach, with a focus on the elderly, the poor and needy, medical, education, youth development, art programmes, and culture and heritage. Our beneficiaries in 2015 included the five Community Development Councils ("CDCs"), the People's Association Community Centres/Clubs Building Fund and the Singapore Children's Society. In the year under review, Serial System contributed a total of S\$787,000 (US\$563,000) to various causes and organisations in Singapore.

The Poor and Needy

For more than two decades now, we have been celebrating Lunar New Year every year with the senior citizens of Tai Pei Old Folks Home, bringing them "goody" bags, red packets and festive cheer.

We continued with our three-year donation drive with the CDCs in 2015 to provide financial aid to the needy. Under the programme, first announced on 1 November 2013 in conjunction with our 25th Anniversary, Serial System will donate S\$100,000 while Zhi Zhen Tan Dao Xue Hui ("Zhi Zhen

Tan") – a Taoist charity organisation founded by Dr. Derek Goh – will give S\$50,000 annually to each of the five CDCs, which in turn will match the donations dollar for dollar. With the government matching, Serial System and Zhi Zhen Tan have pledged to raise a total of S\$4.5 million from 2014 to 2016.

Medical, Education and Youth Development Programmes

In 2015, Serial System donated S\$126,000 (US\$92,000) to a number of charitable foundations, funds and schools to support medical and education programmes. These included the Singapore Badminton Association, World Learner Exchange Programme, Broadrick Secondary School for hearty breakfast Programme and Halogen Foundation Singapore.

Other Contributions

In addition to medical, educational and youth development causes, Serial System also donated more than S\$161,000 (US\$117,000) in 2015 to other programmes and organisations in Singapore and abroad.

Corporate Governance Report

Both Board of Directors (the “Board”) and Management are committed to high standards of corporate governance and have adopted practices contained in the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

1. Board Matters

The Board’s conduct of its affairs

Principle 1: Effective Board to lead and control the Company

Guideline 1.1: Board’s Role

The Board’s primary role is to protect and enhance the long-term shareholders’ value. Besides setting the overall strategic direction for the Group, the Board also provides entrepreneurial stewardship such as establishing goals for the Management and regularly monitoring the achievement of these goals.

The Board also monitors Management performance and oversees the processes for evaluating the adequacy of internal controls, financial reporting and compliance.

Guideline 1.2: Objective Decision Making

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interests of the Group.

Guideline 1.3: Delegation of authority to Board Committees

For the effective execution of its responsibilities, the Board has delegated most of its functions to the various Board committees. These are the Audit Committee (“AC”), Nominating Committee (“NC”), and Remuneration Committee (“RC”). All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

The Board is informed of the key matters discussed in each Board Committee meeting. At all times, the Board and the Board Committees have independent access to the Chief Executive Officer (“CEO”), members of the Management and the Company Secretary. There is a clear demarcation of responsibilities between the Board and the Management.

Please refer to Table 1 below - Board and Board Committees

The composition of the current Board and Board Committees is as shown below:

Table 1: Board and Board Committees:

Name of Director	Date of appointment	Date of last re-election	Main Board		Audit Committee	Nominating Committee	Remuneration Committee
			Status	Position	Position	Position	Position
Derek Goh Bak Heng ⁽¹⁾	26 October 1998	26 October 1998	Executive/ Non-independent	Executive Chairman & Group CEO	-	Member	Member
Tan Lye Heng Paul	16 June 2011	26 April 2014	Non-Executive/ Lead Independent	Member	Chairman	Member	Member

1. Board Matters (continued)

The Board's conduct of its affairs (continued)

Principle 1: Effective Board to lead and control the Company (continued)

Table 1: Board and Board Committees: (continued)

Name of Director	Date of appointment	Date of last re-election	Main Board		Audit Committee	Nominating Committee	Remuneration Committee
			Status	Position	Position	Position	Position
Ravindran s/o Ramasamy	14 August 2001	29 April 2015	Non-Executive/Independent	Member	Member	Member	Chairman
Lee Teck Leng Robson	30 December 2002	26 April 2014	Non-Executive/Independent	Member	Member	Chairman	Member
Goi Kok Neng Ben ⁽²⁾	27 April 2013	26 April 2014	Non-Executive/Non-Independent	Member	-	-	-

⁽¹⁾Appointed Group Managing Director on 1 March 2001 and is not subjected to retirement by rotation pursuant to Serial System Ltd's Articles of Association

⁽²⁾Son of Goi Seng Hui, a substantial shareholder of Serial System Ltd

Guideline 1.4: Meetings of Board and Board Committees

The Board meets at least four times in a year. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Board and Board Committees may also make decision through circulating resolutions.

Please refer to Table 2 below - Attendance at Board and Board Committee Meetings.

Table 2: Attendance at Board and Board Committee Meetings:

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	4	1	1
Number of meetings attended:				
Derek Goh Bak Heng	4	NA	1	1
Peter Ho I Chin*	3	NA	NA	NA
Tan Lye Heng Paul	4	4	1	1
Ravindran s/o Ramasamy	4	4	1	1
Lee Teck Leng Robson	4	4	1	1
Goi Kok Neng Ben	4	NA	NA	NA

NA – Not Applicable

*Peter Ho I Chin resigned as executive director of Serial System Ltd on 7 January 2016.

Guideline 1.5: Internal guidelines on matters requiring Board approval

The Board continues to approve matters, which, under the Companies Act and SGX-ST's Listing Manual, require the Board's approval. Specifically, the Board has direct responsibility for decision making in the following:

- Joint ventures, acquisitions, and mergers
- Sales and purchases of shares in Serial System Ltd and its subsidiaries and associated companies, and other companies
- Capital expenditure exceeding S\$2.0 million (equivalent to US\$1.4 million)
- Disposal of assets exceeding S\$2.0 million (equivalent to US\$1.4 million)
- Borrowing exceeding S\$5.0 million (equivalent to US\$3.5 million)
- Interested person transactions for an amount equal to or more than S\$100,000 (equivalent to US\$71,000)
- Declaration of dividends by Serial System Ltd
- Appointment of Directors and Chief Executive Officer of Serial System Ltd

1. Board Matters (continued)

The Board's conduct of its affairs (continued)

Principle 1: Effective Board to lead and control the Company (continued)

Guideline 1.6: Continuous training and development of directors

The Company conducts briefings, which is presented by CEO and Management, to familiarise new directors with its business, operations and management structure. These briefings give directors an understanding of the Company's businesses to enable them to assimilate into their new roles. Directors also meet with Management in order to understand the Company's businesses more effectively.

All directors are kept informed of updates and developments in relevant areas such as corporate governance, financial reporting standards and applicable rules and regulations. The Company will enroll all incoming directors to courses which cover roles and responsibilities of directors for a listed company, so as to enable them to properly discharge their duties.

New directors can request for further explanations, briefings or information on any aspect of the Group's operations or issues from Management.

Guideline 1.7: Letter to director on appointment

A formal letter of appointment will be provided to every new director, indicating the duties and obligations under the Group's policies, processes and best practices in corporate governance.

There were no incoming directors during the financial year under review.

2. Board composition and guidance

Principle 2: Independent element on the Board

Guideline 2.1: Independent element on the Board

Currently, the Board comprises one executive director, one non-executive director and three independent directors.

Please refer to Table 1 – Board and Board Committees.

Guideline 2.2: Composition of independent directors on the Board

While the Chairman and the CEO is the same person, the Board is still in compliance with the guidelines of the code that the composition of the independent directors needs to make up at least half of the Board at present.

Guideline 2.3: Independence of directors

The Board is guided by the definition of independence given in the Code of Corporate Governance issued by the Corporate Governance Committee in determining if a director is independent.

The NC has also reviewed and confirmed that Lee Teck Leng Robson, Tan Lye Heng Paul and Ravindran s/o Ramasamy are independent directors.

Guideline 2.4: Independence of directors who have served on the Board beyond nine years

For good corporate governance, the Board carries out rigorous review of the contributions and independence of directors who have served on the Board beyond nine years and if necessary, exercise its discretion to extend the tenures of these directors. Currently, Ravindran s/o Ramasamy and Lee Teck Leng Robson have both served as independent director of the Company for more than nine years. The Board has determined that both directors remain independent in character and judgement and there were no relationships with management or substantial shareholders or circumstances which were likely to affect, or could appear to affect, their independence. The Board also reviews the performance of each of the two independent directors and considers that each of these directors who had gained good understanding of the Group's business and operations will be able to continue to bring invaluable expertise, experience and knowledge to the Board. The Board is therefore satisfied with their performance and continued independence.

Moreover, the Board has appointed two new directors in the past six years, a new Audit Committee Chairman, Tan Lye Heng Paul in June 2011, and non-executive director, Goi Kok Neng Ben in April 2013. To ensure continuity of management and governance, the Board verily believes that the continued presence of Ravindran s/o Ramasamy and Lee Teck Leng Robson on the Board will provide the requisite stability and ballast in the mix of new and old directors who are collectively charting the corporate directions and discharging the governance watch on the Group. The Board holds the view that continuity and stability

2. Board composition and guidance (continued)

Principle 2: Independent element on the Board (continued)

of the Board is important and considers it is not currently in the interests of the Company and shareholders to require directors who have served for nine years or longer to retire. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

Guideline 2.5: Composition and size of the Board

In determining the size, the Board maintains the view that there are sufficient directors to serve on the various committees without over-burdening them and making it convenient for them to discharge their responsibilities. As for composition, the Board is of the opinion that at least one-third of the number should be independent and non-executive.

Please refer to Table 1 – Board and Board Committees.

Guideline 2.6: Competency of the Board

Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

Guideline 2.7: Role of non-executive directors

To ensure non-executive directors are kept informed of complete and timely information, they have unrestricted access to Management. They also receive board briefings on prospective deals and potential acquisitions at an early stage before formal board approval is sought, and in circulation on the relevant information on latest Group's key business initiatives. The timely dissemination of information enables non-executive directors to constructively challenge and provide necessary areas of expertise to develop both the Group's short-term and long-term business strategies.

Guideline 2.8: Regular Meetings of non-executive directors

During the year under review, the non-executive directors communicated among themselves, without the presence of the management as and when the need arose.

3. Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities and balance of power and authority

Guideline 3.1: Separate role of Chairman and CEO

The Board has decided that it would currently not be in the Group's interests to institute a separation in the role of the Chairman from that of the CEO, so as to ensure decision-making process of the Group would not be unnecessarily hindered. The Board views that in the best interests of the Group, Derek Goh Bak Heng should continue to be the Chairman of the Board and CEO of the Group for the current year.

Guideline 3.2: Roles and responsibilities of Chairman

Derek Goh Bak Heng is the Founder, Executive Chairman and Group Chief Executive Officer ("CEO"), playing a pivotal and instrumental role in developing the Group's businesses and providing the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he is to ensure that each member of the Board and the Management work well together with integrity and competency. He also takes on a leading role in ensuring the Group's drive to achieve and maintain a high standard of corporate governance practices.

Derek Goh Bak Heng's performance and remuneration package are reviewed periodically by the NC and RC, respectively. As such, the Board is of the view that adequate safeguards are in place to ensure a good balance of power and responsibility.

Guideline 3.3: Appointment of lead independent director

The Board has appointed Tan Lye Heng Paul as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or Group Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

Guideline 3.4: Lead independent director to lead the independent directors to meet periodically

The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where the need arose, and the lead independent director will provide feedback to the Chairman after such meetings.

4. Board Membership

Principle 4: Formal and transparent process for the appointment of directors to the Board

Guideline 4.1: NC membership and key terms of reference

Lee Teck Leng Robson chairs the NC. Other members of the NC are Tan Lye Heng Paul, Ravindran s/o Ramasamy and Derek Goh Bak Heng. Besides Derek Goh Bak Heng, all the other three members of the NC are independent directors.

The NC has its terms of reference. Specifically, it:

- determines the criteria for identifying candidates and reviewing nominations for the appointments as directors and CEO
- decides how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval
- assesses the effectiveness of the Board as a whole
- assesses the contribution by each individual director to the effectiveness of the Board
- re-nominates any director, having regard to the director's contribution and performance
- determines on an annual basis whether a director is independent
- decides whether a director is able to and has been adequately carrying out his or her duties as a director of the Group, particularly when the director has multiple board representations and
- identifies gaps in the mix of skills, experiences and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps

Guideline 4.2: Responsibilities of NC

Key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board as a whole. It also ensures that directors appointed by the Board are subject to election by shareholders at the annual general meeting ("AGM") and that all directors are subject to re-election once every three years, if re-nominated by the NC. In this aspect, the NC recommended to the Board that Tan Lye Heng Paul and Goi Kok Neng Ben, who retire pursuant to Article 89 of Serial System Ltd's Articles of Association, be nominated for re-appointment at the forthcoming AGM on 22 April 2016.

A member of the NC holds office until the next AGM following his appointment and may, subject to the prior approval of the Board, be re-appointed to such office.

The NC held one meeting in Year 2015 and the attendance by the members is tabulated in Table 2 – "Attendance at Board and Board Committee Meetings" above.

Guideline 4.3: NC to determine directors' independence

The NC is charged with determining the independence of the directors as set out under Guideline 2.3 and 2.4 above.

Guideline 4.4: Commitments of Directors sitting on multiple boards

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company.

The NC has reviewed each director's outside directorships and their principal commitments as well as each director's attendance and contributions to the Board. Despite the multiple directorships of some directors, the NC is satisfied that these directors spent adequate time on the Company's affairs and have carried out their responsibilities.

Considering the composition and mix of the current board of directors, and that only Lee Teck Leng Robson holds more than three other directorships on unrelated listed companies, the Board is of the view that it is not necessary to stipulate the maximum number of listed company board representation which any director may hold, for the financial year under review. Nevertheless, the Board will annually examine the need for such policy to be implemented.

Guideline 4.5: Appointment of alternate directors

Currently, there is no alternate director on the Board.

Guideline 4.6: Process for the selection and appointment of new directors

The Company has in place a process for selecting and appointing new directors. This process includes, inter alia, an evaluation of the candidate's capabilities and how the candidate fits into the overall desired competency matrix of the Board. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

For the financial year under review, no new director was appointed to the Board.

4. Board Membership (continued)

Principle 4: Formal and transparent process for the appointment of directors to the Board (continued)

Guideline 4.7: Information on directors

The profiles of the directors and their respective shareholdings in the Company are set out on pages 24 to 25 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company, except for Derek Goh Bak Heng, who, by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the subsidiaries of the Company.

Directors who are seeking re-appointment at the forthcoming AGM to be held on 22 April 2016 are stated in Guideline 4.2 above.

5. Board Performance

Principle 5: Assessment of the effectiveness of the Board

Guideline 5.1: Board performance

The Board, through the NC, has used its best effort to ensure that directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, as well as competencies in finance and management skills critical to the Group's businesses. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

Guideline 5.2 and 5.3: Performance criteria for board evaluation and evaluation of individual director

The NC has reviewed the performance and effectiveness of the Board as a whole, the respective Board Committees, as well as the contributions of individual director. The individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, the degree of preparedness, industry and business knowledge and experience each director possess which are crucial to the Group's businesses.

6. Access to information

Principle 6: Board members should be provided with complete, adequate and timely information

Guideline 6.1: Board access to information

From time to time, the directors are furnished with information concerning the Group's operations so that they can be appropriately cognisant of the decisions and actions of the Management. All non-executive and independent directors have access to the Management.

Guideline 6.2: Provision of information to the Board

Directors have had the opportunity to meet with the Management and receive briefings on the Group's operations and policies. Non-executive and independent directors are provided with orientation and updates on the salient aspects of the Group's businesses.

Guideline 6.3: Board's access to the Company Secretary

The Group Company Secretary attends Board and Committee meetings and is responsible for ensuring that established procedures and the relevant statutes and regulations are complied with. Directors have separate and independent access to the Company Secretary through electronic mail, telephone and face-to-face meetings.

Guideline 6.4: Appointment and removal of Company Secretary

The appointment and the removal of the Company Secretary are subject to the approval of the Board.

Guideline 6.5: Board's access to independent professional advice

If need be, all non-executive and independent directors have the right to seek professional advice, at the Group's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

7. Remuneration Matters

Principle 7: Procedures for developing remuneration policies

Guideline 7.1: Remuneration Committee

Ravindran s/o Ramasamy chairs the RC. Other members of the RC are Tan Lye Heng Paul, Lee Teck Leng Robson, and Derek Goh Bak Heng.

The RC has its terms of reference. Specifically, it:

- reviews and recommends to the Board a framework of remuneration for board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel
- reviews the Company's obligations in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous
- perform such other functions as the Board may determine

Guideline 7.2: Remuneration framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for determining the remuneration packages of the executive directors and key management personnel. The remuneration package of each executive director and key management personnel is based on the performances of both the Group and the individual. The RC recommends for the Board's endorsement, a framework of remuneration that covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director. No director is involved in deciding his own remuneration.

A member of the RC holds office until the next AGM following his appointment and may, subject to the prior approval of the Board, be re-appointed to such office.

The RC held one meeting in Year 2015 and the attendance by the members is tabulated in Table 2 – "Attendance at Board and Board Committee Meetings" above.

Guideline 7.3: RC's access to advice on remuneration matters

The RC has full authority to engage any external professional to advise on matters relating to remuneration as and when the need arises.

During the financial year under review, the RC did not require the service of an external professional consultant.

Guideline 7.4: Service contract

The Company's obligations in the event of termination of service of executive director and key management personnel are contained in their respective service agreements. The RC was satisfied that termination clauses therein are fair and reasonable to the respective employment class and are not overly generous.

8. Level and mix of remuneration

Principle 8: Level and mix of remuneration

Guideline 8.1: Remuneration of executive director and key management personnel

The Board believes that it is imperative to remunerate executive directors and key management personnel equitably to attract and retain individuals with the necessary talents and capabilities.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group, prevailing economic situation, pay and employment conditions within similar industry and in comparable companies. The remuneration package of the executive directors and key management personnel comprises a basic salary component and a variable component which is the annual incentive bonus, based on the performance of the Group as a whole and the individual performance of the key management personnel in respect of the regions they are in charged. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. The remuneration packages of employees related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and levels of responsibility.

8. Level and mix of remuneration (continued)

Principle 8: Level and mix of remuneration (continued)

Guideline 8.2: Long term incentive scheme

The Company has in place a Serial System Employee Share Option Scheme 2014 (“2014 Scheme”), duly approved by shareholders at the EGM held on 26 April 2014. The 2014 Scheme replaces the previous 2004 scheme which expired on 29 January 2014.

The 2014 Scheme will continue to provide the opportunity presented by the previous 2004 Scheme for all employees who have contributed significantly to the growth and performance of the Group. In particular, it enables the Company to motivate employees to optimize their performance standards and efficiency and to maintain a high level of contribution to the Group and helps to develop a participatory style of management which promotes greater commitment and dedication amongst the employees, thereby instilling loyalty and a stronger sense of identification with the success and long term well-being of the Group. It also makes total employee remuneration sufficiently competitive to recruit and retain key executives whose contributions are important to the long-term well-being and growth of the Group.

For the financial year under review, no share options has been granted to executive directors and key management personnel under the 2014 Scheme.

Guideline 8.3: Remuneration of non-executive directors

The Board concurred with the RC that the proposed directors’ fees for the year ended 31 December 2015 is appropriate and that the independent directors receive directors’ fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The Company recognises the need to pay competitive fees to attract, motivate and retain directors without being excessive to the extent that their independence might be compromised.

The Board recommends to shareholders for approval at AGM the fees payable to directors.

The Company also extends its 2014 Scheme as mentioned in guideline 8.2 above, to non-executive directors in recognition of their contributions. The provision of share options to the non-executive directors will ensure that the Company will be able to continue to attract onto its Board, directors who will be able to assist in furthering the business interests of the Group. This will help enhance the growth and long-term profitability of the Company.

For the financial year under review, no share options has been granted to non-executive directors under the 2014 Scheme.

Guideline 8.4: Contractual provisions to reclaim incentive components of remuneration

Having reviewed and considered the variable components of the executive directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

In addition, the executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the executive directors in the event of such breach of fiduciary duties.

9. Disclosure on remuneration

Principle 9: Disclosure on remuneration

Guideline 9.1 & 9.2: Remuneration report and remuneration of directors

Details of the remuneration paid to the directors for Year 2015 are as follows:

Executive Directors	Directors' Fees ⁽¹⁾ (%)	Salary ⁽²⁾ and AWS ⁽³⁾ (%)	Incentive Bonus (%)	Other Benefits (%)	Total Remuneration (S\$)
Derek Goh Bak Heng	2.3	42.0	54.0	1.7	1,700,849
Peter Ho I Chin ⁽⁴⁾	100.0	-	-	-	39,000
Non-Executive & Independent Directors					
Tan Lye Heng Paul	100.0	-	-	-	45,000
Ravindran s/o Ramasamy	100.0	-	-	-	45,000
Lee Teck Leng Robson	100.0	-	-	-	45,000
Non-Executive Director					
Goi Kok Neng Ben	100.0	-	-	-	39,000

⁽¹⁾ Accrued for Year 2015

⁽²⁾ Includes employer's CPF contribution

⁽³⁾ Annual wage supplement of one-month salary

⁽⁴⁾ Remunerated in Bull Will Co., Ltd

Note: The remuneration disclosed in this report does not include share option expense. No share options were granted to directors in Year 2015.

Guideline 9.3: Remuneration of top 5 key management personnel

The Board is aware that the Code of Corporate Governance requires the remuneration of at least the top five executives (who are not directors) to be disclosed. However, the Board, after careful deliberation, believes that such information is best kept confidential as disclosing the same would be prejudicial to its business given the highly competitive business environment. There are other expected disadvantages such as potential staff motivational and retention issues that such detailed disclosures may bring. The annual aggregate remuneration paid to the top five executives (who are not directors) for Year 2015 is S\$2,216,000 and the remuneration bands for Year 2015 are presented as follows:

Remuneration Bands	Number of Executives ⁽¹⁾
S\$500,000 to S\$749,999	2
S\$250,000 to S\$499,999	3 ⁽²⁾

⁽¹⁾ Includes executives of overseas subsidiaries

⁽²⁾ Includes remuneration payable to Sean Goh Su Teng, who is the cousin of Derek Goh Bak Heng, the Executive Chairman and CEO of the Company

Guideline 9.4: Employee related to directors/ CEO

Saved as disclosed in guideline 9.3 above, no employee of the Company was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year under review.

Guideline 9.5: Employee share scheme

For the financial year under review, the Company did not grant any share options under the 2014 Scheme.

Guideline 9.6: Disclosure of information on link between remuneration payable and performance

Please refer to guideline 8.1 above.

10. Accountability and audit

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

Guideline 10.1: Accountability for accurate information

The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with quarterly and annual financial reports. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's operations, performance, financial position and prospects. The Board embraces openness and transparency in the conduct of the Group's affairs whilst preserving the commercial interests of the Group.

The Management provides the Board on a quarterly basis, financial reports and other information on the Group's operations, performance, financial position and prospects for their effective monitoring and decision making.

Guideline 10.2: Compliance with legislative and regulatory requirements

The Board review legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements.

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

Guideline 10.3: Management accounts

The Management updates the Board on the Group's business activities and financial performance and highlights key business indicators and major issues that are relevant to the Group's performance, on a timely basis in order for the Board to make balanced and informed assessments of the Company's performance, financial position and prospects.

11. Risk Management and Internal Controls

Principle 11: Risk management and internal controls

Guideline 11.1: Risk management and internal control systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. However, the Board is of the view that any internal control system is designed to manage rather than totally eliminate the risk of failure to achieve business objectives. A cost effective internal control system can only provide reasonable and not total assurance against material misstatement or loss.

The AC, together with the assistance of an in-house internal auditor oversees and ensures that such system has been appropriately implemented and monitored.

Guideline 11.2: Adequacy and effectiveness of risk management and internal control systems

The Group has documented a framework on its risk profile which summarizes the material risks faced by the Group and the counter-measures in place to manage or mitigate those risks which has been reviewed by the AC and the Board. The documentation provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process on an ongoing basis. The Group's approach to risk management is set out in the "Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual" section on pages 165 to 166 of this Annual Report.

11. Risk Management and Internal Controls (continued)

Principle 11: Risk management and internal controls (continued)

On an annual basis, the internal auditor prepares the internal audit plan taking into consideration the risks identified which is approved by the AC. During the financial year, the AC reviewed the reports submitted by the internal auditor relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems that are put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant departments for their follow-up actions. Major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are also highlighted by external auditors to the AC.

Guideline 11.3: Board's comments on adequacy and effectiveness of internal controls

The Board has received assurance from the CEO and the CFO that the Group's risk management and internal control systems in place is adequate and effective in addressing the key financial, operational and compliance risks in the Group in its current business environment and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as reviews performed by external and internal auditors, the Board, with the concurrence of AC, is of the view that the internal control systems of the Group were adequate as at 31 December 2015 to address the financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

Guideline 11.4: Risk committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of in-house internal auditor. Having considered the Company's business operations as well as its existing risk management systems and internal control, the Board is of the view that a separate risk committee is not required for the time being.

12. Audit Committee

Principle 12: Establishment of audit committee with written terms of reference

Guideline 12.1: AC membership

Tan Lye Heng Paul chairs the AC. The other members of the AC are Ravindran s/o Ramasamy and Lee Teck Leng Robson. Currently, all three members of the AC are independent directors.

The AC has its terms of reference. Specifically, it:

- reviews with the Group's external auditors, their audit plan, evaluation of the internal accounting controls, audit report, and any matters which the external auditors wish to discuss
- reviews the Group's financial reports to shareholders and the general public to ensure that they comply with the Companies Act, SGX-ST's Listing Rules, and other regulatory requirements
- reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the internal control system
- reviews assistance given by the Company's officers to the external and internal auditors
- reviews interested person transactions
- reviews the adequacy of the Group's whistle-blowing policy and ensure independent investigation and adequate resolution
- evaluates the objectivity and independence of the external auditors annually and nominates external auditors for appointment or re-appointment

Guideline 12.2: Expertise of AC members

The AC members bring with them professional expertise and experience in the accounting, financial management and legal domains. The Board is satisfied that the AC members are appropriately qualified to discharge their responsibilities.

Guideline 12.3 & 12.4: Roles, responsibilities and authority of AC

The AC has the explicit authority to investigate any matter within its terms of reference. During the year under review, the AC has full access to and cooperation by the Management. It also has the discretion to invite any director or member of the Management to its meetings as well as reasonable resources to enable it to discharge its functions properly.

12. Audit Committee (continued)

Principle 12: Establishment of audit committee with written terms of reference (continued)

The AC has reviewed the financial statements with the Management and external auditors and is of the view that the Group's financial statements for Year 2015 are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects.

A member of the AC holds office until the next AGM following his appointment and may, subject to the prior approval of the Board, be re-appointed to such office.

Where, by virtue of any vacancy in the membership of the AC for any reason, the number of members of the AC is reduced to less than three (or such other number as may be determined by SGX-ST), the Board shall, within three months thereafter, appoint such number of new members to the AC. Any new member appointed shall hold office for the remainder of the term of office of the member of the AC in whose place he or she is appointed.

The AC held four meetings in Year 2015 and the attendance by the members is tabulated in Table 2 – "Attendance at Board and Board Committee Meetings" above.

Guideline 12.5: External and internal auditors

The AC meets regularly with the Group's external auditors and internal auditor. At least once a year, the AC would meet with the Group's external auditors and internal auditor without the presence of the Management to ensure that there are no unresolved areas of concern.

Guideline 12.6: Independence of external auditors

The AC confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC has recommended to the Board that the independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

The auditors of the Company's subsidiaries and associated companies are disclosed in Note 19 and Note 18 to the financial statements in this annual report. The Company confirms that Listing Rule 712 and Rule 715 of the SGX-ST's Listing Manual are complied with.

Guideline 12.7: Whistle-blowing policy

As a further enhancement to internal risk control processes, the Company has in place a whistle-blowing policy. Under this whistle-blowing policy, staff can report or raise concerns over any "wrongdoings" across the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment to the chairman of the AC, with the "whistleblower" who has acted in good faith, being provided confidentiality, victimisation and harassment protection. "Wrongdoings" can include fraud, corruption, theft, abuse of authority, breach of regulations or non-compliance with the Group's internal controls and procedures.

On an ongoing basis, the whistle-blowing policy is covered during staff training and periodic communication including e-mail sent quarterly to all staff as part of the Group's efforts to promote awareness of fraud prevention.

Guideline 12.8: AC to keep abreast of changes to accounting standards

In addition to the activities undertaken to fulfill its responsibility, the AC is kept abreast by the Management, external auditors and internal auditor on changes to accounting standards, SGX-ST's listing rules and other codes and regulations which could have an impact on the Group's business and financial statements.

Guideline 12.9: Cooling-off period for partners or directors of the Company's auditing firm

No former partner or director of the Company's existing auditing firm or audit's corporation is a member of the AC.

13. Internal Audit

Principle 13: Internal audit

Guideline 13.1 & 13.2: Internal auditors

The Board is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Group's assets with the AC tasked to oversee the implementation of an effective system of internal controls to address the key financial, operational and compliance risks affecting the operations of the Group.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The Group hires an in-house internal auditor ("IA") who reports directly to the chairman of the AC, for the financial year under review. The IA has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

Guideline 13.3 & 13.4: Internal audit function

The Company's internal audit function is independent of the activities it audits. The IA is a member of the Institute of Internal Auditors Singapore with relevant qualifications and experience.

At the beginning of each year, an annual internal audit plan which entails the review of selected functions or business units of the Group is developed and agreed by the AC. The AC is satisfied that the Company's internal audit function is adequately sourced to perform the work for the Group.

Guideline 13.5: Adequacy and effectiveness of internal audit function

On an annual basis, the Group prepares its internal audit plan taking into consideration the risks identified which is approved by the AC. The internal audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems that are put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant departments for their follow-up actions. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

Based on the internal controls established and reviews performed by the Management, work performed by the internal and external auditors, the AC and the Board are of the opinion that the Group's internal controls were adequate as at 31 December 2015 to address the financial, operational and compliance risks, which the Group considers relevant and material to its operations.

14. Shareholder rights and responsibilities

Principle 14: Shareholders rights

Guideline 14.1: Sufficient information to shareholders

It is the Board's policy that all shareholders should be treated equally and timely informed of material developments. The Group does not practise selective disclosure.

To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely basis via SGXNET and the Company's website, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Guideline 14.2: Providing opportunity for shareholders to participate and vote at general meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders at least fourteen (14) days before the scheduled dates of such meetings in accordance to the nature of the business to be transacted. These notices are also published in the Business Times and posted onto the SGXNET. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures.

14. Shareholder rights and responsibilities (continued)

Principle 14: Shareholders rights (continued)

Guideline 14.3: Proxies for nominee companies

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend its general meetings.

In addition, pursuant to Section 181(1C) of the Companies Act, a shareholder who is a custodial institution or relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two(2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder appoints more than two(2) proxies, the number and class of shares to be represented by each proxy must be stated

15. Communication with shareholders

Principle 15: Communication with shareholders

Guideline 15.1 & 15.2: Communication with shareholders and timely information to shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST, the Companies Act and the Singapore Financial Reporting Standards, the Board informs shareholders promptly of all major developments that may have material impact on the Group. Material information including interim and full-year results are released through SGXNET and the Company's website.

Management also holds briefings with analysts to coincide with the release of the Group's interim and full-year results, and related presentation slides and press releases are also made available on SGXNET and the Company's website.

All shareholders receive the Company's annual report and notice of general meetings which, amongst others, contains information required to be disclosed by the SGX-ST, the Singapore Financial Reporting Standards, and the Companies Act.

Shareholders can assess information on the Group through the Company's website at www.serialsystem.com which provides the Company's corporate announcements, press releases and profiles.

Guideline 15.3 & 15.4: Regular dialogue with shareholders & soliciting and understanding views of shareholders

The Board recognises that the general meetings are the most feasible medium for communicating with shareholders. Time will be allocated for greater shareholders' participation at general meetings as well as to provide shareholders the opportunity to communicate their views on matters affecting the Group. The chairmen of the AC, NC, and RC are normally available at these meetings to address questions.

Guideline 15.5: Dividend policy

The Articles of Association of the Company provide a specific guideline for the Company's dividend policy. The Company shall pay an annual dividend equivalent to at least 25% of its net profit after tax, based on the Company's audited consolidated financial statements for the relevant financial year, of which dividends paid in cash shall constitute at least 50% of the annual dividend payment, after taking into account, inter alia, the Company's actual profitability and ability to pay dividends in the relevant financial year, the operating cash flow requirements, financing commitments, anticipated capital expenditure, any future expansion and investment plans of the Company and its subsidiaries, and such factors that the Board may, in its sole and absolute discretion, deem necessary or appropriate.

16. Conduct of Shareholder Meetings

Principle 16: Conduct of shareholder meetings

Guideline 16.1: Effective shareholders participation

Shareholders currently are allowed to vote in person or in absentia. Equal effect is given to votes whether cast in person or in absentia. If shareholders are unable to attend the meetings, the Articles of Association allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

16. Conduct of Shareholder Meetings (continued)

Principle 16: Conduct of shareholder meetings (continued)

Guideline 16.2: Separate resolution at general meetings

To ensure that shareholders can have better exercise of their right to approve or deny each issue or motion, separate issues are not combined and presented as one single motion for voting by the shareholders. At shareholders' meetings, there are separate resolutions on each distinct issue.

Guideline 16.3: Attendees at general meetings

The Chairman of the Board and its committees attend all general meetings to address issues raised by shareholders. The Company's external auditors and its legal advisers are also invited to attend the meetings and are available to assist the directors in addressing any relevant queries from shareholders.

Guideline 16.4: Minutes of general meetings

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

Guideline 16.5: Voting by poll at general meetings

In line with the new Rule 730A(2) introduced by the SGX-ST on 31 July 2013 (which came into effect from August 2015), to promote greater transparency in general meetings and support listed companies in enhancing their shareholders engagement, the resolutions of the Company transacted at the forthcoming annual general meeting and subsequent general meetings will be carried out and voted by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted in accordance with the provisions of the Company's Articles of Association. The information on the total number of votes cast for against the resolution are incorporated into the announcement released to the SGX-ST after the general meeting.

Other corporate governance matters

Dealing in securities

In compliance with Listing Rule 1207 (19) of the SGX-ST's Listing Manual, the Group has advised its directors and officers not to deal in the Company's shares during the period commencing two weeks before announcement of the Company's quarterly results and one month before announcement of the Company's full year results, and ending on the date of such announcements. Directors and officers are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Group's securities on short-term considerations.

Interested person transactions

The Company has adopted an internal policy in respect of any transactions with interested persons and established procedures for periodic review and approval of these transactions by the AC.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST. Disclosure of "related party transactions" is set out on pages 157 to 158 of this Annual Report.

Compliance with The Code of Corporate Governance

The Board is satisfied that for the financial year ended 31 December 2015, the Group has complied with the spirit of the principal corporate governance recommendations set out in The Code of Corporate Governance.

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 53 to 164 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Derek Goh Bak Heng
Tan Lye Heng Paul
Ravindran s/o Ramasamy
Lee Teck Leng Robson
Goi Kok Neng Ben

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" in this statement.

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, the interests of the directors holding office at the end of the financial year in the issued share capital of the Company and related corporations were as follows:

	Holdings registered in name of director or nominees		
	At 21.1.2016	At 31.12.2015	At 1.1.2015
The Company (Number of ordinary shares)			
Derek Goh Bak Heng	355,132,070	355,132,070	347,838,698
Tan Lye Heng Paul	240,000	240,000	197,000
Peter Ho I Chin (Resigned on 7 January 2016)	500,000	500,000	500,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Directors' interests in shares or debentures (continued)

- (b) None of the directors holding office at the end of the financial year had share options to subscribe for ordinary shares of the Company granted pursuant to the Serial System Employee Share Option Scheme 2014.
- (c) Dr. Derek Goh Bak Heng, who by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the issued share capital of the Company's wholly owned subsidiaries and in the following partially owned subsidiaries of the Group:

	Holdings in which a director is deemed to have an interest	
	At 31.12.2015	At 1.1.2015
Agricola Pte. Ltd. (Number of ordinary shares)	40,000	40,000
Serial Microelectronics (HK) Limited (Number of ordinary shares of HK\$1 each)	27,300,000	27,300,000
Serial Microelectronics Inc. (Number of ordinary shares of NT\$10 each)	5,348,250	5,348,250
Serial Microelectronics Korea Limited (Number of common stocks of KRW 5,000 each)	19,640	19,640
Serial AMSC Microelectronics Co., Ltd (Number of ordinary shares of JPY 50,000 each)	4,200	4,200
Serial Microelectronics (Shenzhen) Co., Ltd (Capital contribution in HK\$)	64,885,417	64,885,417
Serial Design Limited (Number of ordinary shares of HK\$1 each)	9,100	9,100
PT. Serial Microelectronics Indonesia (Number of ordinary shares of US\$1 each)	99,000	99,000
TeamPal Enterprise Corp. (Number of ordinary shares of NT\$10 each)	2,865,000	2,865,000
New Chinese Corporation (Number of ordinary shares of US\$1 each)	287,455	0.955
Bridge Electronics (Shenzhen) Co., Ltd (Capital contribution in US\$)	286,500	143,250
Nippon Denka Serial Pte. Ltd. (Number of ordinary shares)	60,000	60,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Directors' interests in shares or debentures (continued)

(c) (continued)

	Holdings in which a director is deemed to have an interest	
	At 31.12.2015	At 1.1.2015
Serial GIS Pte. Ltd. (Number of ordinary shares)	350,000	325,000
Serial Automotive Limited (Number of ordinary shares of HK\$1 each)	5,460	5,460
Serial Vision Limited (Number of ordinary shares of HK\$1 each)	5,005	5,005
Serial Automotive (Shanghai) Co., Ltd (Capital contribution in RMB)	546,000	546,000
Hydra & Thermal Pte. Ltd. (Number of ordinary shares)	2,147,499	–
PT. Achieva Technology Indonesia (Number of ordinary shares of US\$1 each)	200,000	–
Serial Factoring (Thailand) Co., Ltd (Number of ordinary shares of THB100 each)	4,900	–

Share options

(a) Serial System Employee Share Option Scheme 2014 (the "2014 Scheme")

The 2014 Scheme was approved by the shareholders at the Extraordinary General Meeting of the Company held on 26 April 2014. It replaced the previous Serial System Executives Share Option Scheme (the "2004 Scheme"), which expired on 29 January 2014. Any share options granted and accepted under the 2004 Scheme have been fully exercised upon expiry of the 2004 Scheme on 29 January 2014.

Under the 2014 Scheme, share options are granted to the following persons at the absolute discretion of the 2014 Scheme's Committee (the "Committee"):

- (i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;
- (ii) executive directors of the Company;
- (iii) non-executive directors of the Company; and
- (iv) employees who qualify under (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Share options (continued)

(a) Serial System Employee Share Option Scheme 2014 (the "2014 Scheme") (continued)

For the purpose of paragraph (iv) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased employment as a full-time employee of the Group by reason only of such secondment.

For non-incentive share options, the exercise price of the granted share options is to be determined by the Committee, in its absolute discretion, at a price equal to the average of the last dealt prices of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") for a period of five consecutive trading days ("Market Price") immediately prior to the date of offer of the share options.

For incentive share options, share options are granted at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price; and the shareholders of the Company in a general meeting have authorised, in a separate resolution, the making of offers and grants of such share options under the 2014 Scheme at a discount not exceeding the maximum discount as aforesaid.

The share options are vested one month after the date of offer of the share options. Once the share options are vested, they are exercisable for a term of 10 years, and for non-executive directors of the Company, for a term of 5 years, or such other terms determined by the Committee or prescribed under any relevant law, regulation or rule of the SGX-ST from time to time.

There is no restriction to the eligibility of any persons to whom the share options have been granted, to participate in other share option or share incentive schemes implemented by the Company, subsidiaries or associated companies.

Particulars of the share options granted in the preceding financial years under the previous schemes were set out in the Directors' Statements for the respective financial years.

There were no share options granted pursuant to the 2014 Scheme during the financial year ended 31 December 2015 and 31 December 2014.

(b) Outstanding share options

There are no share options outstanding at the end of the financial year ended 31 December 2015.

(c) Other information required by SGX-ST

Pursuant to clause 852(1) of the Listing Manual of the SGX-ST, in addition to information disclosed elsewhere in this statement, the directors report that:

- (i) the members of the Committee administering the 2014 Scheme are Ravindran s/o Ramasamy (Chairman), Tan Lye Heng Paul, Lee Teck Leng Robson and Derek Goh Bak Heng.
- (ii) there were no outstanding share options granted to and exercised by directors of the Company during the financial year.
- (iii) no share options have been granted to controlling shareholders of the Company or their associates, directors and employees of the parent company (as defined in the Listing Manual of the SGX-ST) and its subsidiaries and no employee has received 5% or more of the total number of share options available under the 2014 Scheme during the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Share options (continued)

(c) Other information required by SGX-ST (continued)

- (iv) no other director or employee of the Company and its subsidiaries (as defined in the Listing Manual of the SGX-ST) has received 5% or more of the total number of share options available to all directors and employees of the Company and its subsidiaries under the 2014 Scheme during the financial year.
- (v) no share options were granted at a discount during the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Tan Lye Heng Paul (Chairman)
Ravindran s/o Ramasamy
Lee Teck Leng Robson

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 (the "Act"). In performing those functions, the Committee:

- reviews with the Group's external auditors, their audit plan, evaluation of the internal accounting controls, audit report, and any matters which the external auditors wish to discuss;
- reviews the Group's financial reports to shareholders and the general public to ensure that they comply with the Act, SGX-ST's Listing Rules, and other regulatory requirements;
- reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the internal control system;
- reviews assistance given by the Company's officers to the external and internal auditors;
- reviews interested person transactions;
- reviews the adequacy of the Group's whistle-blowing policy and ensure independent investigation and adequate resolution; and
- evaluates the objectivity and independence of the external auditors annually and nominates external auditors for appointment or re-appointment.

The Audit Committee has full access to and cooperation of the Management. It also has full discretion to invite any director or member of the Management to its meetings as well as reasonable resources to enable it to discharge its functions properly.

The Audit Committee is satisfied with the independence and objectivity of the external auditors. The Board of Directors with the nomination of the Audit Committee has recommended that the independent auditors, Moore Stephens LLP, be nominated for reappointment as external auditors at the forthcoming Annual General Meeting of the Company.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Audit Committee (continued)

The Board, with the concurrence of the Audit Committee, is of the view that the system of internal controls were adequate as at the end of the financial year to address financial, operational and compliance risks, which the Group considers relevant and material to its operations.

Independent auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors

DEREK GOH BAK HENG
Director

TAN LYE HENG PAUL
Director

28 March 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SERIAL SYSTEM LTD

For the financial year ended 31 December 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group"), as set out on pages 53 to 164, which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP

Public Accountants and Chartered Accountants

Singapore
28 March 2016

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2015 US\$'000	2014 US\$'000
Sales	5	1,221,562	1,036,062
Cost of sales	6	(1,130,076)	(945,705)
Gross profit		91,486	90,357
Other income	5	8,388	7,468
Expenses:			
Distribution	6	(45,854)	(43,228)
Administrative	6	(12,010)	(11,055)
Finance	8	(6,734)	(4,586)
Other	6	(18,559)	(17,867)
Total expenses		(83,157)	(76,736)
		16,717	21,089
Share of result of associated companies (net of income tax)	18	(1,572)	(232)
Profit before income tax	6	15,145	20,857
Income tax expense	9	(3,841)	(4,708)
Profit for the year		11,304	16,149
Profit attributable to:			
Equity holders of the Company		11,035	16,085
Non-controlling interests	34	269	64
		11,304	16,149
Earnings per share attributable to equity holders of the Company:			
Basic	10	1.23 cents	1.80 cents
Diluted	10	1.23 cents	1.80 cents

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2015 US\$'000	2014 US\$'000
Profit for the year		11,304	16,149
Other comprehensive (loss)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plans' actuarial (losses)/gain	28	(190)	57
Share of an associated company's other comprehensive income	31	261	835
		71	892
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes on financial asset, available-for-sale	17	(1,353)	(763)
Fair value changes on disposal of financial asset, available-for-sale reclassified to profit or loss	31	-	1,657
Share of associated companies' other comprehensive loss	32	(376)	-
Net changes in revaluation reserve	31	-	59
Currency translation differences	32	(5,073)	(1,737)
		(6,802)	(784)
Other comprehensive (loss)/income for the financial year, net of tax		(6,731)	108
Total comprehensive income for the financial year		4,573	16,257
Total comprehensive income attributable to:			
Equity holders of the Company		3,972	16,188
Non-controlling interests	34	601	69
		4,573	16,257

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

		The Group		The Company	
	Note	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	64,048	58,297	1,745	2,420
Trade and other receivables	12	179,357	184,661	10,385	15,278
Inventories	13	135,743	98,599	-	-
Financial assets, at fair value through profit or loss	14	1,331	1,259	-	-
Other current assets	15	2,106	4,968	50	67
		382,585	347,784	12,180	17,765
Non-current assets					
Financial assets, at fair value through profit or loss	14	13	13	-	-
Loans and receivables	16	1,000	1,000	42,570	40,625
Financial assets, available-for-sale	17	2,654	1,324	-	-
Investments in associated companies	18	18,729	17,373	6,792	6,682
Investments in subsidiaries	19	-	-	64,926	53,558
Property, plant and equipment	20	34,853	37,862	393	336
Investment properties	21	7,320	7,660	-	-
Intangible assets	22	15,894	9,472	544	521
Other assets	23	1,411	1,966	-	-
Deferred income tax assets	29	662	750	-	-
		82,536	77,420	115,225	101,722
Total assets		465,121	425,204	127,405	119,487
LIABILITIES					
Current liabilities					
Trade and other payables	24	139,467	120,351	5,832	5,221
Current income tax liabilities	9	3,236	3,344	498	186
Borrowings	26	181,438	171,897	2,262	6,783
		324,141	295,592	8,592	12,190
Non-current liabilities					
Other payable	24	-	-	4,481	4,524
Borrowings	26	20,584	6,550	10,743	-
Defined benefit plans liabilities	28	814	656	-	-
Deferred income tax liabilities	29	198	172	-	-
		21,596	7,378	15,224	4,524
Total liabilities		345,737	302,970	23,816	16,714
NET ASSETS		119,384	122,234	103,589	102,773
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	72,648	72,648	72,648	72,648
Treasury shares	30	(736)	(736)	(736)	(736)
Capital reserve	31	1,276	1,015	180	180
Defined benefit plans reserve	31	(557)	(367)	-	-
Fair value reserve	31	(1,353)	-	-	-
Revaluation reserve	31	59	59	-	-
Other reserve	31	(718)	(715)	-	-
Currency translation reserve	32	(1,498)	4,283	17,589	17,589
Retained earnings	33	46,680	42,847	13,908	13,092
		115,801	119,034	103,589	102,773
Non-controlling interests	34	3,583	3,200	-	-
TOTAL EQUITY		119,384	122,234	103,589	102,773

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2015

Attributable to equity holders of the Company													
Note	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans		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		
				plans reserve US\$'000	reserve US\$'000						US\$'000	US\$'000	
Balance at 1 January 2015													
	72,648	(736)	1,015	(367)	-	-	59	(715)	4,283	42,847	119,034	3,200	122,234
Profit for the year													
Other comprehensive income/(loss):													
Defined benefit plans' actuarial losses													
	-	-	-	(190)	-	-	-	-	-	-	(190)	-	(190)
Share of associated companies' other comprehensive income/(loss)													
	-	-	261	-	-	-	-	-	(376)	-	(115)	-	(115)
Net loss on fair value changes on financial asset, available-for-sale													
	-	-	-	-	(1,353)	-	-	-	-	-	(1,353)	-	(1,353)
Currency translation differences													
	-	-	-	-	-	-	-	-	(5,405)	-	(5,405)	332	(5,073)
Other comprehensive income/(loss) for the financial year, net of tax													
	-	-	261	(190)	(1,353)	-	-	-	(5,781)	-	(7,063)	332	(6,731)
Total comprehensive income/(loss) for the financial year													
	-	-	261	(190)	(1,353)	-	-	-	(5,781)	11,035	3,972	601	4,573
Contributions by and distributions to owners:													
35	-	-	-	-	-	-	-	-	-	(4,981)	(4,981)	-	(4,981)
35	-	-	-	-	-	-	-	-	-	(2,221)	(2,221)	-	(2,221)
Total contributions by and distributions to owners													
	-	-	-	-	-	-	-	-	-	(7,202)	(7,202)	-	(7,202)
Others:													
34	-	-	-	-	-	-	-	-	-	-	-	238	238
Acquisition of additional interests in a subsidiary from non-controlling interests													
34	-	-	-	-	-	-	-	(3)	-	-	(3)	(16)	(19)
Dividends paid to non-controlling interest													
34	-	-	-	-	-	-	-	-	-	-	-	(440)	(440)
Total others													
	-	-	-	-	-	-	-	(3)	-	-	(3)	(218)	(221)
Balance at 31 December 2015													
	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384	

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2015

Attributable to equity holders of the Company												
Note	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans			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
				reserve US\$'000	US\$'000	US\$'000						
	72,648	(736)	180	(424)	(894)	-	(410)	6,025	31,051	107,440	2,522	109,962
Balance at 1 January 2014	-	-	-	-	-	-	-	-	16,085	16,085	64	16,149
Profit for the year	-	-	-	57	-	-	-	-	-	57	-	57
Other comprehensive income/(loss):	-	-	835	-	-	-	-	-	-	835	-	835
Defined benefit plans' actuarial gain	-	-	-	-	(763)	-	-	-	-	(763)	-	(763)
Share of an associated company's other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Net loss on fair value changes on financial asset, available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-
Fair value changes on disposal of financial asset, available-for-sale reclassified to profit or loss	-	-	-	-	1,657	-	-	-	-	1,657	-	1,657
Net changes in revaluation reserve	-	-	-	-	-	59	-	-	-	59	-	59
Currency translation differences	-	-	-	-	-	-	-	(1,742)	-	(1,742)	5	(1,737)
Other comprehensive income/(loss) for the financial year, net of tax	-	-	835	57	894	59	-	(1,742)	16,085	16,188	5	108
Total comprehensive income/(loss) for the financial year	-	-	835	57	894	59	-	(1,742)	16,085	16,188	69	16,257
Contributions by and distributions to owners:												
Movement in option to acquire non-controlling interest of a subsidiary	25	-	-	-	-	-	410	-	-	410	-	410
One-tier tax-exempt final cash dividend for year 2013	35	-	-	-	-	-	-	-	(2,139)	(2,139)	-	(2,139)
One-tier tax-exempt interim cash dividend for year 2014	35	-	-	-	-	-	-	-	(2,150)	(2,150)	-	(2,150)
Total contributions by and distributions to owners		-	-	-	-	-	410	-	(4,289)	(3,879)	-	(3,879)
Others:												
Investment in subsidiaries by non-controlling interests	34	-	-	-	-	-	-	-	-	-	172	172
Acquisition of additional interests in a subsidiary from non-controlling interests	34	-	-	-	-	-	(715)	-	-	(715)	695	(20)
Closure of a subsidiary	34	-	-	-	-	-	-	-	-	-	4	4
Dividends paid to non-controlling interest	34	-	-	-	-	-	-	-	-	-	(262)	(262)
Total others		-	-	-	-	-	(715)	-	-	(715)	609	(106)
Balance at 31 December 2014	72,648	(736)	1,015	(367)	-	59	(715)	4,283	42,847	119,034	3,200	122,234

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2015 US\$'000	2014 US\$'000
Cash flows from operating activities			
Profit before income tax		15,145	20,857
Adjustments for:			
Amortisation of computer software license costs		334	252
Amortisation of distribution rights		1,116	1,722
Depreciation of property, plant and equipment		2,565	2,613
Property, plant and equipment written off		198	70
Gain on disposal of property, plant and equipment		(21)	(1)
Fair value gain on investment properties		(205)	(677)
Impairment losses on goodwill arising from acquisition of subsidiaries		720	988
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year		-	(316)
Gain on dilution of interests in an associated company		(50)	(258)
Gain on disposal of interests in an associated company		-	(777)
Gain on closure of subsidiaries (net)		-	(5)
Gain on disposal of business in a subsidiary		(2,520)	-
Impairment loss on financial asset, available-for-sale		24	-
Gain on sale of financial asset, available-for-sale		-	(1,381)
Fair value (gain)/loss on derivative financial instruments		(671)	1,439
Gain on sale of financial assets, at fair value through profit or loss		(80)	-
Fair value (gain)/loss on financial assets, at fair value through profit or loss (net)		(72)	31
Provision for defined benefit plans liabilities		397	390
Dividend income from financial assets, available-for-sale		(147)	(108)
Interest income		(371)	(181)
Interest expense		6,734	4,586
Share of results of associated companies		1,572	232
Operating cash flow before working capital changes		24,668	29,476
Change in working capital			
Trade and other receivables		24,658	(14,120)
Inventories		(20,165)	(24,306)
Other current assets		2,865	(2,187)
Loans and receivable		-	(1,000)
Other assets (non-current)		39	(126)
Trade and other payables		8,535	23,510
Cash from operations		40,600	11,247
Income tax paid	9(b)	(4,145)	(2,634)
Net cash provided by operating activities		36,455	8,613

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2015 US\$'000	2014 US\$'000
Cash flows from investing activities			
Payments for intangible assets (computer software license costs)		(278)	(280)
Payments for property, plant and equipment		(1,710)	(5,968)
Proceeds from disposal of property, plant and equipment		21	15
Proceeds from refund of investment	23(b)	516	–
Proceeds from sale of financial asset, available-for-sale		–	6,142
Proceeds from sale of financial assets, at fair value through profit or loss		864	–
Proceeds from disposal of business in a subsidiary	19(e)	2,520	–
Proceeds from disposal of interests in an associated company		–	1,487
Net cash inflow/(outflow) on acquisition of subsidiaries	19(a)	115	(1,107)
Payment for acquisition of additional interests in subsidiaries from non-controlling interests	19(b)	–	(50)
Payments for acquisition of additional interests in an associated company	18	(127)	(658)
Payments for acquisition of interests in associated companies	18	(3,165)	(10,798)
Payments for financial assets, at fair value through profit or loss	14	(754)	–
Payments for financial assets, available-for-sale	17	(2,730)	–
Dividends received from an associated company	18	309	71
Dividends received from financial assets, available-for-sale		147	108
Interest received		441	165
Net cash used in investing activities		(3,831)	(10,873)
Cash flows from financing activities			
Payment for investment in a subsidiary by non-controlling interests	34	–	172
Payment for acquisition of additional interests in a subsidiary from a non-controlling interest	19(b)	(19)	–
Dividends paid	35	(7,202)	(4,289)
Dividends paid to non-controlling interest	34	(440)	(262)
Proceeds from bank borrowings		704,696	617,427
Repayment of bank borrowings		(686,219)	(583,760)
Repayment of other borrowings		(29,943)	(3,792)
Repayment of finance lease liabilities		(54)	(55)
Interest paid		(6,295)	(4,456)
Net cash (used in)/provided by financing activities		(25,476)	20,985
Net increase in cash and cash equivalents held		7,148	18,725
Cash and cash equivalents at the beginning of the financial year	11	58,297	40,548
Effect of currency translation on cash and cash equivalents		(1,397)	(976)
Cash and cash equivalents at the end of the financial year	11	64,048	58,297

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Serial System Ltd (the “Company”) is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is as follows:

8 Ubi View #05-01
Serial System Building
Singapore 408554

The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are shown in Note 19.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) and the provisions of the Singapore Companies Act, Chapter 50. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised FRS

For the financial year ended 31 December 2015, the Group has adopted the following new and revised FRS which are relevant to the Group and mandatory for application:

FRS 19 (revised) Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employers or third parties are required to be attributed to periods of service either using the plan’s contribution formula or on a straight line basis. The adoption of this revised standard does not have any significant impact on the Group’s financial performance or financial position.

FRS 103 (revised) Business Combinations

The amendment clarifies that the contingent consideration of an acquirer in a business combination is measured at fair value at each reporting date and changes in fair value are recognised in the consolidated income statement in accordance with FRS 39. The adoption of this revised standard does not have any significant impact on the Group’s financial performance or financial position.

FRS 108 (revised) Operating Segments

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are reported regularly. As this is a disclosure standard, the adoption of the revised standard did not have any impact on the Group’s financial performance or financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.2 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on that control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Under the revised FRS 103 Business Combinations, when the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. All subsequent changes in debt contingent consideration are recognised in the income statement, rather than the goodwill.

Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(c) Disposals of subsidiaries or businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to the income statement or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the income statement.

(d) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(e) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. Investments in associated companies in the consolidated statement of financial position includes goodwill (net of accumulated amortisation) identified on acquisition. Please refer to the paragraph "Intangible assets - Goodwill" [Note 2.13(a)] for the Group's accounting policy on goodwill arising from the acquisition of associated companies.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income directly. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with accounting policies adopted by the Group.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the equity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value and any proceeds from disposal is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(e) Associated companies (continued)

Gains or losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in the income statement.

2.3 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in US\$, which is the Company’s functional and presentation currency. All values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are recognised at the rates of exchange prevailing at the dates of transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the consolidated income statement, unless they arise from borrowings in foreign currencies, and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in the consolidated financial statements and transferred to consolidated income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in consolidated income statement in the period in which they arise except for:

- (i) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- (ii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to consolidated income statement on repayment of the monetary items.

(c) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rates at the reporting date;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.3 Currency translation (continued)

(c) Translation of Group entities' financial statements (continued)

- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity. These currency translation differences are reclassified to the consolidated income statement on disposal (i.e. a disposal involving loss of control) of the entity giving rise to such reserve. Any currency translation differences that have previously been attributed to non-controlling interests are de-recognised, but they are not reclassified to income statement.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented, net of relevant taxes, sales returns and rebates, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and the collectibility of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Other income

Income derived from commission and service income, warehouse management, rental income and advertising income are recognised when the services are rendered, and in accordance with the substance of the relevant agreements. Rental income and advertising income are recognised on a straight-line basis over the lease term.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.5 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax liabilities are recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax liabilities are recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expenses in the consolidated income statement for the financial period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(a) Classification (continued)

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: “financial assets held for trading”, and those designated at “fair value through profit or loss at inception”.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the reporting date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the reporting date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables”, “deposits”, “cash and cash equivalents” and “loans and receivables” on the statement of financial position.

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the reporting date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in the consolidated income statement. Any amount in the fair value reserve relating to that asset is reclassified to the consolidated income statement.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings. In a non-recourse factoring arrangement where the Group has transferred substantially all the risks and rewards of ownership of the receivables, the Group derecognises the receivables in their entirety.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of the financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividends, are recognised in the consolidated income statement when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately as income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the consolidated income statement and other changes are recognised in the fair value reserve within equity.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences within equity.

Financial assets, available-for-sale that do not have a quoted market active price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses subsequent to initial recognition. If the range of reasonable fair value measurements is significant and the probability of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the instrument at fair value.

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in consolidated income statement.

The allowance for impairment loss account is reduced through the consolidated income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(e) Impairment (continued)

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.6(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to consolidated income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through consolidated income statement.

2.7 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions, which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position.

2.8 Financial liabilities

Financial liabilities include borrowings, trade payables, derivative financial instruments and other monetary liabilities. They are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised costs using the effective interest rate method. Gains and losses are recognised in consolidated income statement when the liabilities are derecognised, and through the amortisation process. For financial liabilities at fair value through profit or loss, they are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in consolidated income statement.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated income statement.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are determined using the weighted average basis.

The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of production overhead expenditure. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.10 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associated companies, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

2.11 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(b) Depreciation

Freehold land and construction in-progress are not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line method or reducing balance method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives (Years)</u>
Leasehold land and buildings	20 - 54.5
Freehold buildings	40
Renovations	3 - 5
Furniture and fittings	3 - 5
Office equipment	3 - 5
Other equipment	3 - 8
Motor vehicles	5 - 10
Computers	3 - 5

(c) Subsequent expenditure

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the consolidated income statement during the financial year in which it is incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the consolidated income statement. Any amount in revaluation reserve relating to that item is transferred to retained profit directly.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.12 Investment properties

Investment properties include those portions of the buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the consolidated income statement.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the consolidated income statement. The cost of maintenance, repairs and minor improvements is charged to the consolidated income statement when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gain or loss on retirement or disposal of an investment property is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

2.13 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill arising from the acquisition of subsidiaries is recognised separately as an intangible asset and carried at cost less accumulated impairment losses. Goodwill arising from the acquisition of associated companies is included in the carrying amount of the investments and assessed for impairment as part of the investments.

Gains or losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the consolidated income statement on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.13 Intangible assets (continued)

(b) Computer software

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Acquired computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the consolidated income statement using the straight-line method over their estimated useful lives of three to five years.

(c) Distribution rights

Acquired distribution rights are initially capitalised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the distribution rights over their estimated useful lives of four years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each reporting date. The effects of any revision of the amortisation period or amortisation method are included in the consolidated income statement for the financial year in which the changes arise.

2.14 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested annually for impairment, and whenever there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated from the acquisition date, to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the consolidated income statement and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.14 Impairment of non-financial assets (continued)

(b) Intangible assets (other than goodwill)

Property, plant and equipment
Investments in subsidiaries and associated companies

Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries and associated companies are reviewed for impairment whenever there is any indication or objective evidence that these assets may be impaired. The recoverable amount (i.e. the higher of the fair value less cost of disposal and the value-in-use) of the asset is estimated in order to determine the extent of impairment loss (if any), on an individual asset.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the consolidated income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in the consolidated income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to the consolidated income statement.

2.15 Borrowings

(a) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the reporting date are presented as non-current borrowings in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.15 Borrowings (continued)

(b) Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other borrowing costs are recognised on a time-proportion basis in the consolidated income statement using the effective interest method.

2.16 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.17 Redemption liability

Redemption liability is recognised at the present value of the redemption amount and accreted through finance charges in consolidated income statement over the contract period up to the financial redemption amounts. Any adjustments to the redemption amount are recognised as finance charges in consolidated income statement. The initial redemption liability is recognised in consolidated statement of changes in equity. Upon cancellation or expiry of options, the redemption liability is adjusted against equity.

2.18 Derivatives that are disqualified or do not qualify for hedge accounting

The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge its risks associated with foreign currency fluctuations arising from the long-term loan exposure of its foreign subsidiaries. These derivative financial instruments entered into by the Group, while providing economic hedges, are not used for trading purposes.

Derivative financial instruments are recognised initially at fair value on the date the contracts are entered into and are subsequently remeasured to fair value at each reporting date. The gain or loss on remeasurement to fair value of derivative financial instruments that are disqualified or do not qualify for hedging accounting is recognised immediately in the consolidated income statement. Derivative financial instruments are carried as financial derivative assets when the fair value is positive and as financial derivative liabilities when the fair value is negative.

2.19 Fair value estimation

The carrying amounts of current financial assets and current financial liabilities, carried at amortised cost, are assumed to approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the current bid prices and the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine fair values of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.19 Fair value estimation (continued)

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

The fair values of currency forwards are calculated on the present value of the estimated future cash flows discounted at using actively quoted forward exchange rates.

2.20 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.21 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries and associated companies. These guarantees are financial guarantee as they require the Company to reimburse the banks if the subsidiaries and associated companies fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to the consolidated income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for amounts higher than the unamortised amounts. In this case, the financial guarantees shall be carried at the expected amounts payable to the banks in the Company's statement of financial position.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

2.22 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, Mandatory Provident Fund in Hong Kong, Social Security Fund in China, Thailand, Indonesia and Japan, Labour Pension Fund in Taiwan, Employees Provident Fund in Malaysia and National Pension Fund in South Korea on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Defined benefit plans – post employment benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Certain entities in the Group have legal obligations to operate severance benefit schemes. Under such schemes, employees and directors with at least one year of service are entitled to receive a lump sum payment upon termination of their employment, based on their length of service and rate of payment at the time of termination.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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2. Significant accounting policies (continued)

2.22 Employee compensation (continued)

(b) Defined benefit plans – post employment benefits (continued)

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Defined benefit costs comprise the following: (i) Service cost (ii) Net interest expense or income (iii) Re-measurement.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in consolidated income statement. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest expense or income is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognised as expenses or income in the consolidated income statement.

Re-measurement comprising actual gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) is recognised immediately in other comprehensive income in the period in which it arises. Re-measurement is recognised in retained earnings within equity and is not reclassified to the consolidated income statement in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the consolidated income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the consolidated income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.22 Employee compensation (continued)

(d) Share-based compensation (continued)

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital when new ordinary shares are issued.

2.23 Leases

(a) When the Group is the lessee:

The Group leases certain property, plant and equipment from third parties.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised in the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the consolidated income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the consolidated income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Contingent rents are recognised as an expense in the consolidated income statement when incurred.

(b) When the Group is the lessor:

The Group leases out certain investment properties to third parties.

Operating leases

Assets leased out under operating leases are included in investment properties and property, plant and equipment.

Rental and advertising income from operating leases (net of any incentives given to the lessees) are recognised in the consolidated income statement on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.23 Leases (continued)

(b) When the Group is the lessor: (continued)

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the consolidated income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the consolidated income statement when earned.

2.24 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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3. New and revised FRS issued but not yet adopted

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised FRS that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods beginning as follows:

Description		Effective for annual periods beginning on or after
Amendments to FRS 1	Disclosure Initiative	1 January 2016
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2016
Amendments to FRS 7	Statement of Cash Flows	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets For Unrealised Losses	1 January 2017
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
Amendments to FRS 1	Disclosure Initiative	

These amendments to FRS 1 further clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

Amendments to FRS 27 Equity Method in Separate Financial Statements

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available. The adoption of this standard has no impact on the financial performance or financial position of the Group when implemented.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 provide additional guidance to clarify whether an entity has continuing involvement in a transferred financial asset as a result of a servicing contract for the purpose of the disclosures requirements. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

Amendments to FRS 7 Statement of Cash Flows

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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3. New and revised FRS issued but not yet adopted (continued)

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised. The Group is in the process of assessing the impact on the financial statements.

FRS 115 Revenue from Contracts with Customers

FRS 115 changes the revenue recognition model under FRS. The core principle of FRS 115 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The Group is in the process of assessing the impact on the financial statements.

FRS 109 Financial Instruments

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The Group is in the process of assessing the impact on the financial statements.

4. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates and assumptions

(i) Estimated impairment of goodwill arising from acquisition of subsidiaries

The Group tests goodwill for impairment annually in accordance with the accounting policy as disclosed in Note 2.14(a). The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions will result in changes in the carrying values of goodwill arising from the acquisition of subsidiaries.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the CGUs as at 31 December 2015 is raised by 1.5% (2014: 1.5%), the impairment loss on goodwill would have been increased by approximately US\$861,000 (2014: US\$1,277,000).

As at the reporting date, the net carrying amount of goodwill arising from acquisition of subsidiaries amounted to US\$15,229,000 (2014: US\$7,670,000) and the accumulated impairment loss amounted to US\$5,448,000 (2014: US\$4,728,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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4. Critical accounting estimates, assumptions and judgments (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 54.5 years. The carrying amount of the Group's property, plant and equipment as at the reporting date was US\$34,853,000 (2014: US\$37,862,000). The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's profit after tax will decrease/increase by approximately US\$210,000 (2014: US\$226,000).

(b) Critical judgments in applying the Group's accounting policies

(i) Allowances for impairment of receivables

An allowance for impairment is made for doubtful receivables for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses trade receivables, historical bad receivables, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for impairment of receivables. As at the reporting date, the receivables are measured at amortised cost and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the reporting date.

The Group has charged US\$238,000 (2014: US\$1,096,000) impairment losses on trade and other receivables to the consolidated income statement during the financial year. The carrying amount of trade and other receivables as at the reporting date was US\$179,357,000 (2014: US\$184,661,000).

(ii) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses and capital allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

As at the reporting date, the Group has tax losses and capital allowances which can be carried forward amounting to US\$6,162,000 (2014: US\$7,366,000). These tax losses and capital allowances relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. These subsidiaries have no temporary taxable differences which could partly support the recognition of deferred tax assets. Also, there is no tax planning opportunity available that would further provide a basis for recognition. If the Group was able to recognise all unrecognised deferred tax assets, the Group's profit after tax would have increased by approximately US\$1,134,000 (2014: US\$1,002,000).

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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4. Critical accounting estimates, assumptions and judgments (continued)

(b) Critical judgments in applying the Group's accounting policies (continued)

(iii) Write down of inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The Group made allowances for inventory obsolescence during the financial year amounting to US\$1,182,000 (2014: US\$841,000).

Inventory items identified to be obsolete and unusable are also written off and charged as an expense during the financial year. During the financial year, certain inventories which became obsolete and unusable totaling US\$168,000 (2014: US\$51,000) have been written off. The carrying amount of inventories as at the reporting date was US\$135,743,000 (2014: US\$98,599,000).

5. Revenue

	The Group	
	2015	2014
	US\$'000	US\$'000
Sales of goods	1,221,562	1,036,062
Other income:		
Advertising and promotion income	2,637	1,712
Commission and service income	721	569
Rebate income from suppliers	868	656
Warehouse management and rental income	256	245
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year [Note 38(e)(ii)]	–	316
Gain on sale of financial asset, available-for-sale [Note 17(a)]	–	1,381
Gain on sale of financial assets, at fair value through profit or loss	80	–
Fair value gain on financial assets, at fair value through profit or loss (net) (Note 14)	72	–
Gain on disposal of business in a subsidiary [Note 19(e)]	2,520	–
Gain on closure of a subsidiary [Note 19(f)]	–	5
Gain on disposal of property, plant and equipment	21	1
Gain on disposal of interests in an associated company [Note 18(e)]	–	777
Gain on dilution of interests in an associated company [(Note 18(e)]	50	258
Fair value gain on investment properties (Note 21)	205	677
Gain on disposal of derivative financial instruments	–	43
Write back of allowance for impairment losses on other receivables	–	20
Dividend income from financial assets, available-for-sale	147	108
Currency translation reserve realised to income statement	–	400
Interest income:		
- bank balances	266	145
- loan to an associate company	33	36
- project financing and factoring	72	–
Sundry income	440	119
Total other income	8,388	7,468
	1,229,950	1,043,530

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6. Profit before income tax

	The Group	
	2015	2014
	US\$'000	US\$'000
This is arrived at after charging:		
Amortisation charges for intangible assets*		
- computer software license costs [Note 22(b)]	334	252
- distribution rights [Note 22(c)]	1,116	1,722
Depreciation of property, plant and equipment* (Note 20)	2,565	2,613
Property, plant and equipment written off*	198	70
Impairment losses on goodwill arising from acquisition of subsidiaries* [Note 22(a)]	720	988
Impairment losses on trade receivables - third parties* [Note 37(b)]	238	1,096
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	1,130,076	945,705
- allowances for inventory obsolescence* (Note 13)	1,182	841
- write-off of inventories*	168	51
Fair value (gain)/loss on derivative financial instruments* [Note 38(e)(ii)]	(671)	1,439
Impairment loss on financial asset, available-for-sale* (Note 17)	24	-
Fair value loss on financial assets, at fair value through profit or loss (net)* (Note 14)	-	31
Foreign exchange loss (net)*	4,152	267
Employee benefits expense (Note 7)	34,436	36,145
Rental expense - operating leases	3,795	2,160
Freight and handling charges	6,168	4,954
Travelling and transportation expenses	3,489	3,427
Sales commission expense	1,637	2,133
Other expenses (included in distribution, administrative and other expenses)	16,872	13,961
Total cost of sales, distribution, administrative and other expenses	1,206,499	1,017,855

* Included in "other expenses"

7. Employee benefits expense

	The Group	
	2015	2014
	US\$'000	US\$'000
Wages, salaries and bonuses	31,341	33,204
Employer's contribution to defined contribution plans	2,545	2,370
Defined benefit plans (Note 28)	397	390
Other long term benefits	153	181
Total (Note 6)	34,436	36,145

Key management personnel compensation is disclosed in Note 39(c).

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8. Finance expense

	The Group	
	2015	2014
	US\$'000	US\$'000
Interest expense:		
Bank borrowings	1,467	1,225
Trust receipts	3,754	2,769
Factoring	1,509	472
Bills payable	1	114
Finance lease liabilities	3	6
	6,734	4,586

9. Income taxes

(a) Income tax expense

	The Group	
	2015	2014
	US\$'000	US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	1,406	527
Current income tax – Foreign	2,538	3,447
	3,944	3,974
Deferred income tax (Note 29)	49	18
	3,993	3,992
(Over)/under provision in preceding financial years		
Current income tax [Note 9(b)]	(152)	674
Deferred income tax (Note 29)	-	42
	3,841	4,708

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9. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on the profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2015	2014
	US\$'000	US\$'000
Profit before income tax	15,145	20,857
Tax calculated at applicable tax rates	2,786	2,843
Effects of:		
Income not subject to tax	(442)	(549)
Expenses not deductible for tax purposes	1,381	1,317
Utilisation of previously unrecognised deferred income tax assets	(614)	(597)
Deferred income tax assets not recognised	406	895
Tax effect on share of results of associated companies	267	40
Withholding tax - foreign	209	43
(Over)/under provision of current income tax in preceding financial years [Note 9(b)]	(152)	674
Under provision of deferred income tax in preceding financial years (Note 29)	-	42
Tax expense	3,841	4,708

The income not subject to tax mainly relates to other operating income arising from the fair value gain on investment properties, gain on disposal of business in a subsidiary, hedging gain and exchange gain from revaluation of non-trade balances.

The expenses not deductible for tax purposes mainly relate to exchange loss arising from revaluation of non-trade balances, hedging losses, private car expenses, interest expenses relating to non-income producing assets, professional fees incurred on capital transactions and restriction on deduction for entertainment expenses incurred by the Group's South Korea and China subsidiaries.

The corporate income tax rates for the Group's subsidiaries in Singapore, China, Hong Kong, Indonesia, Japan, Malaysia, South Korea, Taiwan and Thailand, are calculated at the tax rates applicable in the country in which these subsidiaries are assessable for tax, based on existing legislation, interpretations and practices in respect thereof.

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9. Income taxes (continued)

(a) Income tax expense (continued)

The corporate income tax rates for the Group's subsidiaries are as follows:

	2015	2014
Country of residence of the subsidiaries		
Singapore	17.0%	17.0%
China	25.0%	25.0%
Hong Kong	16.5%	16.5%
Indonesia	25.0%	25.0%
Japan	37.0%	38.0%
Malaysia	20.0%	20.0%
South Korea	22.0%	22.0%
Taiwan	17.0%	17.0%
Thailand	20.0%	15.0%

(b) Movement in current income tax liabilities

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	3,344	1,478	186	78
Currency translation differences	(195)	(35)	-	-
Acquisition of a subsidiary [Note 19(a)]	482	134	-	-
Income tax paid	(4,145)	(2,634)	(343)	(248)
Reclassification from prepaid tax assets	-	(247)	-	-
Reclassification from deferred tax assets (Note 29)	(42)	-	-	-
Tax expense on profit for the current financial year	3,944	3,974	655	243
(Over)/under provision in preceding financial years [Note 9(a)]	(152)	674	-	113
End of financial year	3,236	3,344	498	186

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10. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

	The Group	
	2015	2014
Net profit attributable to equity holders of the Company (US\$'000)	11,035	16,085
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	895,842	895,842
Basic earnings per share (US\$)	1.23 cents	1.80 cents

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue are adjusted for the effects of all dilutive potential ordinary shares.

There are no potential dilutive shares during the financial year ended 31 December 2015 and 31 December 2014. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for financial year ended 31 December 2015 and 31 December 2014.

11. Cash and cash equivalents

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	63,230	58,210	1,744	2,419
Short-term bank deposits	818	87	1	1
	64,048	58,297	1,745	2,420

- (a) As at the reporting date, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately US\$9,508,000 (2014: US\$13,009,000). The Chinese Renminbi is not freely convertible into other currencies. However under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

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11. Cash and cash equivalents (continued)

- (b) As at the reporting date, short-term bank deposits matured on varying dates within three to twelve months (2014: three to twelve months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2015	2014	2015	2014
Singapore Dollar	1.00%	0.10%	0.10%	0.10%
New Taiwan Dollar	0.93%	1.08%	-	-
United States Dollar	0.80%	0.80%	-	-

- (c) As at the reporting date, the carrying amounts of cash and cash equivalents approximated their fair values.

12. Trade and other receivables

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables:				
Third parties	173,445	179,028	-	-
Subsidiaries	-	-	4,895	11,614
Associated companies	933	9	38	70
	174,378	179,037	4,933	11,684
Less: Allowance for impairment [Note 37(b)]	(2,287)	(2,350)	-	-
Trade receivables (net)	172,091	176,687	4,933	11,684
Other receivables: Third parties	7,397	8,127	-	55
Less: Allowance for impairment [Note 37(b)]	(252)	(252)	-	-
	7,145	7,875	-	55
Due from subsidiaries [Note 12(a)]	-	-	5,447	3,539
Due from associated companies [Note 12(b)]	121	99	5	-
Other receivables (net)	7,266	7,974	5,452	3,594
Total	179,357	184,661	10,385	15,278

- (a) As at the reporting date, the amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US\$4,435,000 (2014: US\$2,990,000) which bears interest at 3.75% (2014: 3.1%) per annum.
- (b) The amounts due from associated companies are non-trade in nature, unsecured and repayable in cash, on demand.

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12. Trade and other receivables (continued)

- (c) The Group entered into trade receivables factoring arrangements and transferred certain trade receivables to certain banks. Under these arrangements, the Group is not exposed to default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. As at the reporting date, total trade receivables that were transferred as a result of the factoring arrangements amounted to US\$61,738,000 (2014: US\$36,615,000).
- (d) As at the reporting date, the carrying amounts of trade and other receivables approximated their fair values.

13. Inventories

	The Group	
	2015 US\$'000	2014 US\$'000
Finished goods	134,860	97,549
Work in progress	19	305
Raw materials	864	745
	135,743	98,599

During the financial year, the Group made allowances for inventory obsolescence amounting to US\$1,182,000 (2014: US\$841,000) (Note 6).

14. Financial assets, at fair value through profit or loss

	The Group	
	2015 US\$'000	2014 US\$'000
Classified as:		
Current	1,331	1,259
Non-current	13	13
	1,344	1,272
Comprised:		
<i>Listed equity securities</i>		
Singapore	101	29
Taiwan	13	13
	114	42

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14. Financial assets, at fair value through profit or loss (continued)

	The Group	
	2015	2014
	US\$'000	US\$'000
<i>Convertible notes</i>		
Singapore	755	755
United States	475	475
	1,230	1,230
Total	1,344	1,272
Designated as:		
Held for trading	114	42
At fair value on initial recognition	1,230	1,230
	1,344	1,272

Movements in financial assets, at fair value through profit or loss are as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Beginning of financial year	1,272	1,358
Additions	754	–
Disposals	(784)	–
Fair value gain/(loss) (net) (Note 5 and Note 6)	72	(31)
Currency translation differences	30	(55)
End of financial year	1,344	1,272

During the financial year ended 31 December 2013, the Group acquired an unsecured convertible note with a principal amount of US\$500,000 issued by Ziel Motorsports, Inc., an entity incorporated in the United States of America. The note bears interest at the rate of 3.3% per annum payable on a quarterly basis. The note is convertible in a maximum of two tranches into shares of Ziel Motorsports, Inc., representing a total of 20% of its equity interests. The maturity date of the note is extended to 26 April 2016, after which the note, if not redeemed, will be automatically converted into 20% equity interests in Ziel Motorsports, Inc.

As at the reporting date, the Group also has an unsecured convertible note with a principal amount of US\$755,000 (2014: US\$755,000) issued by Asiamine Holding Pte Ltd, an entity incorporated in Singapore. The note bears interest at the rate of 7% per annum payable annually. The note is convertible at a conversion price of 50% of the issue price when the shares of Asiamine Holding Pte Ltd are offered for initial public offering on any stock exchange. The maturity date of the note was in 2015. The Group has called for redemption of the loan upon its maturity.

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15. Other current assets

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	520	591	16	18
Prepayments	1,586	4,377	34	49
	2,106	4,968	50	67

- (a) As at the reporting date, the carrying amounts of other current assets approximated their fair values.
- (b) Prepayments are denominated in the following currencies:

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar	332	238	27	42
United States Dollar	178	2,744	–	–
Hong Kong Dollar	78	138	–	–
New Taiwan Dollar	194	344	–	–
Korean Won	172	281	–	–
Chinese Renminbi	350	85	7	7
Japanese Yen	98	141	–	–
Others	184	406	–	–
	1,586	4,377	34	49

- (c) The currency exposure for deposits are disclosed in Note 37(a)(i) to the financial statements under “other financial assets”.

16. Loans and receivables

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Loan to an associated company	1,000	1,000	–	–
Loans to subsidiaries	–	–	42,570	40,625
	1,000	1,000	42,570	40,625

The loans to subsidiaries and an associated company are interest bearing, unsecured and repayable between two and five years (2014: two and four years).

As at the reporting date, the weighted average effective interest rate of the loans to subsidiaries and associated company based on prevailing market interest rates is 4.01% (2014: 3.25%) and 3.45% (2014: 3.02%) per annum respectively.

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17. Financial assets, available-for-sale

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	1,324	5,182
Additions	2,730	–
Disposals	–	(3,104)
Fair value loss recognised in other comprehensive income	(1,353)	(763)
Impairment loss (Note 6)	(24)	–
Currency translation differences	(23)	9
End of financial year	2,654	1,324

Financial assets, available-for-sale comprised:

	The Group	
	2015 US\$'000	2014 US\$'000
Listed equity security		
Singapore [Note 17(a)]	1,372	–
Unlisted equity securities		
Singapore [Note 17(b)]	661	661
South Korea [Note 17(c)]	300	300
China [Note 17(d)]	204	216
Taiwan [Note 17(e)]	117	147
United States [Note 17(f)]	–	–
	1,282	1,324
Total	2,654	1,324

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17. Financial assets, available-for-sale (continued)

- (a) This comprised a 5.5% (2014: Nil) equity interest in Global Invacom Group Limited, a company listed on SGX-ST amounting to S\$1,941,000 (US\$1,372,000) (2014: Nil).

During the financial year ended 31 December 2014, the Group disposed of its entire equity interest in Jubilee Industries Holding Ltd. A gain on disposal of US\$1,381,000 was recognised in the consolidated income statement (Note 5).

- (b) This comprised a 2.18% (2014: 2.18%) equity interest in Asiamine Holding Pte Ltd amounting to S\$875,000 (US\$661,000) (2014: S\$875,000 (US\$661,000)).
- (c) This comprised a 14.29% (2014: 14.29%) equity interest in Unitron Tech Co., Limited amounting to US\$300,000 (2014: US\$300,000). The company was subsequently listed on the Korean Securities Dealers Automated Quotations (KOSDAQ) of Korea Exchange after the reporting date [Note 41(d)].

In addition, there were equity investments in unlisted corporations amounting to US\$1,055,000 (2014: US\$1,055,000) for which accumulated impairment losses of US\$1,055,000 (2014: US\$1,055,000) had been made. Included in the unlisted corporations were the Group's 6.2% (2014: 6.2%) equity interest in NEX Display Technology Co., Ltd ("NEX") amounting to US\$938,000 for which full impairment loss of US\$938,000 had been made in the financial year ended 31 December 2009.

- (d) This comprised a 19% (2014: 19%) equity interest in Serial Design (Shanghai) Limited amounting to RMB1,330,000 (US\$204,000) (2014: RMB1,330,000 (US\$216,000)).
- (e) These comprised a 8.45% (2014: 8.45%) equity interest in Kingconn Technology Co., Ltd. amounting to NT\$3,868,000 (US\$117,000) (2014: NT\$4,668,000 (US\$147,000)) and a 3.24% (2014: 3.24%) equity interest in Mars Semiconductor Corp., Ltd which is one of the Group's suppliers amounting to US\$149,000 (2014: US\$149,000). During the financial year, an impairment loss of NT\$800,000 (US\$24,000) was made for the investment in Kingconn Technology Co., Ltd.. Full impairment loss of US\$149,000 had been made for the investment in Mars Semiconductor Corp., Ltd in the financial year ended 31 December 2009.
- (f) These comprised investments of a 0.35% (2014: 0.35%) equity interest in Hie Electronics Inc. amounting to US\$174,000 and 450,000 convertible preferred shares in NavAsic Corporation amounting to US\$300,000. Full impairment loss amounting to US\$174,000 and US\$300,000 had been made in the financial year ended 31 December 2009 and 31 December 2011 for the investment in Hie Electronics Inc. and NavAsic Corporation respectively.
- (g) As at the reporting date, the fair value of the unlisted equity investments cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed. These financial assets, available-for-sale if not impaired, are stated at cost.

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18. Investments in associated companies

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Quoted equity shares, at cost	7,487	7,360	6,792	6,682
Unquoted equity shares, at cost	14,000	10,835	–	–
	21,487	18,195	6,792	6,682
Share of post acquisition results and reserves	(2,126)	(180)	–	–
Currency translation differences	(632)	(642)	–	–
	18,729	17,373	6,792	6,682
Market value of quoted equity shares	6,243	21,760	5,645	19,728

	The Group	
	2015	2014
	US\$'000	US\$'000
Representing:		
Beginning of financial year	17,373	6,097
Acquisition of additional interests in an associated company [Note 18(e)]	127	658
Acquisition of interests in associated companies [Note 18(b) to 18(d)]	3,165	10,798
Disposal of interests in an associated company [Note 18(e)]	–	(710)
Share of results before income tax	(1,108)	81
Share of income tax	(464)	(313)
Share of loss [Note 18(i)]	(1,572)	(232)
Share of other comprehensive (loss)/income	(115)	835
Dividends received, net of tax	(309)	(71)
Gain on dilution of interests in an associated company [Note 5 and Note 18(e)]	50	258
Currency translation differences	10	(260)
End of financial year	18,729	17,373

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18. Investments in associated companies (continued)

(a) The details of the associated companies held directly by the Group and the Company are as follows:

Name of associated companies	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2015 %	2014 %
Held by the Group and Company				
(1) Bull Will Co., Ltd	Manufacturing and sale of electronic components with focus on passive components	Taiwan	29.0	31.5
Held by the Group				
(2) Globaltronics International Pte. Ltd.	Trading of electronic and electrical components	Singapore	45.0	45.0
(3) SPL Holdings (Australia) Pty Ltd	Investment holding and provision of laundry services in the hospitality industry	Australia	20.0	20.0
(4) Achieva Technology Pte. Ltd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Singapore	49.0	49.0
(5) JEL Marketing Vietnam JVC Ltd	Dormant and in the process of liquidation	Vietnam	49.0	49.0
(3) Tong Chiang Group Pte. Ltd.	Manufacture of food products and provision of food catering business	Singapore	21.0	–
(3) Edith-United International Pte Ltd	Investment holding and rental of investment properties	Singapore	21.0	–
(3) Eunice Food Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	21.0	–
(3) Imperial Kitchen Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	21.0	–
(1) Audited by Tiaoho & Co, Taipei, a member firm of Moore Stephens International Limited.				
(2) Audited by Moore Stephens LLP, Singapore.				
(3) Reviewed by Moore Stephens LLP, Singapore for consolidation purposes. These entities are not considered significant associated companies pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.				
(4) Audited by other firm of auditors, Ernst & Young LLP, Singapore.				
(5) Statutory audit is not required as the entity is dormant.				

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18. Investments in associated companies (continued)

- (b) On 28 August 2015, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired an equity interest of 21% each in Tong Chiang Group Pte. Ltd., Edith-United International Pte Ltd, Eunice Food Catering Pte. Ltd. and Imperial Kitchen Catering Pte. Ltd. for a total cash consideration of S\$4,468,000 (US\$3,165,000).
- (c) On 20 March 2014, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd., acquired equity interests in E-Laundry & Dry Cleaning Service Pty Ltd and SPL Investments Pty Ltd, in the following manner:
 - (i) subscribed for 555,225 ordinary shares for AUD2,800,000 (US\$2,618,000), representing 20% of the enlarged share capital of E-Laundry & Dry Cleaning Service Pty Ltd; and
 - (ii) subscribed for 55,523 ordinary shares for AUD4,500,000 (US\$4,208,000), representing 20% of the enlarged share capital of SPL Investments Pty Ltd.

On 31 October 2014, pursuant to a restructuring exercise, SCE Enterprise Pte. Ltd. swapped its entire 555,225 ordinary shares in E-laundry & Dry Cleaning Service Pty Ltd and its entire 55,523 ordinary shares in SPL Investments Pty Ltd, for 8,328,420 ordinary shares in SPL Holdings (Australia) Pty Ltd, representing 20% equity interest in SPL Holdings (Australia) Pty Ltd. After the restructuring exercise, E-laundry & Dry Cleaning Service Pty Ltd and SPL Investments Pty Ltd became wholly owned subsidiaries of SPL Holdings (Australia) Pty Ltd. There was no change in SCE Enterprise Pte. Ltd.'s initial purchase consideration after the restructuring exercise.

- (d) On 30 September 2014, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired an equity interest of 49% in Achieva Technology Pte. Ltd., for a total cash consideration of S\$5,075,000 (US\$3,972,000).

Achieva Technology Pte. Ltd. became a wholly owned subsidiary of the Group subsequent to the reporting date [Note 41 (c)].

- (e) During the financial year, the Group's effective equity interest in Bull Will Co., Ltd ("Bull Will"), an entity listed in the Over-The-Counter Securities Exchange in Taiwan, decreased from 31.5% to 29.0% due to the conversion of convertible bonds into 6,919,433 shares of Bull Will by bondholders and the exercise of 464,500 share options by employees of Bull Will. The decrease was offset by the acquisition of 538,000 Bull Will shares by the Company and Group in the open market for NT\$4,039,000 (US\$127,000). The Group recognised a gain on dilution of interests of US\$50,000 in the consolidated income statement during the financial year (Note 5).

During the financial year ended 31 December 2014, the Group's effective equity interest in Bull Will Co., Ltd ("Bull Will") decreased from 43.4% to 31.5%, arising from the conversion of convertible bonds into 9,859,020 shares of Bull Will by bondholders, the exercise of 2,574,500 share options by employees of Bull Will and the Group's partial disposal of 1,663,312 Bull Will shares in the open market for a total cash consideration of NT\$45,419,000 (US\$1,487,000). The decrease was offset by the subscription of a total of 1,437,197 Bull Will shares by the Company and Group at NT\$13.70 (US\$0.46) per share arising from the 5,000,000 new shares issued by Bull Will. Gain on disposal of US\$777,000 and gain on dilution of interests of US\$258,000 were recognised in the consolidated income statement during the financial year ended 31 December 2014 (Note 5).

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18. Investments in associated companies (continued)

- (f) As at 31 December 2014, the Group through its acquisition of a wholly owned Singapore subsidiary, Serial I-Tech (Far East) Pte Ltd, holds a 49% effective equity interest in JEL Marketing Vietnam JVC Ltd, an entity incorporated in Vietnam. JEL Marketing Vietnam JVC Ltd is dormant as at 31 December 2015 and 31 December 2014 and is in the process of liquidation.
- (g) The Group has not recognised losses relating to Globaltronics International Pte. Ltd. where its share of losses exceeds the Group's interest in this associated company. The Group's cumulative share of unrecognised losses of Globaltronics International Pte. Ltd. as at the reporting date was US\$197,000 (2014: US\$108,000), after the share of the current year's loss of US\$89,000 (2014: US\$71,000). The Group has no obligation in respect of these unrecognised losses.
- (h) There are no contingent liabilities relating to the Group's interests in the associated companies.
- (i) The following table summarises, in aggregate, the carrying amount, share of loss and other comprehensive (loss)/income of these associated companies that are not individually material and accounted for using the equity method:

	The Group	
	2015	2014
	US\$'000	US\$'000
The Group's share of:		
Loss from continuing operations	(1,572)	(232)
Other comprehensive (loss)/income	(115)	835
Total comprehensive (loss)/income	(1,687)	603
Aggregate carrying amount of the Group's interests in these associated companies	18,729	17,373

19. Investments in subsidiaries

	The Company	
	2015	2014
	US\$'000	US\$'000
Equity investments at cost		
Beginning of financial year	55,134	54,459
Additions	10,561	–
Accounting for financial guarantee contracts	807	675
End of financial year	66,502	55,134
Accumulated impairment losses:		
Beginning and end of financial year	(1,576)	(1,576)
Net investment	64,926	53,558

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations

- (i) On 31 March 2015, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired an equity interest of 70% in Hydra & Thermal Pte. Ltd. ("Hydra"), for a total cash consideration of S\$809,000 (US\$589,000). The Group acquired Hydra to expand the Group's product lines, ranges and customer base for the consumer products distribution business.
- (ii) On 4 May 2015, the Company acquired an equity interest of 100% in Swift-Value Business Pte. Ltd. ("Swift-Value") to expand the Group's product lines, ranges and customer base for the consumer products distribution business.

The total purchase consideration payable for the acquisition of Swift-Value comprised:

- (a) a cash consideration of S\$10,000,000 (US\$7,571,000);
- (b) an amount of S\$3,013,000 (US\$2,281,000) equivalent to the adjusted net tangible assets of Swift-Value as at 30 April 2015; and
- (c) 20% share of net profit after tax for the financial year ended 31 December 2015 and financial year ending 31 December 2016 and 31 December 2017 respectively, unless the net profit after tax in each of the aforementioned financial year is zero or a negative figure.

The fair value of the contingent consideration as at the acquisition date was S\$882,000 (US\$672,000) and approximates the fair value at the reporting date. The determination of the fair value is based on the share of forecasted net profits of the subsidiary.

- (iii) As the acquisitions in Note 19(a)(i) and (ii) above represent business acquisitions, they have been accounted for in accordance with FRS 103 Business Combinations.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effect on the cash flow of the Group, at the acquisition date, are as follows:

2015	Hydra	Swift-Value	Total
	US\$'000	US\$'000	US\$'000
(a) Purchase consideration			
Cash paid/payable	589	9,852	10,441
Contingent consideration [Note 38(b)]	–	672	672
Consideration transferred for the business	589	10,524	11,113

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(iii) (continued)

2015	Hydra US\$'000	Swift-Value US\$'000	Total US\$'000
(b) Effect on cash flow of the Group			
Cash paid/payable (as above)	589	9,852	10,441
Less: Cash and cash equivalents acquired	(58)	(10,498)	(10,556)
Cash outflow/(inflow) on acquisition	531	(646)	(115)
(c) Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	58	10,498	10,556
Inventories	260	18,687	18,947
Trade and other receivables	782	22,643	23,425
Other current assets	13	64	77
Plant and equipment (Note 20)	15	130	145
Intangible assets [Note 22(b)]	-	33	33
Total assets	1,128	52,055	53,183
Trade and other payables	(337)	(11,057)	(11,394)
Borrowings	-	(38,235)	(38,235)
Current income tax liabilities [Note 9(b)]	-	(482)	(482)
Total liabilities	(337)	(49,774)	(50,111)
Total identifiable net assets	791	2,281	3,072
Less: Non-controlling interest [Note 19(a)(iii)(f) and Note 34]	(238)	-	(238)
Add: Goodwill [Note 19(a)(iii)(g) and Note 22(a)]	36	8,243	8,279
Consideration transferred for the business	589	10,524	11,113

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(iii) (continued)

(d) Acquisition related costs

There were no significant acquisition related costs incurred by the Group for the acquisition of these subsidiaries.

(e) Acquired receivables

The trade and other receivables acquired in these transactions with a fair value of US\$23,425,000 had a gross contractual amount of US\$23,245,000. At the acquisition date, trade and other receivables are expected to be collectible.

(f) Non-controlling interest

The Group had chosen to recognise the 30% non-controlling interest at the non-controlling interest's proportionate share of Hydra's net identifiable assets.

(g) Goodwill

The total goodwill of US\$8,279,000 arising from the acquisitions is attributable to the entire distribution businesses acquired from Swift-Value and Hydra, including their supplier and customer contracts. The potential value and synergies to be generated from these transferred assets could not be separately recognised from goodwill as they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. As such, the goodwill does not meet the criteria for recognition as an intangible asset presented under FRS 38 Intangible Assets and consequently is classified as goodwill acquired in a business combination under FRS 103 Business Combinations.

The goodwill arising from the acquisition is not expected to be deductible for tax purposes.

(h) Revenue and profit contribution

The consolidated income statement for the financial year ended 31 December 2015 includes results from the acquired subsidiaries. The contributions from these acquired subsidiaries were as follows:

- (i) Hydra contributed revenue and net loss of US\$743,000 and US\$29,000 respectively; and
- (ii) Swift-Value contributed revenue and net profit of US\$92,863,000 and US\$583,000 respectively.
- (iii) Had these business acquisitions been effected at 1 January 2015, the consolidated revenue and net profit for the financial year would have been US\$1,265,956,000 and US\$12,676,000 respectively.

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

- (iv) On 31 December 2014, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd., acquired the entire trading and distribution business of GSH Corporation Limited via the acquisition of a 100% equity interest in Singapore incorporated Serial I-Tech (Far East) Pte. Ltd. and Serial I-Tech Strategic Holdings Franchising Pte. Ltd..

Serial I-Tech (Far East) Pte. Ltd. holds the entire issued and paid-up share capital of Serial I-Tech (ME) Pte. Ltd., a company incorporated in the British Virgin Islands, GSH Distribution (Cambodia) Pte Ltd, a company incorporated in Cambodia, JEL Trading Bangladesh Ltd, a company incorporated in Bangladesh and a 49% equity interest in JEL Marketing Vietnam JVC Ltd, a company incorporated in Vietnam. Serial I-Tech (ME) Pte. Ltd. holds the entire issued and paid-up share capital of JEL Distribution (Kazakhstan) LLP, a company incorporated in Kazakhstan (collectively known as the "Serial I-Tech group").

The Group acquired Serial I-Tech group to expand into upstream product lines and ranges, expand its customer base, extend the Group businesses to new markets in the United Arab Emirates, Bangladesh, Cambodia and Kazakhstan and expand its revenue in existing markets in Singapore and Vietnam.

The total consideration payable for the acquisition of the Serial I-Tech group amounted to US\$2,995,000. The Group also procures to repay the shareholder loan owing by Serial I-Tech group to GSH Corporation Limited amounting to US\$10,579,000 of which US\$6,787,000 remained outstanding as at 31 December 2014. The amount was fully repaid by 31 December 2015.

As the acquisitions represent business acquisitions, they have been accounted for in accordance with FRS 103 Business Combinations.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effect on the cash flow of the Group, at the acquisition date, were as follows:

2014	Serial I-Tech group US\$'000
(a) Purchase consideration	
Cash paid/payable	2,995
Contingent consideration	–
Consideration transferred for the business	2,995
(b) Effect on cash flow of the Group	
Cash paid/payable (as above)	2,995
Less: Cash and cash equivalents acquired	(1,888)
Cash outflow on acquisition	1,107

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SERIAL SYSTEM LTD
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19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(iv) (continued)

2014

Serial I-Tech
group
US\$'000

(c) Identifiable assets acquired and liabilities assumed

Cash and cash equivalents	1,888
Inventories	6,368
Trade and other receivables	5,591
Other current assets	478
Property, plant and equipment (Note 20)	144
Deferred income tax assets (Note 29)	140
Other non-current assets	6
Total assets	14,615
Trade and other payables	(13,206)
Borrowings	(1,518)
Current income tax liabilities [Note 9(b)]	(134)
Total liabilities	(14,858)
Total identifiable net liabilities	(243)
Add: Goodwill [Note 19(a)(iv)(f) and Note 22(a)]	3,238
Consideration transferred for the business	2,995

(d) Acquisition related costs

Acquisition related costs of US\$32,000 during the financial year ended 31 December 2014 were included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

The trade and other receivables acquired in this transaction with a fair value of US\$5,591,000 had a gross contractual amount of US\$5,676,000. At the acquisition date, US\$189,000 of the contractual cash flows pertaining to the trade receivables are not expected to be collected [Note 37(b)].

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(iv) (continued)

(f) Goodwill

The goodwill of US\$3,238,000 arose from the acquisition was attributable to the entire trading and distribution business acquired from GSH Corporation Limited, including its supplier and customer contracts. The potential value and synergies to be generated from these transferred assets could not be separately recognised from goodwill as they were not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. As such, the goodwill did not meet the criteria for recognition as an intangible asset presented under FRS 38 Intangible Assets and consequently was classified as goodwill acquired in a business combination under FRS 103 Business Combinations.

The goodwill arose from the acquisition was not expected to be deductible for tax purposes.

(g) Revenue and profit contribution

The acquired businesses were completed on 31 December 2014 and as such did not contribute revenue and net loss to the consolidated income statement for the financial year ended 31 December 2014.

Had the acquired businesses been consolidated from 1 January 2014, consolidated revenue and consolidated profit for the financial year ended 31 December 2014 would have been US\$1,098,938,000 and US\$14,891,000 respectively.

(b) Additional interests in subsidiaries

(i) On 13 February 2015, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 5% equity interest in Serial GIS Pte. Ltd. via the purchase of an additional 25,000 ordinary shares of Serial GIS Pte. Ltd. at S\$25,000 (US\$19,000) from an existing shareholder. The Group's effective equity interest in Serial GIS Pte. Ltd. increased from 65% to 70% upon the completion of the acquisition. The Group recognised a decrease in other reserve and non-controlling interests of US\$3,000 and US\$16,000 respectively.

(ii) On 5 December 2014, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 35% equity interest in Serial Multivision Pte. Ltd. via the purchase of an additional 175,000 shares at S\$65,000 (US\$50,000). Serial Multivision Pte. Ltd. became a wholly owned subsidiary of the Group upon the completion of the acquisition. The Group recognised a decrease in other reserve and non-controlling interests of US\$715,000 and US\$695,000 respectively.

(c) Additional investments in subsidiaries

On 23 September 2015, the Group through its 95.5% owned subsidiary, Serial Microelectronics Inc. increased the registered share capital of its wholly owned subsidiaries, New Chinese Corporation from US\$1 to US\$301,000 and Bridge Electronics (Shenzhen) Co., Ltd from US\$150,000 to US\$300,000. The Group's effective equity interests in these two subsidiaries remained at 95.5% upon the increases in share capital.

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(d) Incorporation of subsidiaries

- (i) On 2 June 2015, the Company incorporated a wholly owned subsidiary, Serial System International Pte. Ltd. with an issued and paid-up share capital of S\$50,000 (US\$37,000) comprising 50,000 ordinary shares.
- (ii) On 3 August 2015, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired an equity interest of 80% in PT. Achieva Technology Indonesia, a newly incorporated company in Indonesia. The issued and paid-up capital of PT. Achieva Technology Indonesia is US\$250,000 comprising 250,000 ordinary shares of US\$1 each, of which SCE Enterprise Pte. Ltd.'s contribution amounted to US\$200,000.
- (iii) On 30 October 2015, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a 49% equity interest in a newly incorporated company in Thailand known as Serial Factoring (Thailand) Co., Ltd for a total cash consideration of THB490,000 (US\$13,000).

The Group has considered its existing voting rights held in its capacity and in trust, which gives the Group's majority voting rights and the practical ability to direct the relevant activities of Serial Factoring (Thailand) Co., Ltd. Consequently, Serial Factoring (Thailand) Co., Ltd is controlled by the Group and is consolidated in these financial statements for the financial year ended 31 December 2015.

- (iv) On 4 April 2014, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited, invested 60% and 55% equity interests in Serial Automotive Limited and Serial Vision Limited, respectively. The companies are newly incorporated in Hong Kong. The issued and paid up capital of Serial Automotive Limited is HK\$10,000 (US\$1,282), comprising 10,000 ordinary shares, of which Serial Microelectronics (HK) Limited's 60% contribution amounted to HK\$6,000 (US\$769). The issued and paid up capital of Serial Vision Limited is HK\$10,000 (US\$1,282), comprising 10,000 ordinary shares, of which Serial Microelectronics (HK) Limited's 55% contribution amounted to HK\$5,500 (US\$705). The Group's effective equity interest in Serial Automotive Limited and Serial Vision Limited is 54.6% and 50.1% respectively.
- (v) On 6 June 2014, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd, invested 65% equity interest in Serial GIS Pte. Ltd., a newly incorporated Singapore company. The issued and paid up capital of Serial GIS Pte. Ltd. is S\$500,000 (US\$400,000), comprising 500,000 ordinary shares, of which Serial Microelectronics Pte Ltd's 65% contribution amounted to S\$325,000 (US\$260,000).
- (vi) On 28 June 2014, the Group's 54.6% owned subsidiary, Serial Automotive Limited incorporated a wholly owned subsidiary, Serial Automotive (Shanghai) Co., Ltd. in the People's Republic of China with a registered capital of RMB1,000,000 (US\$163,000).

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(e) Disposal of business in a subsidiary

On 2 June 2015, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd and its 70% owned subsidiary, Serial AMSC Microelectronics Co., Ltd entered into business assignment agreements with a third party to dispose the business of Serial AMSC Microelectronics Co., Ltd, which comprised of (i) the distribution rights of products manufactured by On-Semiconductor in Japan and customer assignments; and (ii) business backlogs to the products of On-Semiconductor in Japan, for a total consideration of US\$2,520,000. The Group completed the disposal of business in Serial AMSC Microelectronics Co., Ltd during the financial year at sale proceeds of US\$2,520,000 and recognised a gain on disposal of US\$2,520,000 in the consolidated income statement during the financial year (Note 5).

(f) Closure of subsidiaries

During the financial year ended 31 December 2014, the Group liquidated its 49% owned subsidiary, Serial Multivision (Thailand) Company Limited in which the Group has control. A net gain of US\$5,000 was recognised in the consolidated income statement (Note 5).

(g) Details of subsidiaries

Name of subsidiaries		Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2015 %	2014 %
Held by the Company					
(1)	Serial Microelectronics Pte Ltd	Distribution of electronic and electrical components	Singapore	100.0	100.0
(1)	SCE Enterprise Pte. Ltd.	Investment holding and trading	Singapore	100.0	100.0
(1)	Serial Investment Pte Ltd	Investment holding and trading and rental of investment properties	Singapore	100.0	100.0
(4)	Serial Investment (Taiwan) Inc.	Investment holding and rental of investment properties	Taiwan	100.0	100.0
(1)	Serial System International Pte. Ltd.	Investment holding	Singapore	100.0	–
(1)	Swift-Value Business Pte. Ltd.	Distribution of printer accessories	Singapore	100.0	–
Held by Serial Microelectronics Pte Ltd					
(2)	Serial Microelectronics (HK) Limited	Distribution of electronic and electrical components	Hong Kong	91.0	91.0

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(g) Details of subsidiaries (continued)

Name of subsidiaries		Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2015 %	2014 %
Held by Serial Microelectronics Pte Ltd					
(3)	Serial Microelectronics Korea Limited	Distribution of electronic and electrical components	South Korea	98.2	98.2
(4)	Serial Microelectronics Inc.	Distribution of electronic and electrical components	Taiwan	95.5	95.5
(1)	Serial Technology Pte Ltd	Distribution of electronic and electrical components	Singapore	100.0	100.0
(9)	Serial AMSC Microelectronics Co., Ltd	In process of liquidation	Japan	70.0	70.0
(10)	PT. Serial Microelectronics Indonesia	In process of closure	Indonesia	99.0	99.0
(8)	Serial Microelectronics Sdn. Bhd.	Distribution of electronic and electrical components	Malaysia	100.0	100.0
(1)	Nippon Denka Serial Pte. Ltd.	Dormant	Singapore	60.0	60.0
(1)	Serial GIS Pte. Ltd.	Wholesale and sub-assembly of electrical signals and controls products	Singapore	70.0	65.0
Held by SCE Enterprise Pte. Ltd.					
(1)	Agricola Pte. Ltd.	Dormant	Singapore	80.0	80.0
(1)	Serial Multivision Pte. Ltd.	Outdoor advertising media and hospitality solutions	Singapore	100.0	100.0
(1)	Contract Sterilization Services Pte Ltd	Ethylene oxide sterilization and assembly and distribution of medical devices	Singapore	100.0	100.0

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(g) Details of subsidiaries (continued)

Name of subsidiaries		Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2015 %	2014 %
Held by SCE Enterprise Pte. Ltd. (continued)					
(1)	Serial I-Tech (Far East) Pte. Ltd.	Trading and distribution of fast-moving consumer goods, IT, photographic and timepiece products	Singapore	100.0	100.0
(1)	Serial I-Tech Strategic Holdings Franchising Pte. Ltd.	Investment and intellectual property holding	Singapore	100.0	100.0
(1)	Hydra & Thermal Pte. Ltd.	Distribution of consumer products and household appliances	Singapore	70.0	–
(7)	PT. Achieva Technology Indonesia	Importing of computer peripherals, IT accessories and electronic products	Indonesia	80.0	–
Held by Serial System International Pte. Ltd.					
(6)	Serial Factoring (Thailand) Co., Ltd.	Provision of project financing in the form of leasing, hire purchase, factoring and loan	Thailand	49.0	–
Held by Serial Microelectronics (HK) Limited					
(2)	Serial Design Limited	Distribution of electronic and electrical components	Hong Kong	91.0	91.0
(5)	Serial Microelectronics (Shenzhen) Co., Ltd	Distribution of electronic and electrical components	China	91.0	91.0
(2)	Serial Automotive Limited	Distribution of electronic component modules focusing on automotive customers	Hong Kong	54.6	54.6
(2)	Serial Vision Limited	Distribution of electronic and electrical components	Hong Kong	50.1	50.1
Held by Serial Automotive Limited					
(5)	Serial Automotive (Shanghai) Co., Ltd.	Distribution of electronic component modules focusing on automotive customers	China	54.6	54.6

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(g) Details of subsidiaries (continued)

		Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
Name of subsidiaries		Principal activities	2015 %	2014 %
Held by Serial Microelectronics Inc.				
(4)	TeamPal Enterprise Corp.	Distribution of electronic and electrical components	Taiwan	95.5
(4)	New Chinese Corporation	Investment holding company	Samoa	95.5
Held by New Chinese Corporation				
(4)	Bridge Electronics (Shenzhen) Co., Ltd	Distribution of electronic and electrical components	China	95.5
Held by Serial I-Tech (Far East) Pte. Ltd.				
(9)	Serial I-Tech (ME) Pte. Ltd.	Trading and distribution of fast-moving consumer goods, consumer electronics, IT and photographic products	British Virgin Islands	100.0
(9)	GSH Distribution (Cambodia) Pte Ltd	Trading and distribution of fast-moving consumer goods, consumer electronics, IT and photographic products	Cambodia	100.0
(10)	JEL Trading (Bangladesh) Ltd	Dormant	Bangladesh	100.0
Held by Serial I-Tech (ME) Pte. Ltd.				
(9)	JEL Distribution (Kazakhstan) LLP	In process of liquidation	Kazakhstan	100.0

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by Moore Stephens, Hong Kong.

(3) Audited by Samhwa & Co., a member firm of Moore Stephens International Limited.

(4) Audited by Tiaoho & Co, Taipei, a member firm of Moore Stephens International Limited.

(5) Audited by Beijing Xinghua Shenzhen, a member firm of Moore Stephens International Limited.

(6) Audited by Moore Stephens Dia Sevi Ltd, Bangkok, a member firm of Moore Stephens International Limited.

(7) Audited by Mulyamin Sensi Suryanto & Liannny, Indonesia, a member firm of Moore Stephens International Limited.

(8) Audited by another firm of auditors. This company is not considered a significant subsidiary pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(9) Statutory audit is not required by law in their countries of incorporation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(10) Statutory audit is not required as the subsidiary is dormant and/or in process of closure.

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SERIAL SYSTEM LTD
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20. Property, plant and equipment

	Leasehold land	Leasehold buildings	Freehold land	Freehold buildings	Renovations and fittings	Furniture equipment	Office equipment	Other equipment	Motor vehicles	Computers	Construction in-progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
2015												
Cost												
At 1 January 2015	1,600	19,199	1,856	6,809	4,527	1,764	1,224	4,472	1,183	2,573	4,807	50,014
Additions	-	467	-	-	351	143	106	118	126	434	-	1,745
Acquisition of subsidiaries [Note 19(a)(iii)(c)]	-	-	-	-	10	18	4	-	78	35	-	145
Reclassifications	-	4,807	-	-	-	-	-	-	-	-	(4,807)	-
Disposals/write-off	-	-	-	-	(224)	(110)	(8)	(4)	(26)	(12)	-	(384)
Currency translation differences	(103)	(1,442)	(120)	(344)	(193)	(40)	(31)	(262)	(52)	(33)	-	(2,620)
At 31 December 2015	1,497	23,031	1,736	6,465	4,471	1,775	1,295	4,324	1,309	2,997	-	48,900
Accumulated depreciation												
At 1 January 2015	308	1,447	-	238	2,746	1,276	823	2,563	613	2,138	-	12,152
Depreciation charges (Note 6)	28	516	-	136	527	172	155	546	182	303	-	2,565
Disposals/write-off	-	-	-	-	(93)	(47)	(8)	(4)	(22)	(12)	-	(186)
Currency translation differences	(21)	(83)	-	(42)	(101)	(15)	(17)	(160)	(24)	(21)	-	(484)
At 31 December 2015	315	1,880	-	332	3,079	1,386	953	2,945	749	2,408	-	14,047
Net book value												
At 31 December 2015	1,182	21,151	1,736	6,133	1,392	389	342	1,379	560	589	-	34,853

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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20. Property, plant and equipment (continued)

	Leasehold land US\$'000	Leasehold buildings US\$'000	Freehold land US\$'000	Freehold buildings US\$'000	Renovations and fittings US\$'000	Furniture US\$'000	Office equipment US\$'000	Other equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Construction in-progress US\$'000	Total US\$'000
The Group												
2014												
Cost												
At 1 January 2014	1,670	20,319	1,933	7,163	4,502	1,608	1,267	4,580	954	2,397	-	46,393
Additions	-	-	-	-	336	164	68	77	254	322	4,807	6,028
Acquisition of subsidiaries [Note 19(a)(iv)(c)]	-	-	-	-	3	60	21	-	56	4	-	144
Transfer to an investment property [Note 21(c)]	-	(903)	-	-	-	-	-	-	-	-	-	(903)
Reclassifications	-	-	-	-	-	63	(63)	-	-	-	-	-
Disposals/write-off	-	-	-	-	(257)	(128)	(58)	(4)	(72)	(141)	-	(660)
Currency translation differences	(70)	(217)	(77)	(354)	(57)	(3)	(11)	(181)	(9)	(9)	-	(988)
At 31 December 2014	1,600	19,199	1,856	6,809	4,527	1,764	1,224	4,472	1,183	2,573	4,807	50,014
Accumulated depreciation												
At 1 January 2014	291	962	-	133	2,403	1,161	758	2,091	521	2,064	-	10,384
Depreciation charges (Note 6)	31	552	-	116	596	215	140	582	154	227	-	2,613
Disposals/write-off	-	-	-	-	(204)	(107)	(58)	(4)	(58)	(145)	-	(576)
Transfer to an investment property [Note 21(c)]	-	(36)	-	-	-	-	-	-	-	-	-	(36)
Reclassifications	-	-	-	-	-	11	(11)	-	-	-	-	-
Currency translation differences	(14)	(31)	-	(11)	(49)	(4)	(6)	(106)	(4)	(8)	-	(233)
At 31 December 2014	308	1,447	-	238	2,746	1,276	823	2,563	613	2,138	-	12,152
Net book value												
At 31 December 2014	1,292	17,752	1,856	6,571	1,781	488	401	1,909	570	435	4,807	37,862

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20. Property, plant and equipment (continued)

	Renovations US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Other equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Total US\$'000
The Company							
2015							
Cost							
At 1 January 2015	390	536	209	55	403	938	2,531
Additions	–	5	34	–	–	184	223
At 31 December 2015	390	541	243	55	403	1,122	2,754
Accumulated depreciation							
At 1 January 2015	388	533	204	46	209	815	2,195
Depreciation charges	2	3	6	5	38	112	166
At 31 December 2015	390	536	210	51	247	927	2,361
Net book value							
At 31 December 2015	–	5	33	4	156	195	393
2014							
Cost							
At 1 January 2014	390	536	208	51	382	844	2,411
Additions	–	–	1	4	21	94	120
At 31 December 2014	390	536	209	55	403	938	2,531
Accumulated depreciation							
At 1 January 2014	385	529	199	42	171	739	2,065
Depreciation charges	3	4	5	4	38	76	130
At 31 December 2014	388	533	204	46	209	815	2,195
Net book value							
At 31 December 2014	2	3	5	9	194	123	336

- (a) As at the reporting date, the carrying amount of motor vehicles held under finance lease agreements for the Group and the Company amounted to US\$146,000 (2014: US\$248,000) and Nil (2014: US\$175,000) respectively [Note 26(a)(vii)].

During the financial year, the Group acquired motor vehicles amounting to US\$35,000 (2014: US\$84,000) under finance lease agreements.

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20. Property, plant and equipment (continued)

- (b) The Group's leasehold land and building at 8 Ubi View, Serial System Building, Singapore used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$4,840,000 (2014: US\$5,293,000).

The leasehold land and building is held as security for bank borrowings of the Group and the Company amounting to US\$13,005,000 (2014: US\$6,779,000) as disclosed in Note 26(a)(i). See Note 21(a) for the portion of the leasehold land and building included as investment properties.

- (c) The Group's freehold building at Ruei Hu Street, Neihu, Taipei, Taiwan, used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$3,105,000 (2014: US\$3,248,000). The freehold building is held as security for the Group's bank borrowings of US\$3,720,000 (2014: US\$4,124,000) as disclosed in Note 26(a)(ii). See Note 21(b) for the portion of the freehold building included as investment properties.
- (d) The Group's freehold land and building comprising 17 units of office premises at Samwhan Hipex, Sampyung-dang, Bundang-gu, Seongnam City, Gyeonggi-do, Seoul, South Korea used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$4,766,000 (2014: US\$5,179,000). The freehold land and building is held as security for the Group's bank borrowings of US\$1,702,000 (2014: US\$2,547,000) as disclosed in Note 26(a)(iii).
- (e) On 31 March 2014, the Group ceased owner-occupation of 1 of its 11 units of office premises in Shenzhen, China amounting to RMB5,331,000 (US\$867,000), and transferred this office premises unit from leasehold building in property, plant and equipment to investment property [Note 21(c)].

21. Investment properties

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	7,660	6,392
Transfer from property, plant and equipment [Note 21(c)]	-	926
	7,660	7,318
Fair value gain (Note 5)	205	677
Currency translation differences	(545)	(335)
End of financial year	7,320	7,660

- (a) The Group's leasehold land and building at 8 Ubi View, Serial System Building, Singapore, included as investment properties with total fair values of US\$2,293,000 (2014: US\$2,515,000) is held as security for bank borrowings of the Group and the Company amounting to US\$13,005,000 (2014: US\$6,779,000), as disclosed in Note 26(a)(i). See Note 20(b) for the portion of the leasehold land and building included as property, plant and equipment.

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21. Investment properties (continued)

- (b) The Group's freehold building at Ruei Hu Street, Neihu, Taipei, Taiwan which is leased to an associated company, Bull Will Co., Ltd, with fair value of US\$4,105,000 (2014: US\$4,219,000) is held as security for the Group's borrowings of US\$3,720,000 (2014: US\$4,124,000) as disclosed in Note 26(a)(ii).
- (c) On 31 March 2014, the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd ceased owner-occupation of 1 of its 11 units of office premises at Shenzhen Futian Free Trade Zone, Shenzhen Fortune Plaza B, China, with a carrying value amounting to RMB 5,331,000 (US\$867,000), and transferred this office premise unit from leasehold building in property, plant and equipment to investment property [Note 20(e)]. The difference of RMB 363,000 (US\$59,000) between the carrying value and the fair value as at the date of transfer was accounted for as a revaluation gain and recorded in revaluation reserve within equity (Note 31). As at the reporting date, the investment property at Shenzhen, China is carried at fair value of US\$922,000 (2014: US\$926,000).
- (d) The Group has no restrictions on the reliability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
- (e) As at the reporting date, investment properties are carried at fair values, determined by independent professional valuers. Valuations are performed annually based on the investment properties' highest-and-best use value using the Direct Market Comparison Method.

The following amounts in respect of the investment properties are recognised in the consolidated income statement:

	The Group	
	2015 US\$'000	2014 US\$'000
Rental income	130	245
Direct operating expenses on investment properties that generated rental income	(25)	(28)
Property tax and direct operating expenses on an investment property that did not generate rental income	(3)	(7)

22. Intangible assets

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Goodwill arising from acquisition of subsidiaries	15,229	7,670	-	-
Computer software license costs	665	683	544	521
Distribution rights	-	1,119	-	-
	15,894	9,472	544	521

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22. Intangible assets (continued)

(a) Goodwill arising from acquisition of subsidiaries

	The Group	
	2015 US\$'000	2014 US\$'000
Cost		
Beginning of financial year	12,398	9,305
Acquisition of subsidiaries [Note 19(a)(iii)(c)]	8,279	3,238
Net recovery of investment from former non-controlling interests	-	(11)
Currency translation differences	-	(134)
End of financial year	20,677	12,398
Accumulated impairment loss		
Beginning of financial year	4,728	3,740
Impairment losses (Note 6)	720	988
End of financial year	5,448	4,728
Net book value	15,229	7,670

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segment.

A segment-level geographical summary of the goodwill allocation is presented below:

	Electronic components distribution		Consumer products distribution		Other businesses		Total	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
The Group								
Singapore	-	-	11,517	3,238	1,560	1,560	13,077	4,798
Hong Kong	1,292	1,292	-	-	-	-	1,292	1,292
South Korea	860	1,580	-	-	-	-	860	1,580
	2,152	2,872	11,517	3,238	1,560	1,560	15,229	7,670

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period to the fifth year were extrapolated using the estimated growth rates stated below. The forecasted growth rates are based on management's best estimates from industry research and do not exceed the long-term average growth rate for the electronic components distribution, consumer products distribution and other businesses in which the CGU operated.

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22. Intangible assets (continued)

(a) Goodwill arising from acquisition of subsidiaries (continued)

Impairment tests for goodwill (continued)

Key assumptions used for value-in-use calculations:

Electronic components distribution

	Hong Kong		South Korea		Taiwan	Japan
	2015	2014	2015	2014	2014	2014
Gross margin ¹	8.2%	8.5%	9.2%	9.8%	7.6%	12.0%
Growth rate ²	2.3%	3.1%	2.2%	2.6%	2.2%	2.0%
Discount rate ³	5.7%	5.2%	5.9%	5.6%	5.1%	4.3%

Consumer products distribution

	Singapore	
	2015	2014
Gross margin ¹	3.8%	4.2%
Growth rate ²	3.3%	2.0%
Discount rate ³	4.7%	4.6%

Other businesses

	Singapore	
	2015	2014
Gross margin ¹	55.1%	54.3%
Growth rate ²	4.3%	5.6%
Discount rate ³	4.7%	4.6%

¹ Budgeted gross margin based on management's best estimates.

² Weighted average growth rate used to extrapolate cash flows beyond the budget period.

³ Pre-tax discount rate applied to the pre-tax cash flow projections estimated based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital.

These assumptions were used for the analysis of each CGU. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflect specific risks relating to the relevant segment.

Impairment charges of US\$720,000 (2014: US\$988,000) were provided during the financial year. The impairment charges arose mainly from CGU's in South Korea (2014: Japan and Taiwan) where the carrying amount of each CGU exceeds the recoverable amount of each CGU as the environment became more competitive coupled with rising business costs.

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22. Intangible assets (continued)

(b) Computer software license costs

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Beginning of financial year	683	657	521	588
Additions	278	280	236	143
Acquisition of a subsidiary [Note 19(a)(iii)(c)]	33	–	–	–
Amortisation (Note 6)	(334)	(252)	(213)	(210)
Currency translation differences	5	(2)	–	–
End of financial year	665	683	544	521
Cost	2,694	2,378	2,364	2,128
Accumulated amortisation	(2,029)	(1,695)	(1,820)	(1,607)
Net book value	665	683	544	521

(c) Distribution rights

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	1,119	2,844
Amortisation (Note 6)	(1,116)	(1,722)
Currency translation differences	(3)	(3)
End of financial year	–	1,119
Cost	11,174	11,177
Accumulated amortisation	(11,174)	(10,058)
Net book value	–	1,119

23. Other assets

	The Group	
	2015 US\$'000	2014 US\$'000
Other investment [Note 23(b)]	615	1,131
Club memberships [Note 23(c)]	130	149
Deposits [Note 23(d)]	666	686
	1,411	1,966

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23. Other assets (continued)

- (a) As at the reporting date, the carrying amounts of other assets approximated their fair values.
- (b) Other investment relates to an interest in a residential and commercial property development investment on two pieces of land located in Phnom Penh, Cambodia. During the financial year, an amount of US\$516,000 (2014: Nil) has been refunded to the Group.
- (c) The club memberships are denominated in Korean Won.
- (d) Deposits relate mainly to refundable deposits placed for the rental of office units for certain subsidiaries. These deposits are refundable upon termination of the tenancy agreements and the Company does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be refunded. The currency exposure for deposits are disclosed in Note 37(a)(i) to the financial statements under “other financial assets”.

24. Trade and other payables

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Current				
Trade payables:				
Third parties	105,351	95,129	–	–
Associated companies	534	28	–	–
	105,885	95,157	–	–
Other payables and accrued operating expenses	32,117	23,712	2,067	2,306
Derivative financial instruments [Note 24(b)]	768	1,439	–	–
Due to subsidiaries [Note 24(c)]	–	–	3,037	2,360
Due to an associated company [Note 24(c)]	25	43	–	43
Contingent consideration payable [Note 19(a)(iii)]	672	–	–	–
Financial guarantee contracts	–	–	728	512
	139,467	120,351	5,832	5,221
Non-current				
Due to a subsidiary [Note 24(d)]	–	–	4,481	4,524

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24. Trade and other payables (continued)

- (a) As at the reporting date, the carrying amounts of trade and other payables approximated their fair values.
- (b) The Group used foreign exchange forward contracts to manage exposures to currency risks arising from inter-company long-term loans denominated in Chinese Renminbi, Singapore Dollar, Malaysian Ringgit and Japanese Yen.

As at the reporting date, the outstanding non-hedging derivative financial instruments comprised:

	The Group			
	2015		2014	
	Contract notional amount US\$'000	Fair value liability US\$'000	Contract notional amount US\$'000	Fair value liability US\$'000
Foreign exchange forward contracts	8,500	768	61,000	1,439

The range of the contractual rates to buy or sell United States Dollar against the respective foreign currencies are summarised as follows:

	2015		2014	
	Buy United States Dollar	Sell United States Dollar	Buy United States Dollar	Sell United States Dollar
Against Chinese Renminbi	-	5.99 to 6.27	-	5.98 to 6.27
Against Singapore Dollar	-	-	-	1.29
Against Malaysian Ringgit	4.308	-	3.502	-
Against Japanese Yen	120.33	-	-	114.81

The foreign exchange forward contracts are recognised initially at their fair values and remeasured to fair values using "Mark-to-Market" as at the reporting date.

These foreign exchange forward contracts have maturity dates within three months (2014: fifteen months) from the reporting date.

- (c) As at the reporting date, the amounts due to subsidiaries and an associated company are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US\$1,048,000 as at 31 December 2014 due to a subsidiary which bore interest at 3.46% per annum.
- (d) As at the reporting date, the amount due to a subsidiary is non-trade in nature, bears interest at 5.52% (2014: 3.46%) per annum and is repayable on 31 December 2020 (2014: 31 December 2018).

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25. Redemption liability

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	-	410
Changes in fair value of redemption liability	-	(410)
End of financial year	-	-

The redemption liability was recognised at the present value of the redemption amount, calculated based on estimated net assets of the subsidiary and discounted to its present value. During the financial year ended 31 December 2014, the Group recognised changes in the fair value to the redemption liability amounting to US\$410,000.

26. Borrowings

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Current				
Bank borrowings [Note 26(a)(i),(ii),(iii) and (iv)]	28,233	43,591	2,262	6,779
Trust receipts [Note 26(a)(v)]	140,649	119,748	-	-
Bills payable [Note 26(a)(vi)]	-	1,756	-	-
Finance lease liabilities [Note 26(a)(vii) and Note 27]	18	15	-	4
Other borrowings [Note 26(a)(viii)]	12,538	6,787	-	-
	181,438	171,897	2,262	6,783
Non-current				
Bank borrowings [Note 26(a)(i),(ii),(iii) and (iv)]	20,540	6,514	10,743	-
Finance lease liabilities [Note 26(a)(vii) and Note 27]	44	36	-	-
	20,584	6,550	10,743	-
Total borrowings	202,022	178,447	13,005	6,783

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26. Borrowings (continued)

(a) Security granted/corporate guarantees granted

- (i) A four-year term loan of S\$20,000,000 (US\$14,829,000) was drawn down by the Company during the financial year to refinance its previous outstanding four-year term loan of US\$6,779,000 as at 31 December 2014. As at the reporting date, the balance of the term loan amounting to US\$13,005,000 (2014: US\$6,779,000) included in current borrowings of US\$2,262,000 (2014: US\$6,779,000) and non-current borrowings of US\$10,743,000 (2014: Nil) of the Group and the Company are secured by the following:
 - a first legal mortgage of the leasehold land and building at 8 Ubi View, Serial System Building, Singapore ("Mortgaged Property") [Note 20(b) and Note 21(a)];
 - 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.
- (ii) As at the reporting date, bank borrowings amounting to US\$3,720,000 (2014: US\$4,124,000), which are included in current borrowings of US\$255,000 (2014: US\$265,000) and non-current borrowings of US\$3,465,000 (2014: US\$3,859,000), was due by a wholly owned subsidiary, Serial Investment (Taiwan) Inc. to partially finance the acquisition of a freehold building of the Group. The bank borrowings were secured by a first legal mortgage of the freehold building [Note 20(c) and Note 21(b)].
- (iii) As at the reporting date, bank borrowings amounting to US\$1,702,000 (2014: US\$2,547,000), which are included in current borrowings of US\$681,000 (2014: US\$727,000) and non-current borrowings of US\$1,021,000 (2014: US\$1,820,000), was due by a 98.2% owned subsidiary, Serial Microelectronics Korea Limited to partially finance the acquisition of a freehold land and building. The bank borrowings are secured by a first legal mortgage of the freehold land and building [Note 20(d)].
- (iv) Other than disclosed in Note 26(a)(i), (ii) and (iii) above, current bank borrowings amounting to US\$23,410,000 (2014: US\$33,928,000) and non-current bank borrowings of US\$5,311,000 (2014: US\$835,000) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. The remaining current borrowings of US\$1,625,000 (2014: US\$1,892,000) are not secured by any assets or corporate guarantees.
- (v) Trust receipts of US\$140,649,000 (2014: US\$116,705,000) for all (2014: three) subsidiaries are obtained with the corporate guarantee of the Company. The remaining trust receipts of US\$3,043,000 as at 31 December 2014 were not secured by any assets or corporate guarantees.
- (vi) Bills payable of US\$1,756,000 as at 31 December 2014 for a subsidiary were obtained with the corporate guarantee of the Company.
- (vii) As at the reporting date, finance lease liabilities amounting to US\$62,000 (2014: US\$51,000) of the Group and Nil (2014: US\$4,000) of the Company are secured on motor vehicles, which have been acquired under finance lease arrangements of the Group and of the Company [Note 20(a)].

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26. Borrowings (continued)

(a) Security granted/corporate guarantees granted (continued)

- (viii) Other borrowings of US\$12,538,000 (2014: US\$6,787,000) included in current borrowings, is due to the previous shareholder of Swift-Value Business Pte. Ltd. (2014: due to the previous shareholder of Serial I-Tech (Far East) Pte. Ltd.) and not secured with any corporate guarantee of the Company. The shareholder loan of US\$6,787,000 as at 31 December 2014 had been fully repaid during the financial year.

(b) Maturity of borrowings

The maturity of the borrowings is as follows:

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Within one year	181,438	171,897	2,262	6,783
Between one and five years	18,395	4,014	10,743	–
Over five years	2,189	2,536	–	–

(c) Interest rate risk

The weighted average effective interest rates of the borrowings as at the reporting date were as follows:

	Singapore Dollar	United States Dollar	Hong Kong Dollar	New Taiwan Dollar	Korean Won	Japanese Yen	Indonesian Rupiah
The Group							
2015							
Bank borrowings	3.02%	2.72%	2.98%	2.08%	3.97%	–	–
Trust receipts	3.72%	2.82%	–	2.15%	–	1.93%	–
Finance lease liabilities	2.88%	–	–	–	–	–	4.69%
2014							
Bank borrowings	2.79%	2.59%	3.16%	2.05%	3.97%	0.69%	–
Trust receipts	–	2.73%	–	2.27%	–	–	–
Bills payable	–	2.08%	–	–	–	–	–
Finance lease liabilities	2.99%	–	–	–	–	–	–
The Company							
2015							
Bank borrowing	3.03%	2.93%					
Finance lease liability	–	4.33%					

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26. Borrowings (continued)

(d) Carrying amounts and fair values

As at the reporting date, the carrying amounts of current borrowings approximated their fair values.

The fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Bank borrowings and finance lease liabilities	20,584	6,550	19,804	6,334
The Company				
Bank borrowing and finance lease liability	10,743	–	10,267	–

The fair values were determined from discounted cash flows analyses, discounted at the borrowing rates which the management expected to be available to the Group and the Company at the reporting date.

(e) Loan compliance

The Group regularly monitors its compliance with the covenants and is up to date with the scheduled repayments of the borrowings. As at the reporting date, the Group complied with financial covenants granted by various banks, except for certain banks, which have the right to call for the immediate repayment of the outstanding loan balances of US\$45,728,000. The Group obtained waivers from compliance from the relevant banks for borrowings of US\$23,187,000 during the financial year and US\$22,541,000 subsequent to the financial year end. The total borrowings of US\$34,985,000 and US\$10,743,000 have been classified as current liabilities and non-current liabilities respectively.

27. Finance lease liabilities

The Group has finance leases for property, plant and equipment (motor vehicles). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the options of the specific entity that holds the lease.

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Minimum lease payments due				
Within one year	18	16	–	4
Between one and five years	52	42	–	–
	70	58	–	4
Less: Future finance charges	(8)	(7)	–	–
Present value of finance lease liabilities	62	51	–	4

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27. Finance lease liabilities (continued)

The present value of finance lease liabilities is analysed as follows:

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year (Note 26)	18	15	–	4
Between one and five years (Note 26)	44	36	–	–
	62	51	–	4

28. Defined benefit plans liabilities

All companies in Korea with five or more employees must provide employees with a minimum severance lump sum benefit equivalent to one month salary for each year of service upon termination for any reason. It is permissible under the current severance pay system for the employer to cash out in whole or in part of the accrued severance benefits to employees who remain in service. The Group funds the employee benefits by settling aside external funds via an insurance policy (“plan assets”).

(a) The amounts recognised in the statements of financial position are determined as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Present value of defined benefit obligations	2,269	1,919
Fair value of plan assets	(1,455)	(1,263)
	814	656

(b) Changes in present value of the defined benefit obligations are as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Beginning of financial year	1,919	1,717
Interest costs – charged to consolidated income statement	47	60
Current service costs – charged to consolidated income statement	392	372
Remeasurement losses/(gain) arising from changes in:		
- demographic assumptions	17	(293)
- financial assumptions	157	219
Benefits paid	(119)	(83)
Currency translation differences	(144)	(73)
End of financial year	2,269	1,919

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28. Defined benefit plans liabilities (continued)

(c) Changes in fair value of plan assets are as follows:

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	1,263	1,066
Interest income – credited to consolidated income statement	42	42
Remeasurement losses – return on plan assets	(16)	(17)
Contribution by the Group	343	302
Benefits paid	(119)	(83)
Currency translation differences	(58)	(47)
End of financial year	1,455	1,263

(d) Independent actuarial valuation of the employee severance benefits was performed and the principal actuarial assumptions used in the actuarial valuation are as follows:

	The Group	
	2015	2014
Discount rate: South Korea plan	2.1%	2.6%
Expected return on plan assets: South Korea plan	3.1%	3.1%
Future salary increases	5.0%	5.0%
Post retirement mortality for pensioners at age 65: South Korea plan/post-employment medical plan		
male		Korean CSO 80M
female		Korean CSO 80F

Other assumptions include the following:

- all employees are assumed to retire at their normal retirement age;
- a proportion of employees have been assumed to leave the Group before attaining normal retirement age. The turnover rates have been assumed to be at the rate of 14% of up to age 29, 11% at age 30-39, 7% at age 40-49 and 0% at age 50 thereafter;
- the disability decrement has been assumed to equal 10% of mortality rate; and
- no allowances has been made for the probability of future advanced payments.

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28. Defined benefit plans liabilities (continued)

- (e) The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit plans liabilities as follows:

	Increase/(decrease) %	The Group	
		2015 US\$'000	2014 US\$'000
Discount rate: South Korea plan	0.25	(77)	(64)
	(0.25)	82	68
Future salary increases	0.25	79	66
	(0.25)	(75)	(63)

The methods and types of assumptions used in preparing the sensitivity analysis during the financial year did not change when compared to the financial year ended 31 December 2014.

- (f) The Group expects to contribute US\$373,000 to the defined benefit plans in 2016 (2014: US\$368,000 in 2015).
- (g) The average duration of the defined benefit obligation as at the reporting date is 5.0 years (2014: 4.4 years).

29. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statements of financial position as follows:

	The Group	
	2015 US\$'000	2014 US\$'000
Deferred income tax assets to be recovered after one year	(662)	(750)
Deferred income tax liabilities to be settled after one year	198	172
	(464)	(578)

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29. Deferred income taxes (continued)

The movements in the deferred income tax account are as follows:

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of the financial year	(578)	(466)
Acquisition of a subsidiary [Note 19(a)(iv)(c)]	-	(140)
Tax charge to income statement [Note 9(a)]	49	18
Reclassification to current income tax liabilities [Note 9(b)]	42	-
Under provision in preceding financial years [Note 9(a)]	-	42
Currency translation differences	23	(32)
End of the financial year	(464)	(578)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group and the Company have the following unrecognised tax losses and capital allowances as at the reporting date, which can be carried forward and used to offset against future taxable income, subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Tax losses	3,411	3,945	-	-
Capital allowances	2,751	3,421	-	-
	6,162	7,366	-	-

The tax losses and capital allowances that are available for offset against future taxable profits, are subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. Included in the tax losses as at the reporting date are US\$144,000 (2014: US\$35,000) arising in China that will expire in one to five years after 31 December 2015. The deferred tax assets arising from these unutilised tax losses and capital allowances have not been recognised because it is not probable that future taxable profits will be available against which the entities can utilise.

As at the reporting date, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries of the Group for which no deferred tax liability has been recognised amounted to US\$12,966,000 (2014: US\$12,560,000) based on the Group's policy as stated in Note 2.5. The deferred tax liability not recognised is estimated to be US\$1,358,000 (2014: US\$1,314,000).

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

29. Deferred income taxes (continued)

(a) Deferred income tax assets

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

	Provisions	
	2015 US\$'000	2014 US\$'000
The Group		
Beginning of financial year	(750)	(555)
Acquisition of a subsidiary	–	(140)
Reclassification to deferred income tax liabilities [Note 29(b)]	8	(5)
Reclassification to income tax liabilities [(Note 9(b)]	42	–
Charged/(credited) to consolidated income statement	30	(25)
Currency translation differences	8	(25)
End of financial year	(662)	(750)

(b) Deferred income tax liabilities

	Investment properties US\$'000	Others US\$'000	Total US\$'000
The Group			
2015			
Beginning of financial year	147	25	172
Reclassification from deferred income tax assets [Note 29(a)]	–	(8)	(8)
Charged to consolidated income statement	7	12	19
Currency translation differences	–	15	15
End of financial year	154	44	198
2014			
Beginning of financial year	19	70	89
Reclassification from deferred income tax assets [Note 29(a)]	–	5	5
Charged/(credited) to consolidated income statement	86	(43)	43
Under provision in preceding financial year	42	–	42
Currency translation differences	–	(7)	(7)
End of financial year	147	25	172

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30. Share capital and treasury shares

	Issued number of shares		Total share capital	
	Share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	US\$'000	US\$'000
The Group and The Company				
2015				
Beginning and end of financial year	905,788	(9,946)	72,648	(736)
2014				
Beginning and end of financial year	905,788	(9,946)	72,648	(736)

- (a) All issued shares are fully paid and do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

- (b) Share options

The 2014 Scheme was approved by the shareholders at the Extraordinary General Meeting of the Company held on 26 April 2014. It replaced the previous Serial System Executives Share Option Scheme (the "2004 Scheme"), which expired on 29 January 2014. Any share options granted and accepted under the 2004 Scheme have been fully exercised upon expiry of the 2004 Scheme on 29 January 2014.

Under the 2014 Scheme, share options are granted to the following persons at the absolute discretion of the 2014 Scheme's committee (the "Committee"):

- (i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;
- (ii) executive directors of the Company;
- (iii) non-executive directors of the Company; and
- (iv) employees who qualify under sub-paragraph (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

For the purpose of paragraph (iv) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased employment as a full-time employee of the Group by reason only of such secondment.

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30. Share capital and treasury shares (continued)

(b) Share options (continued)

For non-incentive share options, the exercise price of the granted share options is to be determined by the Committee, in its absolute discretion, at a price equal to the average of the last dealt prices of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") for a period of five consecutive trading days ("Market Price") immediately prior to the date of offer of the share options.

For incentive share options, share options are granted at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price; and the shareholders of the Company in a general meeting have authorised, in a separate resolution, the making of offers and grants of such share options under the 2014 Scheme at a discount not exceeding the maximum discount as aforesaid.

The share options are vested one month after the date of offer of the share options. Once the share options are vested, they are exercisable for a term of 10 years, and for non-executive directors of the Company, for a term of 5 years, or such other terms determined by the Committee or prescribed under any relevant law, regulation or rule of the SGX-ST from time to time.

No share options were granted during the financial year ended 31 December 2015 and 31 December 2014.

31. Reserves

The Group

2015

	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000
Beginning of financial year	1,015	(367)	–	59	(715)
Addition	261	(190)	(1,353)	–	(3)
End of financial year	1,276	(557)	(1,353)	59	(718)

2014

Beginning of financial year	180	(424)	(894)	–	(410)
Addition	835	57	(763)	59	(715)
Reversal	–	–	1,657	–	410
End of financial year	1,015	(367)	–	59	(715)

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31. Reserves (continued)

	Capital reserve US\$'000
The Company	
2015	
Beginning and end of financial year	180
2014	
Beginning and end of financial year	180

(a) Capital reserve

Capital reserve represents share of capital reserve of an associated company in 2014 and during the financial year and the Company's repurchased of its ordinary shares in the open market in prior financial years.

(b) Defined benefit plans reserve

Defined benefit plans reserve represents movements in the net defined benefit plans liabilities or assets resulting from remeasurements at each financial year end.

(c) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets, available-for-sale until they are disposed of or impaired.

(d) Revaluation reserve

Revaluation reserve represents increases in the fair value of investment properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

32. Currency translation reserve

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	4,283	6,025	17,589	17,589
Net currency translation differences arising from net investments in foreign subsidiaries and associated companies	(5,073)	(1,737)	-	-
Non-controlling interests (Note 34)	(332)	(5)	-	-
Share of associated companies' currency translation reserve	(376)	-	-	-
	(5,781)	(1,742)	-	-
End of financial year	(1,498)	4,283	17,589	17,589

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33. Retained earnings

- (a) Included in the Group's retained earnings of US\$46,680,000 (2014: US\$42,847,000) as at the reporting date are legal reserves amounting to US\$104,000 (2014: US\$112,000) which are set aside in compliance with local laws of certain overseas subsidiaries and are non-distributable. These legal reserves can only be used upon approval by the relevant authorities, to offset accumulated losses (if any) or increase capital.
- (b) Movements in retained earnings for the Company are as follows:

	The Company	
	2015	2014
	US\$'000	US\$'000
Beginning of financial year	13,092	12,139
Total profit	8,018	5,242
Dividends paid (Note 35)	(7,202)	(4,289)
End of financial year	13,908	13,092

Movements in retained earnings for the Group are shown in the Consolidated Statement of Changes in Equity.

34. Non-controlling interests

	The Group	
	2015	2014
	US\$'000	US\$'000
Beginning of financial year	3,200	2,522
Share of results of subsidiaries	269	64
Share of currency translation reserve (Note 32)	332	5
	601	69
Investment in subsidiaries by non-controlling interests [Note 34(a) to (c)]	-	172
Acquisition of a subsidiary [Note 19(a)(iii)(c)]	238	-
Acquisition of additional interests in subsidiaries from non-controlling interests [Note 34(a) and (b)]	(16)	695
Closure of subsidiaries	-	4
Dividends paid to non-controlling interest	(440)	(262)
End of financial year	3,583	3,200

- (a) On 13 February 2015, the Group increased its equity interest by 5% in Serial GIS Pte. Ltd. via the purchase of an additional 25,000 ordinary shares of Serial GIS Pte. Ltd. at S\$25,000 (US\$19,000) from an existing shareholder. On 6 June 2014, the non-controlling interest of Serial GIS Pte. Ltd. subscribed for 175,000 ordinary shares at S\$1 (US\$0.80) per share.
- (b) On 5 December 2014, the Group increased its equity interest in Serial Multivision Pte. Ltd. from 65% to 100% via the purchase of an additional 175,000 shares at S\$65,000 (US\$50,000).
- (c) On 4 April 2014, the non-controlling interest of Serial Automotive Limited and Serial Vision Limited subscribed for 4,000 ordinary shares at HK\$1 (US\$0.13) and 4,500 ordinary shares at HK\$1 (US\$0.13) per share in the issued and paid up capital of Serial Automotive Limited and Serial Vision Limited, respectively.

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35. Dividends

	The Group and The Company	
	2015 US\$'000	2014 US\$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of S\$0.75 cent (US\$0.55 cent) per share paid in respect of the financial year ended 31 December 2014	4,981	–
One-tier tax-exempt interim cash dividend of S\$0.35 cent (US\$0.25 cent) per share paid in respect of the financial year ended 31 December 2015	2,221	–
One-tier tax-exempt final cash dividend of S\$0.30 cent (US\$0.24 cent) per share paid in respect of the financial year ended 31 December 2013	–	2,139
One-tier tax-exempt interim cash dividend of S\$0.30 cent (US\$0.24 cent) per share paid in respect of the financial year ended 31 December 2014	–	2,150
Total [Note 33(b)]	7,202	4,289

At the forthcoming Annual General Meeting on 22 April 2016, a one-tier tax-exempt final cash dividend of S\$0.50 cent (US\$0.35 cent) per share will be recommended for approval by shareholders of the Company. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016, subject to shareholders' approval at the forthcoming Annual General Meeting on 22 April 2016.

36. Commitments and contingencies

(a) Guarantees

	The Group		The Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Unsecured guarantees provided by the Company for/to:				
- banking facilities of subsidiaries	–	–	180,348	196,208
- suppliers of subsidiaries	22,213	5,586	22,213	5,586
- banking facilities of associated companies	9,739	–	9,739	–
- suppliers of an associated company	–	–	–	3,158
Unsecured bank guarantees provided by the subsidiaries for/to:				
- suppliers of subsidiaries	10,735	6,524	–	–
- customers of a subsidiary	244	–	–	–
	42,931	12,110	212,300	204,952

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36. Commitments and contingencies (continued)

(b) Operating lease commitments - where a Group is a lessee

The Group leases various offices and advertising media spaces under non-cancellable operating lease agreements. These leases have varying terms and renewal rights but no purchase options clauses.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are analysed as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Within one year	1,913	1,392
Between one and five years	4,514	322
More than five years	39	41
	6,466	1,755

(c) Operating lease commitments - where a Group/Company is a lessor

The Group leases out certain investment properties to an associated company and non-related parties under non-cancellable operating leases. The Group also entered into advertising income contracts with non-related parties through the leasing of its outdoor media advertising equipment. These leases have varying terms and renewal rights but no purchase options clauses.

The future aggregate minimum lease receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, is analysed as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Within one year	1,905	2,149
Between one and five years	2,395	1,012
	4,300	3,161

(d) Capital commitments

Capital expenditure contracted for as at the reporting date but not recognised in the financial statements is as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Purchase of property, plant and equipment and intangible assets (computer software license costs)	-	84

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36. Commitments and contingencies (continued)

(e) Contingent liabilities

On 9 December 2014, the Group's 91.0% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd received a notice from Shenzhen State Administration of Taxation ("SZSTB") requesting a tax audit of transactions between Serial Microelectronics (Shenzhen) Co., Ltd and its related parties ("Transfer Pricing Audit"). SZSTB will request additional taxes from Serial Microelectronics (Shenzhen) Co., Ltd should the Transfer Pricing Audit indicate that the transactions between Serial Microelectronics (Shenzhen) Co., Ltd and its related parties were not conducted at arm's length. As at the reporting date and up to the date of these financial statements, the Transfer Pricing Audit is still on-going and no additional tax assessment has been issued by SZSTB.

The Group engaged a tax consultant to assist in the Transfer Pricing Audit. On 1 February 2016, a meeting was held with SZSTB and an informal position paper and adjustment proposal covering the financial years ended 31 December 2007 to 31 December 2014 was submitted for their consideration. As of the date of these financial statements, SZSTB has not reverted on its view of the position paper and adjustment proposal. In the opinion of the directors of the Company, the calculation of potential additional tax involves a number of estimations, including the allocation of expenses and profit sharing ratio between Serial Microelectronics (Shenzhen) Co., Ltd and its related parties etc. As such, the potential additional tax cannot be measured reliably. Accordingly, no provision for tax liability in this respect has been made.

37. Financial risk management

The Group's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provides guidelines for overall risk management. Management team of the Group reviews and agrees on policies for managing the various financial risks.

(a) Market risk

(i) Currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group.

The Group's businesses conduct the majority of their sale and purchase transactions in the same currency, mainly United States Dollar (US\$). The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases.

In addition, the Group operates internationally and is exposed to currency translation risk arising from various currency exposures, primarily with respect to the Singapore Dollar (S\$), Korean Won (KRW), Hong Kong Dollar (HK\$), Chinese Renminbi (RMB), New Taiwan Dollar (NT\$), Japanese Yen (JPY), Malaysian Ringgit (MYR), Thailand Baht (THB) and Indonesian Rupiah (IDR). Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

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37. Financial risk management (continued)

- (a) Market risk (continued)
- (i) Currency risk (continued)

The Group's currency exposure is as follows:

	The Group															
	2015															
	Financial assets:															
Cash and cash equivalents,																
financial assets, at fair																
value through profit or																
loss and available-for-sale																
Trade and other receivables																
Other financial assets																
	United States Dollar	Singapore Dollar	Korean Won	Hong Kong Dollar	Chinese Renminbi	New Taiwan Dollar	Japanese Yen	Thailand Baht	Indonesian Rupiah	Others	Total					
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000					
	43,748	7,352	1,940	1,262	9,712	1,287	1,383	305	483	574	68,046					
	116,989	8,128	8,045	741	32,257	2,382	2,328	4,049	3,184	1,254	179,357					
	1,088	106	382	196	5	53	284	10	2	60	2,186					
	161,825	15,586	10,367	2,199	41,974	3,722	3,995	4,364	3,669	1,888	249,589					
Financial liabilities:																
Borrowings	(135,059)	(49,584)	(1,702)	(4,291)	-	(10,264)	(1,116)	-	(6)	-	(202,022)					
Trade and other payables	(108,027)	(16,002)	(3,423)	(4,681)	(2,217)	(1,856)	(2,065)	(459)	(149)	(588)	(139,467)					
	(243,086)	(65,586)	(5,125)	(8,972)	(2,217)	(12,120)	(3,181)	(459)	(155)	(588)	(341,489)					
Net financial (liabilities)/ assets	(81,261)	(50,000)	5,242	(6,773)	39,757	(8,398)	814	3,905	3,514	1,300	(91,900)					
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	47,944	36,114	(4,942)	6,791	(38,817)	8,530	(2,573)	(3,773)	(3,514)	(1,135)	44,625					
Currency exposure	(33,317)	(13,886)	300	18	940	132	(1,759)	132	(3,514)	165	(47,275)					

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37. Financial risk management (continued)

- (a) Market risk (continued)
- (i) Currency risk (continued)

The Group's currency exposure is as follows: (continued)

	United States Dollar US\$'000	Singapore Dollar US\$'000	Korean Won US\$'000	Hong Kong Dollar US\$'000	Chinese Renminbi US\$'000	New Taiwan Dollar US\$'000	Japanese Yen US\$'000	Others US\$'000	Total US\$'000
The Group									
2014									
Financial assets:									
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	35,342	5,505	1,756	718	13,225	1,579	2,284	484	60,893
Trade and other receivables	130,526	2,742	7,459	287	32,489	3,359	6,908	891	184,661
Other financial assets	1,003	347	308	179	5	55	265	115	2,277
	166,871	8,594	9,523	1,184	45,719	4,993	9,457	1,490	247,831
Financial liabilities:									
Borrowings	(140,411)	(10,531)	(2,547)	(4,172)	–	(10,487)	(10,299)	–	(178,447)
Trade and other payables	(89,547)	(6,558)	(4,040)	(8,124)	(6,636)	(2,516)	(2,457)	(473)	(120,351)
	(229,958)	(17,089)	(6,587)	(12,296)	(6,636)	(13,003)	(12,756)	(473)	(298,798)
Net financial (liabilities)/assets	(63,087)	(8,495)	2,936	(11,112)	39,083	(8,010)	(3,299)	1,017	(50,967)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	30,138	(2,585)	(2,636)	11,168	(412)	8,143	3,992	16	47,824
Currency exposure	(32,949)	(11,080)	300	56	38,671	133	693	1,033	(3,143)

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37. Financial risk management (continued)

- | | |
|-----|-------------------------------|
| (a) | Market risk (continued) |
| | (i) Currency risk (continued) |

The Company's currency exposure is as follows:

	United States Dollar	Singapore Dollar	Thailand Baht	Hong Kong Dollar	New Taiwan Dollar	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company						
2015						
Financial assets:						
Cash and cash equivalents	175	1,439	-	-	131	1,745
Trade and other receivables	8,668	1,717	-	-	-	10,385
Loans and receivables	29,473	8,428	3,737	932	-	42,570
Other financial assets	-	16	-	-	-	16
	38,316	11,600	3,737	932	131	54,716
Financial liabilities:						
Borrowings	-	(13,005)	-	-	-	(13,005)
Trade and other payables	(2,999)	(7,314)	-	-	-	(10,313)
	(2,999)	(20,319)	-	-	-	(23,318)
Net financial assets/(liabilities)	35,317	(8,719)	3,737	932	131	31,398
Less: Net financial assets denominated in the Company's functional currency	(35,317)	-	-	-	-	(35,317)
Currency exposure	-	(8,719)	3,737	932	131	(3,919)

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37. Financial risk management (continued)

- (a) Market risk (continued)
- (i) Currency risk (continued)

The Company's currency exposure is as follows: (continued)

	United States Dollar US\$'000	Singapore Dollar US\$'000	Hong Kong Dollar US\$'000	New Taiwan Dollar US\$'000	Total US\$'000
The Company					
2014					
Financial assets:					
Cash and cash equivalents	722	1,495	-	203	2,420
Trade and other receivables	14,252	1,026	-	-	15,278
Loans and receivables	33,452	6,241	932	-	40,625
Other financial assets	-	18	-	-	18
	48,426	8,780	932	203	58,341
Financial liabilities:					
Borrowings	-	(6,783)	-	-	(6,783)
Trade and other payables	(622)	(9,050)	-	(73)	(9,745)
	(622)	(15,833)	-	(73)	(16,528)
Net financial assets/(liabilities)	47,804	(7,053)	932	130	41,813
Less: Net financial assets denominated in the Company's functional currency	(47,804)	-	-	-	(47,804)
Currency exposure	-	(7,053)	932	130	(5,991)

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37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the Singapore Dollar, Korean Won, Hong Kong Dollar, Chinese Renminbi, New Taiwan Dollar, Japanese Yen, Thailand Baht and Indonesian Rupiah, strengthen/weaken against the United States Dollar by the following percentages:

	The Group	
	2015	2014
Singapore Dollar	5%	5%
Korean Won	5%	5%
Hong Kong Dollar	1%	1%
Chinese Renminbi	5%	5%
New Taiwan Dollar	5%	5%
Japanese Yen	10%	10%
Thailand Baht	10%	–
Indonesian Rupiah	10%	–

with all other variables including the tax rate being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

	2015		2014	
	Profit after income tax	Equity	Profit after income tax	Equity
	Increase/(Decrease)			
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Singapore Dollar against United States Dollar				
- strengthened	(565)	(1,806)	(478)	129
- weakened	565	1,806	478	(129)
Korean Won against United States Dollar				
- strengthened	12	247	13	132
- weakened	(12)	(247)	(13)	(132)
Hong Kong Dollar against United States Dollar				
- strengthened	(a)	(68)	(a)	(112)
- weakened	(a)	68	(a)	112

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Profit after income tax	Equity	Profit after income tax	Equity
	Increase/(Decrease)			
	2015		2014	
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Chinese Renminbi against United States Dollar				
- strengthened	38	1,941	1,670	21
- weakened	(38)	(1,941)	(1,670)	(21)
New Taiwan Dollar against United States Dollar				
- strengthened	5	(427)	6	(407)
- weakened	(5)	427	(6)	407
Japanese Yen against United States Dollar				
- strengthened	(144)	257	60	(399)
- weakened	144	(257)	(60)	399
Thailand Baht against United States Dollar				
- strengthened	11	377	–	–
- weakened	(11)	(377)	–	–
Indonesian Rupiah against United States Dollar				
- strengthened	–	351	–	–
- weakened	–	(351)	–	–

(a) Not meaningful to disclose as the figures are less than US\$1,000

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Profit after income tax	
	← Increase/(Decrease) →	
	2015	2014
	US\$'000	US\$'000
The Company		
Singapore Dollar against United States Dollar		
- strengthened	(356)	(293)
- weakened	356	293
Hong Kong Dollar against United States Dollar		
- strengthened	8	8
- weakened	(8)	(8)
New Taiwan Dollar against United States Dollar		
- strengthened	5	5
- weakened	(5)	(5)
Thailand Baht against United States Dollar		
- strengthened	305	–
- weakened	(305)	–

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to market risk of its equity securities which are classified on the consolidated statement of financial position as financial assets, at fair value through profit or loss and financial assets, available-for-sale. Financial assets, at fair value through profit or loss are listed in Singapore and Taiwan and financial asset, available-for-sale is listed in Singapore. These investments are not hedged.

If prices for equity securities listed in Singapore and Taiwan increase/decrease by 10% (2014: 10%), with all other variables including tax rate being held constant, the profit after income tax and equity will increase/decrease by:

	Profit after income tax	
	2015	2014
	US\$'000	US\$'000
The Group		
Financial assets, at fair value through profit or loss		
Listed in:		
Singapore	8	2
Taiwan	1	1
	9	3
	Equity	
	2015	2014
	US\$'000	US\$'000
Financial asset, available-for-sale		
Listed in:		
Singapore	114	–

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk mainly arises from bank borrowings and various trade and loan financing facilities. These facilities are from reputable banks with favourable interest rates available in the market. The Group has funds that are placed with reputable banks. The interest rates of these funds are at prevailing rates.

For the Group's borrowings at variable rates on which effective hedges have not been entered into, if the interest rates increase/decrease by 1% (2014: 1%) with all other variables including the tax rate being held constant, the profit after income tax will decrease/increase by approximately US\$1,524,000 (2014: US\$1,393,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

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37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates					Fixed rates		Non-interest bearing	
	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Less than 6 months	6 to 12 months	1 to 5 years		Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group									
2015									
Assets:									
Cash and cash equivalents	-	-	-	-	-	817	-	63,230	64,048
Trade and other receivables	-	-	-	-	-	-	-	179,357	179,357
Financial assets, at fair value through profit or loss	-	-	-	-	1,230	-	-	114	1,344
Financial assets, available-for-sale	-	-	-	-	-	-	-	2,654	2,654
Other financial assets	-	-	1,000	-	-	-	-	1,186	2,186
Total financial assets	-	-	1,000	-	1,231	817	-	246,541	249,589
Liabilities:									
Borrowings	161,323	6,877	17,330	2,189	350	350	1,065	12,538	202,022
Trade and other payables	-	-	-	-	-	-	-	139,467	139,467
Total financial liabilities	161,323	6,877	17,330	2,189	350	350	1,065	152,005	341,489

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37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates					Fixed rates		Non-interest bearing		Total
	Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000			
The Group										
2014										
Assets:										
Cash and cash equivalents	-	-	-	-	1	86	-	58,210	58,297	
Trade and other receivables	-	-	-	-	-	-	-	184,661	184,661	
Financial assets, at fair value through profit or loss	-	-	-	-	1,230	-	-	42	1,272	
Financial assets, available-for-sale	-	-	-	-	-	-	-	1,324	1,324	
Other financial assets	-	-	1,000	-	-	-	-	1,277	2,277	
Total financial assets	-	-	1,000	-	1,231	86	-	245,514	247,831	
Liabilities:										
Borrowings	153,289	4,300	2,158	2,536	7,152	369	1,856	6,787	178,447	
Trade and other payables	-	-	-	-	-	-	-	120,351	120,351	
Total financial liabilities	153,289	4,300	2,158	2,536	7,152	369	1,856	127,138	298,798	

NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates				Fixed rates		Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company								
2015								
Assets:								
Cash and cash equivalents	-	-	-	1	-	-	1,744	1,745
Trade and other receivables	-	4,435	-	-	-	-	5,950	10,385
Loans and receivables	-	-	36,210	-	-	6,360	-	42,570
Other financial assets	-	-	-	-	-	-	16	16
Total financial assets	-	4,435	36,210	1	-	6,360	7,710	54,716
Liabilities:								
Borrowings	1,131	1,131	10,743	-	-	-	-	13,005
Trade and other payables	-	-	4,481	-	-	-	5,832	10,313
Total financial liabilities	1,131	1,131	15,224	-	-	-	5,832	23,318

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2015

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates				Fixed rates		Non-interest bearing	Total
	Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000	Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000	US\$'000	US\$'000
The Company								
2014								
Assets:								
Cash and cash equivalents	-	-	-	1	-	-	2,419	2,420
Trade and other receivables	-	2,990	-	-	-	-	12,288	15,278
Loans and receivables	-	-	40,625	-	-	-	-	40,625
Other financial assets	-	-	-	-	-	-	18	18
Total financial assets	-	2,990	40,625	1	-	-	14,725	58,341
Liabilities:								
Borrowings	-	-	-	6,783	-	-	-	6,783
Trade and other payables	1,048	-	4,524	-	-	-	4,173	9,745
Total financial liabilities	1,048	-	4,524	6,783	-	-	4,173	16,528

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's and Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, and loans and receivables.

For trade receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit ratings based on in-house credit assessments performed in accordance to corporate credit policies and procedures and if available, professional credit reports and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables. As at the reporting date, the Group's trade receivables comprised six debtors (2014: three debtors) that individually represented 2.2% to 13.6% (2014: 3.0% to 7.4%) of the Group's total trade receivables.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective heads of operations, and finance departments and at the Group level by the corporate finance and management team.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as disclosed in Note 36(a) and as follows:

- (i) Trade receivables of the Group as at the reporting date amounting to US\$28,486,000 (2014: US\$12,120,000) are collateralised by certain assets of the customers, namely marketable security and real estates. The value of these collaterals can be obtained from available market valuation and is monitored periodically.
- (ii) The Group purchased credit insurance to reduce credit risk from extension of credit to the majority of its customers in the electronic components distribution business.

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for trade receivables is as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
By geographical areas		
Singapore	35,102	8,403
China	28,298	38,260
Hong Kong	64,451	80,985
South Korea	13,372	15,380
Japan	2,328	8,134
Taiwan	3,201	7,062
Thailand	6,225	4,224
India	2,618	2,484
Indonesia	3,417	622
Malaysia	2,070	1,924
Philippines	4,049	2,484
Vietnam	3,187	3,994
Others	3,773	2,731
	172,091	176,687

Financial assets that are neither past due nor impaired

Cash and cash equivalents that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

There is no major class of financial assets that is past due and/or impaired except for trade and other receivables. The table below is an analysis of trade and other receivables as at the reporting date:

	The Group	
	2015	2014
	US\$'000	US\$'000
Not past due and not impaired	138,691	161,089
Past due but not impaired	40,666	23,572
	179,357	184,661
Impaired trade receivables - collectively assessed	83	235
Less: Allowance for impairment	(83)	(235)
	-	-

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37. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets that are past due and/or impaired (continued)

	The Group	
	2015	2014
	US\$'000	US\$'000
Impaired trade receivables		
- individually assessed	2,204	2,115
Less: Allowance for impairment	(2,204)	(2,115)
	-	-
Impaired other receivables		
- individually assessed	252	252
Less: Allowance for impairment	(252)	(252)
	-	-
Trade and other receivables, net	179,357	184,661

Aging of trade receivables that are past due but not impaired is as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Past due:		
Not more than three months	35,046	20,363
Three to six months	1,463	1,461
Over six months	4,157	1,748
	40,666	23,572

The movement in the allowance for impairment of trade receivables is as follows:

	The Group	
	2015	2014
	US\$'000	US\$'000
Beginning of financial year	2,350	2,156
Acquisition of a subsidiary [Note 19(a)(iv)(e)]	-	189
Allowances made (Note 6)	238	1,096
Impairment written off	(273)	(1,093)
Currency translation differences	(28)	2
End of financial year (Note 12)	2,287	2,350

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37. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets that are past due and/or impaired (continued)

The movement in the allowance for impairment of other receivables is as follows:

	The Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	252	263
Currency translation differences	-	(11)
End of financial year (Note 12)	252	252

The impaired trade and other receivables are overdue amounts owing from customers which remained unpaid as at the reporting date. Accordingly there are significant uncertainties on the recovery of the amounts due from these customers.

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Cash flow				
	Carrying amount US\$'000	Contractual cash flow US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000
The Group					
2015					
Trade and other payables	139,467	139,467	139,467	-	-
Borrowings	202,022	205,153	182,415	20,333	2,405
Financial guarantee contracts	42,931	42,931	42,931	-	-
	384,420	387,551	364,813	20,333	2,405
2014					
Trade and other payables	120,351	120,351	120,351	-	-
Borrowings	178,447	180,687	171,654	6,249	2,784
Financial guarantee contracts	12,110	12,110	12,110	-	-
	310,908	313,148	304,115	6,249	2,784

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(c) Liquidity risk (continued)

	← Cash flow →		
	Carrying amount	Contractual cash flow	Less than 1 year
	US\$'000	US\$'000	US\$'000
			1 to 5 years
			US\$'000
The Company			
2015			
Trade and other payables	10,313	11,096	5,989
Borrowings	13,005	13,961	2,624
Financial guarantee contracts	212,300	212,300	212,300
	235,618	237,357	220,913
			16,444
2014			
Trade and other payables	9,745	10,378	5,380
Borrowings	6,783	6,903	6,903
Financial guarantee contracts	204,952	204,952	204,952
	221,480	222,233	217,235
			4,998

Liquidity risk is managed while maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

As at the reporting date, the Group had at its disposal cash and cash equivalents amounting to US\$64,048,000 (2014: US\$58,297,000). In addition, the Group has available unutilised short term facilities of approximately US\$105,958,000 (2014: US\$192,158,000).

The amount included for financial guarantee contracts is the maximum amount the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations as at the reporting date, the Company considers that it is unlikely that such an amount will be payable under the arrangement. However, this estimate is subjected to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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SERIAL SYSTEM LTD
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37. Financial risk management (continued)

(d) Capital risk (continued)

Management monitors capital based on a net gearing ratio. Management's strategy, which was unchanged from the financial year 2014, is to maintain a net gearing ratio not exceeding 150% for the Group and the Company.

The net gearing ratio calculated as net debts divided by total equity is as follows:

	The Group		The Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Total borrowings	202,022	178,447	13,005	6,783
Less: Cash and cash equivalents	(64,048)	(58,297)	(1,745)	(2,420)
Net debts	137,974	120,150	11,260	4,363
Total equity	119,384	122,234	103,589	102,773
Net gearing ratio	115.6%	98.3%	10.9%	4.2%

As disclosed in Note 33(a), certain overseas subsidiaries of the Group are required to contribute to and maintain a non-distributable reserves fund whose utilisation is subject to approval by the relevant authorities. The Group are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2015 and 31 December 2014, except as disclosed in Note 26(e).

38. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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SERIAL SYSTEM LTD
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38. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

The following table presents the assets and liabilities measured at fair value as at the reporting date:

	Quoted prices in active markets for identical instruments Level 1 US\$'000	Significant observable inputs other than quoted prices Level 2 US\$'000	Significant unobservable inputs Level 3 US\$'000	Total US\$'000
The Group				
2015				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	114	-	-	114
Convertible notes	-	1,230	-	1,230
Financial asset, available-for-sale				
Quoted security	1,372	-	-	1,372
Total financial assets	1,486	1,230	-	2,716
Non-financial assets				
Investment properties				
Leasehold land and buildings	-	3,215	-	3,215
Freehold buildings	-	4,105	-	4,105
Total non-financial assets	-	7,320	-	7,320
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	-	-	(768)	(768)
Contingent consideration payable	-	-	(672)	(672)
Total financial liabilities	-	-	(1,440)	(1,440)
2014				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	42	-	-	42
Convertible notes	-	1,230	-	1,230
Total financial assets	42	1,230	-	1,272
Non-financial assets				
Investment properties				
Leasehold land and buildings	-	3,441	-	3,441
Freehold buildings	-	4,219	-	4,219
Total non-financial assets	-	7,660	-	7,660
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	-	(40)	(1,399)	(1,439)
Total financial liabilities	-	(40)	(1,399)	(1,439)

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38. Fair value of assets and liabilities (continued)

(c) Level 1 fair value measurements

The fair values of quoted securities traded in active markets are based on quoted market prices as at the statement of financial position date. The quoted market prices used for the quoted securities held by the Group are the closing prices as at the statement of financial position date. These financial assets are included in Level 1.

(d) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

(i) Convertible notes

The fair values of convertible bonds that are not traded in an active market are determined by using a valuation technique. The Group uses estimated discounted cash flows technique and makes assumptions that are based on market conditions existing as at the statement of financial position date. The model incorporates various inputs including current and expected future credit losses, and market rates of interest.

(ii) Leasehold land and buildings, and freehold buildings

The valuation of investment properties is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

(iii) Foreign exchange forward contracts

The fair values of foreign exchange forward contracts that are not traded in an active market are determined using forward market exchange rates as at the statement of financial position date, with the resulting values discounted back to present value.

There was no transfer between Level 1 and Level 2 during the financial year ended 31 December 2015 and 31 December 2014.

(e) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Foreign exchange forward contracts

The fair values of currency forward contracts that are not traded in an active market are determined using forward market exchange rates as at the statement of financial position date, with the resulting value discounted back to present value.

The discounted rate used to compute the fair values of currency forward contracts is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 2.95% to 3.03% (2014: 2.89% to 3.65%). If the Group adjusted the cost of borrowings by increasing and decreasing 1%, with all other variables held constant, the carrying amount of the foreign exchange forward contracts would increase/decrease by US\$6,000 (2014: US\$10,000).

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38. Fair value of assets and liabilities (continued)

(e) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

Contingent consideration payable

The information in relation to the contingent consideration liability arising from the business acquisition is disclosed in [Note 19(a)(iii)(a)].

The determination of fair value of the contingent consideration was based on the share of forecasted net profits of the subsidiary. If the Group adjust the estimates of net profits by increasing/decreasing 5%, the carrying amount of the contingent consideration payable would increase/decrease by US\$35,000.

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the changes in Level 3 instruments:

	Foreign exchange forward contracts US\$'000	Contingent consideration payable US\$'000
The Group		
2015		
Beginning of financial year	1,399	–
Arising from business combination [Note 19(a)(iii)(a)]	–	672
Fair value gain during the year	(631)	–
End of financial year	768	672
2014		
Beginning of financial year	–	301
Fair value loss during the year	1,399	–
Reversal during the year (Note 5)	–	(316)
Currency translation differences	–	15
End of financial year	1,399	–

The Group reversed the contingent consideration in 2014 to consolidated income statement as TeamPal Enterprise Corp. did not meet the terms stated in the sales and purchase agreement.

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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38. Fair value of assets and liabilities (continued)

(e) Level 3 fair value measurements (continued)

(iii) Valuation policies and procedures

The Chief Financial Officer (“CFO”) oversees the financial reporting valuation process and is responsible for setting and documenting the valuation policies and procedures, including the measurement of Level 3 fair values.

The CFO’s office regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

The CFO reports to the Audit Committee for significant valuation issues.

(f) Assets and liabilities not carried at fair value but for which fair value is disclosed

	Quoted prices in active markets for identical instruments Level 1 US\$’000	Significant observable inputs other than quoted prices Level 2 US\$’000	Significant unobservable inputs Level 3 US\$’000	Total US\$’000	Carrying amount US\$’000
The Group					
2015					
Assets					
Investment in an associated company	6,243	–	–	6,243	5,854
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	19,765	19,765	20,540
Finance lease liabilities	–	–	39	39	44
	–	–	19,804	19,804	20,584
2014					
Assets					
Investment in an associated company	21,760	–	–	21,760	6,611
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	6,295	6,295	6,514
Finance lease liabilities	–	–	39	39	36
	–	–	6,334	6,334	6,550

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For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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38. Fair value of assets and liabilities (continued)

(f) Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

	Quoted prices in active markets for identical instruments Level 1 US\$'000	Significant observable inputs other than quoted prices Level 2 US\$'000	Significant unobservable inputs Level 3 US\$'000	Total US\$'000	Carrying amount US\$'000
The Company					
2015					
Assets					
Investment in an associated company	5,645	-	-	5,645	6,792
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	-	-	10,267	10,267	10,743
2014					
Assets					
Investment in an associated company	19,728	-	-	19,728	6,682

- (i) The fair values of bank borrowings and finance lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar types borrowing or leasing arrangements at the statement of financial position date.
- (ii) The carrying amounts of other financial assets and liabilities recognised as at 31 December 2015 and 31 December 2014, with maturity of less than one year approximate their fair values due to their short term maturities.

(g) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value:

	Carrying amount		Fair value	
	2015	2014	2015	2014
The Group	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Financial assets, available-for-sale	1,282	1,324	(i)	(i)

Fair value information has not been disclosed for the Group's financial assets, available-for-sale that are carried at cost because fair value of these equity securities cannot be measured reliably. These equity securities are not quoted on any market and there were also no recent observable arm's length transactions in the shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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39. Related party transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

During the financial year ended 31 December 2014, an interested person transaction which amounted to US\$13,574,000, being the total consideration payable by the Company to GSH Corporation Limited for the acquisition of the entire distribution and trading entity of GSH Corporation Limited, was duly approved by shareholders at the Company's extraordinary general meeting on 30 December 2014. Goi Kok Neng Ben, a non-executive director of the Company, is the son of Goi Seng Hui, a substantial shareholder of GSH Corporation Limited, and the sibling of Goi Kok Ming Kenneth, an executive director of GSH Corporation Limited. Accordingly, the said acquisition constitutes an interested person transaction for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited [Note 19 (a)(iv)].

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Sales and purchases of goods and services

	The Group	
	2015 US\$'000	2014 US\$'000
With associated companies:		
Sales of goods to associated companies	1,327	279
Purchases of goods from associated companies	190	102
Interest paid to an associated company	26	–
Interest received from an associated company	33	36
Rental received from an associated company	139	133
Fee received from an associated company	16	51
With key management personnel:		
Rental expense paid to a director of the Company	13	16
Fees paid to firms of which certain directors of the Company are members, directors or shareholders	–	112

Outstanding balances as at the reporting date arising from sales/purchases of goods and services, are set out in Note 12 and Note 24 respectively.

Sales and purchases of goods and services were carried out on commercial terms and conditions as agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

39. Related party transactions (continued)

(b) Share options granted/exercised by directors of the Company

There were no share options granted to or exercised by directors of the Company during the financial year ended 31 December 2015 and 31 December 2014. There were no outstanding share options granted to the directors of the Company at 31 December 2015 and 31 December 2014.

(c) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2015 US\$'000	2014 US\$'000
Salaries and other short-term employees' benefits	3,762	4,287
Post employment benefits contribution to defined contribution plans	70	76
	3,832	4,363

Included in the above are remuneration (including salaries, bonuses, directors' fees and other emoluments). Fees payable to Directors of the Company amounted to US\$184,000 (2014: US\$192,000).

The banding of directors' remuneration is disclosed in Note 1 of the Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual.

40. Segment information

(a) Operating segments

Management has determined the operating segments based on the reports reviewed to make strategic decisions. Management considers the business from both a geographic and business segment perspective. The Group has three reportable segments, as described below, which are the Group's strategic business units based on different products ranges targeting at different market channels.

- Electronic components distribution
- Consumer products distribution
- Other businesses

Other businesses include investment holding and trading, rental of investment properties, outdoor advertising media and hospitality solutions, ethylene oxide sterilization and assembly and distribution of medical devices, provision of laundry services in the hospitality industry and factoring and project financing.

The operating segments are formed by aggregating across the results of the Group's entities whose principal activities fall within the same operating segment as listed above. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Performance is measured based on profit before tax, as included in the internal management reports that are reviewed by the Group's CEO and CFO on a monthly basis. Profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these segments. Inter-segment transactions are determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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40. Segment information (continued)

(a) Operating segments (continued)

Segment assets comprise primarily cash and cash equivalents, trade and other receivables, inventories, financial assets at fair value through profit or loss, other current assets, loans and receivables, financial assets, available-for-sale, investments in associated companies, property, plant and equipment, investment properties, intangible assets and other assets. Segment assets exclude deferred income tax assets.

Segment liabilities comprise primarily trade and other payables, redemption liability, defined benefit plans liabilities and borrowings which can be attributable to the specific segments. Segment liabilities exclude items such as current income tax liabilities and deferred income tax liabilities.

Segment assets and liabilities are presented net of inter-segment balances.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets such as computer software license and distribution rights.

The Group has equity interests in the following associated companies as at the reporting date:

- 29.0% (2014: 31.5%) equity interest in Bull Will Co., Ltd, an entity together with subsidiaries involve in the manufacturing and sale of electronic components with focus on passive components and operating primarily in Taiwan and China.
- 45.0% (2014: 45.0%) equity interest in Globaltronics International Pte. Ltd., an entity trading in electronic and electrical components and operating primarily in Singapore.
- 20.0% (2014: 20.0%) equity interest in SPL Holdings (Australia) Pty Ltd., an entity with subsidiaries and associated companies involve in the provision of laundry services in the hospitality industry and operating primarily in Australia.
- 49.0% (2014: 49.0%) equity interest in Achieva Technology Pte. Ltd., an entity with wholly owned subsidiaries involve in distribution and marketing of information technology, computer peripherals, parts, software and related products and operating primarily in Singapore, Australia and Malaysia.
- 21.0% (2014: Nil) equity interest in Tong Chiang Group Pte. Ltd., an entity with subsidiaries involve in the business of manufacturing food products and food catering and operating primarily in Singapore.
- 21.0% (2014: Nil) equity interest each in Edith-United International Pte Ltd, Eunice Food Catering Pte. Ltd. and Imperial Kitchen Catering Pte. Ltd., entities involve in investment holding and rental of investment properties to Tong Chiang Group Pte. Ltd. and its subsidiaries.

The investments in these associated companies are accounted for by the equity method. The investments and the share of results of Bull Will Co., Ltd and Globaltronics International Pte. Ltd. are shown separately in conjunction with data for the electronic components distribution business. The investment and the share of results of Achieva Technology Pte. Ltd. are shown separately in conjunction with data for consumer products distribution business. The investments and the share of results of SPL Holdings (Australia) Pty Ltd, Tong Chiang Group Pte. Ltd, Edith-United International Pte Ltd, Eunice Food Catering Ptd. Ltd. and Imperial Kitchen Catering Pte. Ltd. are shown separately in conjunction with data for other businesses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Total US\$'000
2015				
Sales – external	1,060,859	154,814	5,889	1,221,562
Segment results - operating profit/(loss)	22,608	(1,099)	1,521	23,030
Unallocated gain	–	–	–	50
Unallocated finance income	–	–	–	371
Finance costs	(5,777)	(354)	(603)	(6,734)
Share of result of associated companies (after income tax)	(1,189)	(1,218)	835	(1,572)
Profit before income tax				15,145
Income tax expense				(3,841)
Profit after income tax				11,304
Segment assets	345,642	69,768	30,320	445,730
Investments in associated companies	5,918	1,832	10,979	18,729
Deferred income tax assets	–	–	–	662
Consolidated total assets				465,121
Segment liabilities	120,830	17,107	2,344	140,281
Borrowings	146,384	33,152	22,486	202,022
Current and deferred income tax liabilities	–	–	–	3,434
Consolidated total liabilities				345,737
Capital expenditure on property, plant and equipment	819	520	406	1,745
Capital expenditure on intangible assets (computer software license costs)	278	–	–	278
Acquisition of interests in associated companies	–	–	3,165	3,165
Acquisition of additional interests in an associated company	127	–	–	127
Depreciation of property, plant and equipment	1,620	148	797	2,565
Amortisation of computer software license costs	324	10	–	334
Amortisation of distribution rights	1,116	–	–	1,116
Fair value gain on investment properties	–	–	(205)	(205)
Impairment losses on goodwill arising from acquisition of subsidiaries	720	–	–	720
Impairment losses on trade receivables	216	14	8	238

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Total US\$'000
2014				
Sales – external	1,031,362	–	4,700	1,036,062
Segment results - operating profit	23,053	–	2,183	25,236
Unallocated gain	–	–	–	258
Unallocated finance income	–	–	–	181
Finance costs	(4,233)	–	(353)	(4,586)
Share of result of associated companies (after income tax)	(630)	(219)	617	(232)
Profit before income tax				20,857
Income tax expense				(4,708)
Profit after income tax				16,149
Segment assets	365,134	14,475	27,472	407,081
Investments in associated companies	6,611	3,392	7,370	17,373
Deferred income tax assets	–	–	–	750
Consolidated total assets				425,204
Segment liabilities	116,267	2,613	2,127	121,007
Borrowings	155,357	1,518	21,572	178,447
Current and deferred income tax liabilities	–	–	–	3,516
Consolidated total liabilities				302,970
Capital expenditure on property, plant and equipment	5,777	–	251	6,028
Capital expenditure on an investment property	926	–	–	926
Capital expenditure on intangible assets (computer software license costs)	280	–	–	280
Acquisition of interests in associated companies	3,972	–	6,826	10,798
Acquisition of additional interests in an associated company	658	–	–	658
Depreciation of property, plant and equipment	1,830	–	783	2,613
Amortisation of computer software license costs	252	–	–	252
Amortisation of distribution rights	1,722	–	–	1,722
Fair value gain on investment properties	–	–	(677)	(677)
Impairment losses on goodwill arising from acquisition of subsidiaries	988	–	–	988
Impairment losses on trade receivables	1,074	–	22	1,096
Write back of allowance for impairment losses on other receivables	(20)	–	–	(20)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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40. Segment information (continued)

(b) Geographical segments

Geographically, management manages and monitors the businesses in nine primary geographic areas: South East Asia [consisting of Singapore (the home and principal operating country of the Group), Malaysia, Thailand, Philippines, Indonesia, Vietnam and Cambodia] and India, Hong Kong and China, South Korea, Taiwan, Japan, Australia, Kazakhstan, United Arab Emirates and Bangladesh. All geographic locations are engaged in the electronic components distribution business except for Kazakhstan, United Arab Emirates, Cambodia and Bangladesh.

Consumer products distribution in South East Asia (mainly Singapore, Vietnam, Cambodia and Indonesia), and Kazakhstan, United Arab Emirates and Bangladesh were added into the Group's geographical segments subsequent to the acquisition of Serial I-Tech group on 31 December 2014.

Other businesses in South East Asia, Taiwan, China, Australia and Thailand include investment holding and trading, rental of investment properties, outdoor advertising media and hospitality solutions, ethylene oxide sterilization and assembly and distribution of medical devices and provision of laundry services in the hospitality industry and factoring and project financing.

Sales are based on the country in which the customers are located. Non-current assets are shown by the geographical area where the assets are located.

	Sales		Non-current assets*	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
The Group				
Singapore	202,674	92,719	24,636	17,323
Hong Kong	558,904	562,903	1,368	2,389
China	102,396	96,558	19,460	21,205
South Korea	154,920	127,263	6,234	7,524
Taiwan	59,406	56,079	7,451	7,709
India	37,206	18,305	11	40
Philippines	30,938	15,082	25	15
Singapore - Associated company	-	-	5,005	3,392
Taiwan - Associated company	-	-	5,919	6,611
Australia - Associated company	-	-	7,805	7,370
Thailand	18,518	28,266	6	-
Japan	15,793	25,831	284	556
United Arab Emirates	15,168	-	23	-
Indonesia	7,985	1,075	309	2
Malaysia	7,064	7,676	2	1
Others (include Vietnam, Cambodia and Kazakhstan)	10,590	4,305	669	1,196
	1,221,562	1,036,062	79,207	75,333

* Non-current assets exclude financial assets, at fair value through profit or loss, financial assets, available-for-sale and deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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40. Segment information (continued)

(c) Information about major customers

Sales of approximately US\$141,557,000 (2014: US\$138,545,000) during the financial year were derived from a single external customer. These sales were attributable to the electronic components distribution segment in Hong Kong.

41. Events after the reporting date

- (a) On 12 August 2015, the Group through its 70% owned subsidiary, Hydra & Thermal Pte. Ltd. entered into a joint venture agreement with third parties to invest a 60% equity interest in Serial Netcom Co., Ltd, an entity to be incorporated in Cambodia with an issued and paid-up capital of US\$100,000 comprising 100,000 ordinary shares of US\$1 each. The principal activity of Serial Netcom Co., Ltd is the distribution and trading of mobile phone's subscriber identity module (SIM) cards and top up cards in Cambodia. Serial Netcom Co., Ltd was consolidated with effect from 2 February 2016.
- (b) On 14 January 2016, the Group's 70% owned subsidiary, Hydra & Thermal Pte. Ltd. entered into a sales and purchase agreement with third parties to acquire a 100% equity interest in Hydra & Thermal International (Cambodia) Co., Ltd ("Hydra Cambodia"), formerly known as Sear-R Corporation. Ltd, a company incorporated in Cambodia, for a total cash consideration of US\$1. The principal activity of Hydra Cambodia is the distribution of consumer electronic products and household appliances. Details of the assets acquired and liabilities assumed, revenue and profit contribution of Hydra Cambodia and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue, pending fulfilment of the conditions precedent as set out in the sales and purchase agreement.
- (c) On 27 January 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 51% equity interest in Achieva Technology Pte Ltd, its 49% owned associated company, from an existing shareholder for a total consideration of S\$2,387,000 (US\$1,680,000). Achieva Technology Pte Ltd and its wholly owned subsidiaries, Achieva Technology Sdn. Bhd., incorporated in Malaysia and Achieva Technology Australia Pty Ltd, incorporated in Australia (collectively referred to as "Achieva Technology group") became the wholly owned subsidiaries of the Group upon completion of the acquisition. The fair value of the Group's share of identifiable net assets of Achieva Technology group attributable to the additional 51% equity interest at the date of acquisition amounted to approximately S\$2,873,000 (US\$2,025,000). Achieva Technology group was consolidated with effect from 27 January 2016. The purchase consideration approximated US\$1,680,000. The total assets acquired and total liabilities assumed, approximated to US\$19,584,000 and US\$15,614,000 respectively and these included the acquired receivables of US\$8,160,000 which approximated its fair values and the Group expects them to be collectible. There was no significant acquisition costs incurred by the Group for the acquisition of Achieva Technology group. Had the acquired business been consolidated from 1 January 2015, consolidated revenue and consolidated profit for the financial year ended 31 December 2015 would have been US\$1,291,050,000 and US\$10,238,000 respectively.
- (d) On 2 February 2016, the Group's investment in financial asset, available-for-sale, a 14.29% equity interest in Unitron Tech Co., Limited [Note 17(c)] was listed on the Korean Securities Dealers Automated Quotations (KOSDAQ) of Korea Exchange. As at 2 February 2016, the Group has an equity interest of 12.08% in Unitron Tech Co., Limited. Upon the listing, the Group disposed 0.27% of the equity interest in Unitron Tech Co., Limited for a consideration of approximately US\$141,000. The market value of the remaining 11.81% equity interests held by the Group as of 28 March 2016 amounted to approximately US\$6,852,000. This resulted in a fair value gain subsequent to the reporting date of approximately US\$6,559,000 to be taken into fair value reserve within equity in the financial year ending 31 December 2016.

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41. Events after the reporting date (continued)

- (e) On 21 March 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte Ltd increased its investment in associated company, SPL Holdings (Australia) Pty Ltd ("SPL Holdings"), a company principally engaged in providing laundry services in the hospitality industry in Australia, from 20.00% to 27.34% pursuant to a rights issue undertaken by SPL Holdings to finance SPL Holdings' expansion and acquisition. SCE Enterprise Pte Ltd has subscribed fully its entitlement of 1,665,684 shares and an additional 3,559,446 shares of SPL Holdings ("SPL Subscription") not taken up by other existing shareholders at the subscription price of AUD1.26 (US\$0.96) per share totalling about AUD\$6.6 million (US\$5.0 million).
- (f) On 24 March 2016, the Group announced that its 91% owned subsidiary, Serial Microelectronics (HK) Limited has incorporated a wholly owned subsidiary, Serial Microelectronics (Beijing) Co., Ltd in China with an intended registered capital of RMB10,000,000 (US\$1,523,000). The principal activity of Serial Microelectronics (Beijing) Co., Ltd is the distribution of electronic and electrical components.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors of Serial System Ltd on 28 March 2016.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 31 December 2015

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1. Directors' remuneration

The following information relates to remuneration of directors of the Company during the financial year:

	2015	2014
Number of directors of the Company in remuneration bands:		
S\$1,750,000 to S\$1,999,999	–	1
S\$1,500,000 to S\$1,749,999	1	–
S\$0 to S\$249,999	5	5
Total	6	6

2. Auditors' remuneration

The following information relates to remuneration of auditors of the Company and the Group during the financial year:

	2015 US\$'000	2014 US\$'000
Auditors' remuneration paid/payable to:		
auditors of the Company	220	202
other auditors*	170	171
Other fees paid/payable to other auditors*	13	23

* Includes Moore Stephens firms of Moore Stephens International Limited outside Singapore

3. Risk management

(a) Operational risk

The Group's electronic components distribution business, consumer products distribution and other businesses face constant market risks from technology obsolescence, competition, business and market condition changes. As the Group is engaged in a wide range of products and has a good mix of business serving various industries, it is unlikely that there is a significant concentration of risks in any particular area. The Group operates primarily in Singapore, Hong Kong, China, South Korea, Taiwan, Japan, Malaysia, Australia, Thailand, Philippines, India, Indonesia, Vietnam, Cambodia, United Arab Emirates, Bangladesh and Kazakhstan. The Group has no reasons to believe these countries are politically unstable. The Group's corporate management team oversees and manages the operations closely with regular business reviews and meetings with operation executives.

(b) Investment risk

The Group invests to enhance growth as well as for strategic alliances. The corporate management team and key executives of its subsidiaries constantly review its investment portfolios. The Group's independent directors serve as advisors and collectively the board of directors of the Company reviews and approves all investment decisions. Impairment in investment is constantly reviewed and necessary allowances are made as recommended where applicable.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 31 December 2015

SERIAL SYSTEM LTD
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3. Risk management (continued)

(b) Investment risk (continued)

As in all business acquisitions, there is always an adjustment period before the systems of the new business can be fully integrated into the Group's operations. To minimise disruption and to ensure continuity in the operations of the Group's acquired entities after the acquisitions, the Group takes appropriate steps to ensure minimum disruptions to the existing business structure of the acquired entities and that key personnel will continue to be employed by the Group where appropriate.

4. Material contracts

There is no material contract entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder of the Company, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

5. Investment Properties

Major properties of the Group held for investment as at 31 December 2015 were:

Location	Description	Existing Use	Tenure	Unexpired term of lease
3rd Floor 8 Ubi View Serial System Building Singapore	1 storey of a 5-storey light industrial building	Commercial	Leasehold	43 years
3rd Floor No.193,195,197,199, Ruei Hu Street Neihu,Taipei Taiwan	1 storey of a 5-storey commercial building	Commercial	Freehold	–
Room 515 Building B3, Fortune Plaza No. 3 Shinhua Road Futian Free Trade Zone Futian district, Shenzhen City China.	1 office unit of a 7-storey commercial building	Commercial	Leasehold	28 years

STATISTICS OF SHAREHOLDINGS

As at 28 March 2016

SERIAL SYSTEM LTD

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	US\$ 72,648,475
Issued and Fully Paid-Up Capital (excluding Treasury Shares)	:	US\$ 71,912,470
Number of Issued Shares (excluding Treasury Shares)	:	895,841,914
Number/Percentage of Treasury Shares	:	9,946,000 (1.11%)
Class Of Shares	:	Ordinary share
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	369	6.43	6,926	0.00
100 - 1,000	669	11.66	410,304	0.05
1,001 - 10,000	2,550	44.45	11,264,984	1.26
10,001- 1,000,000	2,101	36.62	135,360,602	15.11
1,000,001 and above	48	0.84	748,799,098	83.58
Total	5,737	100.00	895,841,914	100.00

Top Twenty Largest Shareholders

Name of Shareholder	Number of Shares	%
Derek Goh Bak Heng	115,919,054	12.94
Goi Seng Hui	99,151,038	11.07
Hong Leong Finance Nominees Pte Ltd	82,526,500	9.21
Maybank Nominees (S) Pte Ltd	80,117,000	8.94
UOB Nominees (2006) Pte Ltd	51,334,016	5.73
Raffles Nominees (Pte) Ltd	48,308,528	5.39
Goh Tiong Yong	31,712,500	3.54
Tee Yih Jia Food Manufacturing Pte Ltd	24,862,800	2.77
Ho Yung	24,576,200	2.74
OCBC Securities Private Ltd	16,495,266	1.84
DBS Nominees Pte Ltd	15,665,449	1.75
Wang Jing	15,188,000	1.70
United Overseas Bank Nominees Pte Ltd	11,911,068	1.33
Chin Yeow Hon	11,142,842	1.24
Kim Sang Yeol	10,807,920	1.21
Tan Cheng Hwee	9,000,000	1.00
Yu Jie	8,649,064	0.97
Philip Securities Pte Ltd	8,096,011	0.90
Bank of Singapore Nominees Pte Ltd	7,959,121	0.89
Goh Lip Ming	7,500,000	0.84
Total	680,922,377	76.00

Substantial Shareholders

(including shares held under nominees accounts)

Name of Substantial Shareholder	Direct Interest Number of Shares	Deemed Interest Number of Shares	Total Interest Number of Shares	%
Derek Goh Bak Heng	355,132,070	–	355,132,070	39.64
Goi Seng Hui	99,151,038	24,862,800*	124,013,838	13.84

* Goi Seng Hui is deemed to have an interest in 24,862,800 shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited. As at 28 March 2016, approximately 42.01% of the Company's ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Serial System Ltd (the “Company”) will be held at 8 Ubi View #05-01 Serial System Building Singapore 408554, on Friday, 22 April 2016 at 11.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 and the Directors’ Statement and the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To declare a one-tier tax-exempt Final Cash Dividend of S\$0.50 cent per ordinary share for the financial year ended 31 December 2015 (2014: One-tier tax-exempt Final Cash Dividend of S\$0.75 cent per ordinary share). **(Resolution 2)**
3. To approve the payment of Directors’ Fees of S\$252,000 (US\$184,000) for the financial year ended 31 December 2015 [2014: S\$243,000 (US\$192,000)]. **(Resolution 3)**
4. To re-elect Mr. Tan Lye Heng Paul as Director, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association.

Mr. Tan Lye Heng Paul will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. **(Resolution 4)**
5. To re-elect Mr. Goi Kok Neng Ben as Director, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association.

Mr. Goi Kok Neng Ben will, upon re-election as a Director of the Company, remain a Non-Executive Director of the Company and will be considered non-independent. **(Resolution 5)**
6. To re-appoint Messrs Moore Stephens LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting, and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution No. 7, Resolution No. 8 and Resolution No. 9 as Ordinary Resolutions:

7. Share Issue Mandate

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares (“Shares”) whether by way of rights, bonus or otherwise, and/or grant offers, agreements of options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the share capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options outstanding at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the term of such convertible securities.

(See Explanatory Note (i) below)

(Resolution 7)

8. Authority to offer and grant share options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant share options in accordance with the provisions of the Serial System Employee Share Option Scheme 2014 (the "2014 Scheme"), and to allot and issue from time to time such number of Shares in the Company as may be required to be issued pursuant to the exercise of share options granted under the 2014 Scheme, provided that the aggregate number of Shares issued and issuable pursuant to the 2014 Scheme, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per centum (15%) of the total issued share capital of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.

(See Explanatory Note (ii) below)

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

9. Proposed renewal of the Share Buyback Mandate

THAT:

- (a) for the purposes of the Companies Act, Chapter 50 of Singapore (the “Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) market purchases (each a “Market Purchase”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or
- (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws, regulations and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buyback Mandate”);

- (b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next annual general meeting of the Company is held or is required by law to be held;
- (ii) the date on which the share buybacks have been carried out to the full extent of the Share Buyback Mandate; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

- (c) in this Resolution:

“Prescribed Limit” means 80,632,791 Shares;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See Explanatory Note (iii) below)

(Resolution 9)

- 10. To transact any other ordinary business which may be properly transacted at an Annual General Meeting of the Company.

By Order of the Board

Alex Wui Heck Koon

Company Secretary

Singapore

7 April 2016

Explanatory Notes on Special Business to be transacted:

- (i) The proposed Ordinary Resolution No.7, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to allot and issue ordinary shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options outstanding at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- (ii) The proposed Ordinary Resolution No.8, if passed, will empower the Directors of the Company to offer and grant share options under the 2014 Scheme (which was approved at an Extraordinary General Meeting of the Company held on 26 April 2014) and to allot and issue Shares pursuant to the exercise of share options under the 2014 Scheme up to an amount which, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.
- (iii) The proposed Ordinary Resolution No.9, if passed, will authorise the Directors of the Company from the date of the above Annual General Meeting to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Buyback Mandate does not exceed the Prescribed Limit, and at such price or prices as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Appendix 1 enclosed together with the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

Notes:-

1. The Chairman of the Annual General Meeting will be exercising his right under Article 59 of the Company's Articles of Association to demand a poll in respect of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, the resolutions at the Annual General Meeting will be voted on by way of poll.
2. A member of the Company (other than a relevant intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company (other than a relevant Intermediary*) appoints more than one proxy, the proportion of shares to be represented by each proxy must be stated.
3. A relevant intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. A member of the Company which is a corporation is entitled to appoint its authorized representative or proxies to vote on its behalf. If the member is a corporation, the instrument appointing a proxy must be executed under common seal or the hand of its duly authorized officer or attorney.
5. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 8 Ubi View #05-01 Serial System Building Singapore 408554 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in order for the proxy or proxies to be entitled to attend and vote at the Annual General Meeting.
6. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for the holding of the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

*A relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the proxy(ies) and/or representative(s) appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

SERIAL SYSTEM LTD

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2016 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building Singapore 048544 up to 5.00 p.m. on 5 May 2016 will be registered to determine shareholders' entitlements to the proposed dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 5 May 2016 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting to be held on 22 April 2016, will be paid on 20 May 2016.

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
7 April 2016

APPENDIX TO SHAREHOLDERS DATED 7 APRIL 2016**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This Appendix is circulated to the shareholders (the “**Shareholders**”) of Serial System Ltd (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2015 (the “**Annual Report 2015**”). Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders’ approval for, the renewal of the Share Buyback Mandate (as defined in this Appendix) to be tabled at the annual general meeting of the Company to be held on Friday, 22 April 2016 at 11.00 a.m. at 8 Ubi View #05-01 Serial System Building Singapore 408554.

The ordinary resolution proposed to be passed in respect of the above matter is set out in the Notice of annual general meeting. The Notice of the annual general meeting and a proxy form are enclosed with the Annual Report 2015.

Your attention is drawn to page 194 of this Annual Report 2015 in respect of actions to be taken if you wish to attend and vote at the annual general meeting.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

If you have sold all your Shares (as defined in this Appendix), you should immediately forward this Appendix, the Annual Report 2015 and proxy form to the purchaser or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

**SERIAL SYSTEM LTD**

(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

APPENDIX TO SHAREHOLDERS**IN RELATION TO****THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

DEFINITIONS

For the purpose of this Appendix, the following definitions have, where appropriate, been used:

“2011 EGM”	:	The extraordinary general meeting of the Company held on 23 April 2011
“2016 AGM”	:	The annual general meeting of the Company to be held on Friday, 22 April 2016 at 11.00 a.m. at 8 Ubi View #05-01 Serial System Building Singapore 408554, notice of which is enclosed with the Annual Report 2015
“AGM”	:	The annual general meeting of the Company
“Annual Report 2015”	:	The annual report of the Company for FY2015
“Approval Date”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“Associates”	:	Shall bear the meaning assigned to it by the Listing Manual
“Average Closing Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Board”	:	The board of the Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Company”	:	Serial System Ltd
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company
“date of the making of the offer”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Directors”	:	Directors of the Company for the time being
“EPS”	:	Earnings per Share
“Full Share Purchase”	:	Has the meaning ascribed to it in Section 1.9.4.2 of this Appendix
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	28 March 2016, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(a) of this Appendix
“Maximum Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix

“Memorandum”	:	The Memorandum of Association of the Company
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(b) of this Appendix
“Ordinary Resolution”	:	The ordinary resolution relating to the renewal of the Share Buyback Mandate, as set out in the Notice of the 2016 AGM
“Prescribed Limit”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“public”	:	Persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Group, and their Associates
“Registrar”	:	Has the meaning ascribed to it in Section 1.10 of this Appendix
“Relevant Period”	:	The period commencing from the date the last AGM was held or was required by law to be held before the resolution relating to the renewal of the Share Buyback Mandate is passed, and expiring on the date the next AGM is or is required by law to be held, whichever is the earlier, after the said resolution is passed
“Securities Account”	:	Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The general mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Section 1 of this Appendix
“Shareholders”	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	The Securities Industry Council
“subsidiaries”	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and “subsidiary” shall be construed accordingly
“Substantial Shareholder”	:	A Shareholder whose interests in the Company’s issued share capital is equal to or more than 5%
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
Currencies and others		
“S\$”, “\$” and “cents”	:	Singapore dollars and cents respectively
“US\$”	:	United States dollar, being the lawful currency of the United States of America
“%” or “per cent”	:	Per centum or percentage

Any reference in this Appendix to: (a) Dr. Derek Goh shall refer to Dr. Derek Goh Bak Heng; (b) Mr. Sean Goh shall refer to Mr. Sean Goh Su Teng; and (c) Mr. Sean Goh's spouse shall refer to Mdm. Ho Chi Chia Brenda, respectively.

The terms "**Depositor**", "**Depository Register**" and "**Depository Agent**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term "**treasury share**" shall have the meaning ascribed to it in Section 4 of the Companies Act.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Appendix is a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

SERIAL SYSTEM LTD
(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

Directors :

Dr. Derek Goh Bak Heng (Executive Chairman and Group CEO)
Mr. Tan Lye Heng Paul (Non-Executive and Lead Independent Director)
Mr. Ravindran s/o Ramasamy (Non-Executive and Independent Director)
Mr. Lee Teck Leng Robson (Non-Executive and Independent Director)
Mr. Goi Kok Neng Ben (Non-Executive Director)

Registered Office :

8 Ubi View #05-01
Serial System Building
Singapore 408554

7 April 2016

To: The Shareholders of Serial System Ltd

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

Dear Shareholder,

1. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1.1 Introduction

The purpose of this Appendix is to provide Shareholders with the relevant information pertaining to, and to seek Shareholders' approval at the 2016 AGM to be held on 22 April 2016 for, *inter alia*, the renewal of the Share Buyback Mandate.

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Memorandum and Articles of Association of the Company and such other laws and regulations as may for the time being be applicable.

At the 2011 EGM, the Shareholders had approved the Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares. The mandate was last renewed at the AGM held on 29 April 2015, and will unless renewed again, expire on the date of the 2016 AGM.

In this regard, approval is now being sought from Shareholders for the renewal of the Share Buyback Mandate at the 2016 AGM. An ordinary resolution will be proposed, pursuant to which authority will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate.

If approved, the renewal of the Share Buyback Mandate will take effect from the date of the 2016 AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

The SGX-ST takes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

1.2 Rationale

The Directors are of the view that a share buyback, conducted at an appropriate price level, may enhance the return on equity of the Group and increase Shareholders' value. Share buybacks are a cost-efficient and effective method of returning to the Shareholders surplus cash over and above the Company's ordinary capital requirements, and provide the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA value per Share.

The Directors are also of the view that share buybacks may help mitigate short-term market volatility and offset the effects of short-term speculation, as well as bolster the confidence of Shareholders.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via Market Purchases or Off-Market Purchases, after taking into account the amount of cash available and the prevailing market conditions. The Directors do not propose to carry out Share Buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity, the orderly trading of the Shares and/or the financial position of the Group, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Directors, are from time to time appropriate for the Company.

1.3 Terms of the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

1.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The Companies Act provides that the total number of shares that may be purchased or acquired by a company shall not exceed that number of shares representing not more than 10% of the issued ordinary share capital of the company (excluding treasury shares) as at the date of the general meeting at which the renewal of its share buyback mandate is approved (the “**Approval Date**”) (unless the company has effected a reduction of the share capital of the company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the company shall be taken to be the number of the issued ordinary shares of the company as altered, excluding any treasury shares that may be held by the company from time to time). Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, assuming that the Company has 895,841,914 Shares as at the date of the 2016 AGM (being the number of Shares as at the Latest Practicable Date, excluding treasury shares and assuming no change in the number of Shares on or prior to the date of the 2016 AGM), not more than 89,584,191 Shares representing approximately 10% of the Company’s existing issued ordinary share capital (excluding treasury shares) may be purchased or acquired by the Company, pursuant to the limits set out in the Companies Act.

Notwithstanding the above, subject to the limits under Section 761(1) of the Companies Act in respect of a company’s shares held in treasury, the maximum number of Shares that the Company can purchase or acquire and hold in treasury (assuming no change in the number of Shares held in treasury on or prior to the 2016 AGM) will be 80,632,791 Shares, instead of the aforesaid 10% of the total number of issued Shares (excluding treasury shares), i.e. 89,584,191 Shares. As such, the Company is seeking a Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares of up to a maximum of 80,632,791 Shares (the “**Prescribed Limit**”) at the 2016 AGM. Please refer to Section 1.7.2 of this Appendix for further details.

1.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (a) the date on which the next AGM of the Company is held or is required by law to be held;
- (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in general meeting.

1.3.3 Manner of purchase of Shares

Purchases of Shares may be made by way of, *inter alia*:

- (a) on-market purchases (“**Market Purchase**”) transacted on the SGX-ST through the SGX-ST’s trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of shares are to be made to every person who holds shares to purchase or acquire the same percentage of their shares;
- (b) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buyback;
- (d) the consequences, if any, of Share Buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

1.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

1.4 **Status of purchased Shares under the Share Buyback Mandate**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

1.5 **Treasury shares**

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

1.5.1 Maximum holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of Shares.

In the event that the number of treasury shares held by the Company exceeds 10% of the total number of Shares, the Company shall dispose of or cancel the excess Shares within six (6) months of the day on which such contravention occurs, or such further period as the Registrar of Companies may allow.

1.5.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company’s assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

1.5.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Pursuant to Rule 704(28) of the Listing Manual, the Company will immediately announce any sale, transfer, cancellation and/or use of treasury shares, including the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) the number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

1.6 Sources of funds for Share Buyback

The Companies Act permits the Company to make payment, pursuant to the purchase or acquisition of its own Shares, out of capital as well as from its distributable profits, so long as the Company is solvent. The Companies Act provides that a Company is solvent if at the date of the relevant payment, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if
 - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal resources, external borrowings or a combination of both to finance purchases or acquisitions of Shares pursuant to the Share Buyback Mandate.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group's working capital, current dividend policy and/or ability to service its debts would be adversely affected.

1.7 Financial effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2015, are based on the following principal assumptions:

- (a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2015 for the purpose of computing the financial effects on the EPS of the Group and the Company;
- (b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2015 for the purpose of computing the financial effects on the Shareholders' equity, NTA per Share, gearing and current ratio of the Group and the Company; and
- (c) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

1.7.1 Purchase or acquisition out of capital or profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of profits, such amounts will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by such amounts. The total amount of the purchase or acquisition price shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits.

1.7.2 Number of Shares acquired or purchased

Assuming there is no change in the number of Shares, and the number of Shares held in treasury on or prior to the date of the 2016 AGM:

- (i) as at the Latest Practicable Date, the Company has 895,841,914 issued Shares (excluding treasury shares);
- (ii) the Company may purchase or acquire up to 89,584,191 Shares under the Companies Act (being 10% of its issued Shares (excluding treasury shares));
- (iii) as at the Latest Practicable Date, the Company has 9,946,000 Shares held in treasury;
- (iv) the Company may hold up to 90,578,791 Shares in treasury (being 10% of its total number of Shares) pursuant to Section 76(1) of the Companies Act;
- (v) the Company may purchase or acquire up to 80,632,791 Shares under the renewed Share Buyback Mandate to be held as treasury shares.

As at the Latest Practicable Date, no Shares are reserved for issue by the Company.

For illustrative purposes, the Company has assumed that it will only purchase or acquire up to 80,632,791 Shares under the Share Buyback Mandate, to be held as treasury shares or cancelled.

1.7.3 Maximum price paid for Shares acquired or purchased

In the case of Market Purchases by the Company:

Assuming the Company purchases or acquires 80,632,791 Shares at the maximum price of S\$0.130 (equivalent to US\$0.093) for one (1) Share (being the price equivalent to 5% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 80,632,791 Shares is approximately US\$7,498,850.

In the case of Off-Market Purchases by the Company:

Assuming the Company purchases or acquires 80,632,791 Shares at the maximum price of S\$0.149 (equivalent to US\$0.106) for one (1) Share (being the price equivalent to 20% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 80,632,791 Shares is approximately US\$8,547,076.

1.7.4 Illustrative financial effects

For illustrative purposes only, and on the basis of the assumptions set out below, the financial effects of the:

- (i) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and held as treasury shares; and
- (ii) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and cancelled,

on the audited financial statements of the Group and the Company for FY2015 are set out in the sections below.

The financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of profits are similar to that of purchases made out of capital. Therefore, only the financial effects of the acquisition of the Shares pursuant to the Share Buyback Mandate by way of purchases made out of capital are set out in this Appendix.

Scenario 1(A)

Market Purchases of 80,632,791 Shares out of capital and held in treasury

As at 31 December 2015	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(736)	(8,235)	(736)	(8,235)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(557)	(557)	–	–
Fair Value Reserve	(1,353)	(1,353)	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(718)	(718)	–	–
Currency Translation Reserve	(1,498)	(1,498)	17,589	17,589
Retained Earnings	46,680	46,680	13,908	13,908
Non-Controlling Interests	3,583	3,583	–	–
Shareholders' Equity	119,384	111,885	103,589	96,090
NTA	103,490	95,991	103,045	95,546
Current Assets	382,585	378,836	12,180	8,431
Current Liabilities	324,141	327,890	8,592	12,341
Working Capital	58,444	50,946	3,588	(3,910)
Total Borrowings ⁽¹⁾	202,022	205,771	13,005	16,754
Cash and Cash Equivalents ⁽¹⁾	64,048	60,299	1,745	(2,004)
Net Profit	11,035	11,035	8,018	8,018
Number of Shares ⁽²⁾	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	11.55	11.78	11.50	11.72
Basic EPS (US\$ cents) ⁽³⁾	1.23	1.35	0.90	0.98
Gearing % ⁽⁴⁾	169	184	13	17
Current Ratio (times) ⁽⁵⁾	1.18	1.16	1.42	0.68

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 90,578,791 Shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2016 AGM.
- (3) EPS is computed based on FY2015 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 1(B)

Off-Market Purchases of 80,632,791 Shares out of capital and held in treasury

As at 31 December 2015	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(736)	(9,283)	(736)	(9,283)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(557)	(557)	–	–
Fair Value Reserve	(1,353)	(1,353)	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(718)	(718)	–	–
Currency Translation Reserve	(1,498)	(1,498)	17,589	17,589
Retained Earnings	46,680	46,680	13,908	13,908
Non-Controlling Interests	3,583	3,583	–	–
Shareholders' Equity	119,384	110,837	103,589	95,042
NTA	103,490	94,943	103,045	94,498
Current Assets	382,585	378,311	12,180	7,906
Current Liabilities	324,141	328,415	8,592	12,866
Working Capital	58,444	49,896	3,588	(4,960)
Total Borrowings ⁽¹⁾	202,022	206,296	13,005	17,279
Cash and Cash Equivalents ⁽¹⁾	64,048	59,774	1,745	(2,529)
Net Profit	11,035	11,035	8,018	8,018
Number of Shares ⁽²⁾	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	11.55	11.65	11.50	11.59
Basic EPS (US\$ cents) ⁽³⁾	1.23	1.35	0.90	0.98
Gearing % ⁽⁴⁾	169	186	13	18
Current Ratio (times) ⁽⁵⁾	1.18	1.15	1.42	0.61

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 90,578,791 Shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2016 AGM.
- (3) EPS is computed based on FY2015 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(A)

Market Purchases of 80,632,791 Shares out of capital and cancelled

As at 31 December 2015	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	65,149	72,648	65,149
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(557)	(557)	–	–
Fair Value Reserve	(1,353)	(1,353)	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(718)	(718)	–	–
Currency Translation Reserve	(1,498)	(1,498)	17,589	17,589
Retained Earnings	46,680	46,680	13,908	13,908
Non-Controlling Interests	3,583	3,583	–	–
Shareholders' Equity	119,384	111,885	103,589	96,090
NTA	103,490	95,991	103,045	95,546
Current Assets	382,585	378,836	12,180	8,431
Current Liabilities	324,141	327,890	8,592	12,341
Working Capital	58,444	50,946	3,588	(3,910)
Total Borrowings ⁽¹⁾	202,022	205,771	13,005	16,754
Cash and Cash Equivalents ⁽¹⁾	64,048	60,299	1,745	(2,004)
Net Profit	11,035	11,035	8,018	8,018
Number of Shares ⁽²⁾	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	11.55	11.78	11.50	11.72
Basic EPS (US\$ cents) ⁽³⁾	1.23	1.35	0.90	0.98
Gearing % ⁽⁴⁾	169	184	13	17
Current Ratio (times) ⁽⁵⁾	1.18	1.16	1.42	0.68

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 80,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2016 AGM.
- (3) EPS is computed based on FY2015 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(B)

Off-Market Purchases of 80,632,791 Shares out of capital and cancelled

As at 31 December 2015	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	64,101	72,648	64,101
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(557)	(557)	–	–
Fair Value Reserve	(1,353)	(1,353)	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(718)	(718)	–	–
Currency Translation Reserve	(1,498)	(1,498)	17,589	17,589
Retained Earnings	46,680	46,680	13,908	13,908
Non-Controlling Interests	3,583	3,583	–	–
Shareholders' Equity	119,384	110,837	103,589	95,042
NTA	103,490	94,943	103,045	94,498
Current Assets	382,585	378,311	12,180	7,906
Current Liabilities	324,141	328,415	8,592	12,866
Working Capital	58,444	49,896	3,588	(4,960)
Total Borrowings ⁽¹⁾	202,022	206,296	13,005	17,279
Cash and Cash Equivalents ⁽¹⁾	64,048	59,774	1,745	(2,529)
Net Profit	11,035	11,035	8,018	8,018
Number of Shares ⁽²⁾	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	11.55	11.65	11.50	11.59
Basic EPS (US\$ cents) ⁽³⁾	1.23	1.35	0.90	0.98
Gearing % ⁽⁴⁾	169	186	13	18
Current Ratio (times) ⁽⁵⁾	1.18	1.15	1.42	0.61

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 80,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2016 AGM.
- (3) EPS is computed based on FY2015 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for FY2015 and is not necessarily representative of future financial performance.

Although the Share Buyback Mandate would authorise the Company to purchase or acquire Shares up to the Prescribed Limit, the Company may not necessarily purchase or acquire or be able to purchase or acquire Shares up to the Prescribed Limit. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

1.8 Listing status of the Shares

Rule 723 of the Listing Manual requires a listed company to ensure that at least 10% of its total number of issued shares excluding treasury shares must be held by public shareholders. As at the Latest Practicable Date, approximately 42.01% of the issued Shares (excluding treasury shares) are held by public Shareholders. As at the Latest Practicable Date and assuming the Company undertakes purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate, approximately 36.28% of the issued Shares (excluding treasury shares) will be held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

1.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

1.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

1.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to the instructions of that individual, companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, a company is an "associated company" of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

1.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. The Directors and their concert parties will be exempted from the obligation to make a take-over offer subject to certain conditions, including, *inter alia*, the submission by each of the Directors of an executed form prescribed by the SIC within seven (7) days of the passing of the resolution to authorise the renewal of the Share Buyback Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be obliged to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buyback Mandate.

1.9.4 Application of the Take-over Code

Details of the holdings in Shares by the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date are set out in Section 2 below.

1.9.4.1 *Dr. Derek Goh, Mr. Sean Goh and Mr. Sean Goh's spouse*

For the purposes of the Take-over Code, Dr. Derek Goh, our Executive Chairman and Group Chief Executive Officer, Mr. Sean Goh, Dr. Derek Goh's cousin and our Senior Vice President of Corporate Planning, Development and Regional Marketing, and Mr. Sean Goh's spouse, may be presumed to be acting in concert.

As at the Latest Practicable Date, the combined shareholding of Dr. Derek Goh, Mr. Sean Goh and Mr. Sean Goh's spouse in the Company amounts to 355,970,370 Shares, representing approximately 39.74% of the issued Shares (excluding treasury shares) of the Company.

Dr. Derek Goh, Mr. Sean Goh and Mr. Sean Goh's spouse have not purchased any Shares in the six (6) months preceding the Latest Practicable Date.

1.9.4.2 *Consequence of Share Buybacks*

Based on 895,841,914 issued Shares of the Company (excluding treasury shares) as at the Latest Practicable Date, the exercise in full of the Share Buyback Mandate up to the Prescribed Limit would result in the purchase of 80,632,791 Shares.

If the exercise in full of the Share Buyback Mandate by the Company ("**Full Share Purchase**") causes the aggregate voting rights of Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, to increase by more than 1% (assuming such increases occur within six (6) months), Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, would thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

Based on the direct holdings of Shares of Dr. Derek Goh, Mr. Sean Goh and Mr. Sean Goh's spouse as at the Latest Practicable Date and assuming that:

- (a) the Company undertakes Share Buybacks under the Share Buyback Mandate up to the Prescribed Limit as permitted by the Share Buyback Mandate;
- (b) there is no change in Dr. Derek Goh's, Mr. Sean Goh's or Mr. Sean Goh's spouse's direct holdings of Shares between the Latest Practicable Date and the date of the 2016 AGM;
- (c) there is no change in Dr. Derek Goh's, Mr. Sean Goh's or Mr. Sean Goh's spouse's direct holdings of Shares between the date of the 2016 AGM and the date of the Full Share Purchase,

the aggregate voting rights of Dr. Derek Goh in the Company will increase from approximately 39.64% to approximately 43.56%, and the aggregate voting rights of Dr. Derek Goh, Mr. Sean Goh and Mr. Sean Goh's spouse in the Company will increase from approximately 39.74% to approximately 43.67%.

In such event, Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, will, unless exempted, thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

1.9.4.3 *Exemption under Section 3(a) of Appendix 2 of the Take-over Code*

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, would be eligible to be exempted from the obligation to make a general offer for the Company under Rule 14 of the Take-over Code as a result of the Company buying back its Shares pursuant to the renewed Share Buyback Mandate, subject to the following conditions:

- (a) the Letter to Shareholders on the Ordinary Resolution to contain advice to the effect that by voting to approve the renewal of the Share Buyback Mandate, Shareholders are waiving their rights to a general offer at the required price from Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, who, as a result of the Share Buybacks, would increase their voting rights by more than 1% in any period of six (6) months;
- (b) the Letter to Shareholders discloses the names of Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, and their voting rights at the time of the 2016 AGM and after the Company exercises the renewed Share Buyback Mandate in full;
- (c) the Ordinary Resolution is approved by a majority of those Shareholders present and voting at the 2016 AGM on a poll who could not become obliged to make a general offer for the Company as a result of the Company purchasing Shares under the Share Buyback Mandate;

- (d) Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, will abstain from voting on the Ordinary Resolution in respect of all their Shares as of the date of the 2016 AGM and/or abstain from making a recommendation to Shareholders to vote in favour of the Ordinary Resolution;
- (e) within seven (7) days after the passing of the Ordinary Resolution, Dr. Derek Goh to submit to the SIC a duly signed form as prescribed by the SIC; and
- (f) Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, together holding between 30% and 50% of the Company's voting rights, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:
 - (i) the date on which authority for the renewed Share Buyback Mandate expires; and
 - (ii) the date on which the Company announces it has (A) bought back such number of Shares as authorised by Shareholders at the 2016 AGM, or (B) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

If the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, increase by more than 1% solely as a result of the Company buying back Shares as authorised by the Share Buyback Mandate, and none of them has acquired any Shares during the period as defined in Section 1.9.4.3(f) above, then Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, would be eligible for the SIC's exemption from the obligation to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

Shareholders should note that by voting in favour of the Ordinary Resolution at the forthcoming 2016 AGM, Shareholders are waiving their rights to a general offer at the required price from Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable.

One of the conditions for exemption from the obligation to make a general offer under Rule 14 of the Take-over Code is the submission by Dr. Derek Goh to the SIC of a duly signed form as prescribed by the SIC ("**Form 2**"). As at the Latest Practicable Date, Dr. Derek Goh has informed the Company that he will be submitting a Form 2 to the SIC within seven (7) days after the passing of the Ordinary Resolution.

The Company understands that Dr. Derek Goh and parties acting in concert with him, Mr. Sean Goh and his spouse, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:

- (a) the date on which authority for the renewed Share Buyback Mandate expires; and
- (b) the date on which the Company announces it has (a) bought back such number of Shares as authorised by Shareholders at the 2016 AGM, or (b) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh and his spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the renewed Share Buyback Mandate.

Appendix 2 of the Take-over Code requires that the resolution to authorise the renewal of the Share Buyback Mandate be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make a take-over offer under the Take-over Code as a result of the Share Buyback. Accordingly, the Ordinary Resolution is proposed to be taken on a poll, and Dr. Derek Goh, and Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, will abstain, and will procure their/his concert parties (if any) to abstain, from voting on the Ordinary Resolution.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any Share Buyback pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity before they acquire any Shares during the period when the Share Buyback Mandate is in force.

1.10 Reporting requirements

Within 30 days of the passing of a Shareholders' resolution to approve the proposed Share Buyback Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with the Registrar of Companies (the "Registrar").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of, *inter alia*, the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable. Such announcement will be made in the form prescribed by the Listing Manual.

1.11 No purchases during price-sensitive developments

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on dealings in securities under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing (i) two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year, and (ii) one (1) month before the announcement of the Company's full-year financial statements.

1.12 Shares purchased by the Company in the 12 months preceding the Latest Practicable Date

The Company has not purchased or acquired any Shares in the 12 months preceding the Latest Practicable Date.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the Shares (as extracted from the Register of Directors' shareholdings), and the interests of the Substantial Shareholders in the Shares (as extracted from the Register of Substantial Shareholders) are as follows:

	Number of Shares					
	Direct Interest ⁽¹⁾	% ⁽³⁾	Deemed Interest	% ⁽³⁾	Total Interest	% ⁽³⁾
Directors						
Derek Goh Bak Heng	355,132,070	39.64	–	–	355,132,070	39.64
Tan Lye Heng Paul	240,000	0.03	–	–	240,000	0.03
Ravindran s/o Ramasamy	–	–	–	–	–	–
Lee Teck Leng Robson	–	–	–	–	–	–
Goi Kok Neng Ben	–	–	–	–	–	–
Substantial Shareholders						
Goi Seng Hui ⁽²⁾	99,151,038	11.07	24,862,800	2.77	124,013,838	13.84

Notes:

- (1) Including Shares held under nominees accounts.
- (2) Goi Seng Hui is deemed interested in the 24,862,800 shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act.
- (3) “%” is based on 895,841,914 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

Save as disclosed above, none of the Directors and Substantial Shareholders or their respective Associates has any interest, direct or indirect, in the Share Buyback Mandate.

3. ACTION TO BE TAKEN BY SHAREHOLDERS

The 2016 AGM will be held at 8 Ubi View #05-01 Serial System Building Singapore 408554 on Friday, 22 April 2016 at 11.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification the Ordinary Resolution as set out in the Notice of the 2016 AGM.

Shareholders who are unable to attend the 2016 AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice of the 2016 AGM enclosed with the Annual Report 2015 in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of Company at 8 Ubi View #05-01 Serial System Building Singapore 408554, not later than 48 hours before the time fixed for the 2016 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2016 AGM if he so wishes in place of the proxy if he finds that he is able to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2016 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the 2016 AGM.

4. DIRECTORS' RECOMMENDATIONS

Save that Dr. Derek Goh has abstained from making any recommendation in respect of the proposed renewal of the Share Buyback Mandate, the Directors, having carefully considered, *inter alia*, the terms and rationale of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate to be proposed at the 2016 AGM to be held on 22 April 2016.

5. ABSTENTION FROM VOTING

Dr. Derek Goh, and Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, will abstain, and will procure their/his concert parties (if any) to abstain, from voting in respect of their holdings of Shares on the Ordinary Resolution, and will not accept any appointment as proxies or otherwise for voting on the Ordinary Resolution unless specific instructions have been given in the Proxy Form(s) on how the votes are to be cast in respect of the Ordinary Resolution.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. DOCUMENTS FOR INSPECTION

A copy of the following documents may be inspected at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554, during normal business hours from the date of this Appendix up to and including the date of the 2016 AGM:

- (a) the Annual Report 2015; and
- (b) the Memorandum and Articles of Association of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
Serial System Ltd

Dr. Derek Goh Bak Heng
Executive Chairman and Group CEO

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SERIAL SYSTEM LTD
Company Registration No.199202071D
(Incorporated in the Republic of Singapore)

Important

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2016.

**PROXY FORM
ANNUAL GENERAL MEETING**

I/We*, _____
(Name)

of _____
(Address)

being a Member/Members* of Serial System Ltd (the "Company"), hereby appoint :

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the meeting as my/our* proxy/proxies* to vote for me/us* on my/our behalf* at the Annual General Meeting of the Company, to be held on Friday, 22 April 2016 at 11.00 a.m., and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specified direction as to voting is given or in the event of any other matter arising at the Annual General Meeting, my/our* proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

☐ Please tick here if more than two proxies will be appointed (Please refer to Note 4). This is only applicable for intermediaries such as bank and capital markets services licence holders which provide custodial services.

NOTE: The Chairman of the Annual General Meeting will be exercising his right under Article 59 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Adoption of Audited Financial Statements and Directors' Statement and Auditors' report		
2.	Declaration of Final Cash Dividend as recommended by the Directors		
3.	Approval of Directors' Fees		
4.	Re-election of Mr. Tan Lye Heng Paul as Director of the Company		
5.	Re-election of Mr. Goi Kok Neng Ben as Director of the Company		
6.	Re-appointment of Moore Stephens LLP as Auditors and authorisation for the Directors to fix their remuneration		
	Special Business		
7.	Approval of Share Issue Mandate		
8.	Authority to offer and grant Share Options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014		
9.	Approval of renewal of the Share Buyback Mandate		
10.	Any other ordinary business		

Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) / Common Seal of Corporate Shareholder

*Delete Accordingly

IMPORTANT: Please read Notes on the reverse page before completing this Form



Explanatory Notes For Proxy Form

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a Member (other than a relevant intermediary*) appoints two proxies, the proportion of shares to be represented by each proxy must be stated.
4. A relevant intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

*A relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. This instrument or form appointing a proxy or proxies duly executed must be deposited at the Company's registered office at 8 Ubi View #05-01 Serial System Building Singapore 408554, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in order for the proxy or proxies to be entitled to attend and vote at the Annual General Meeting.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or any officer duly authorised.
 7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

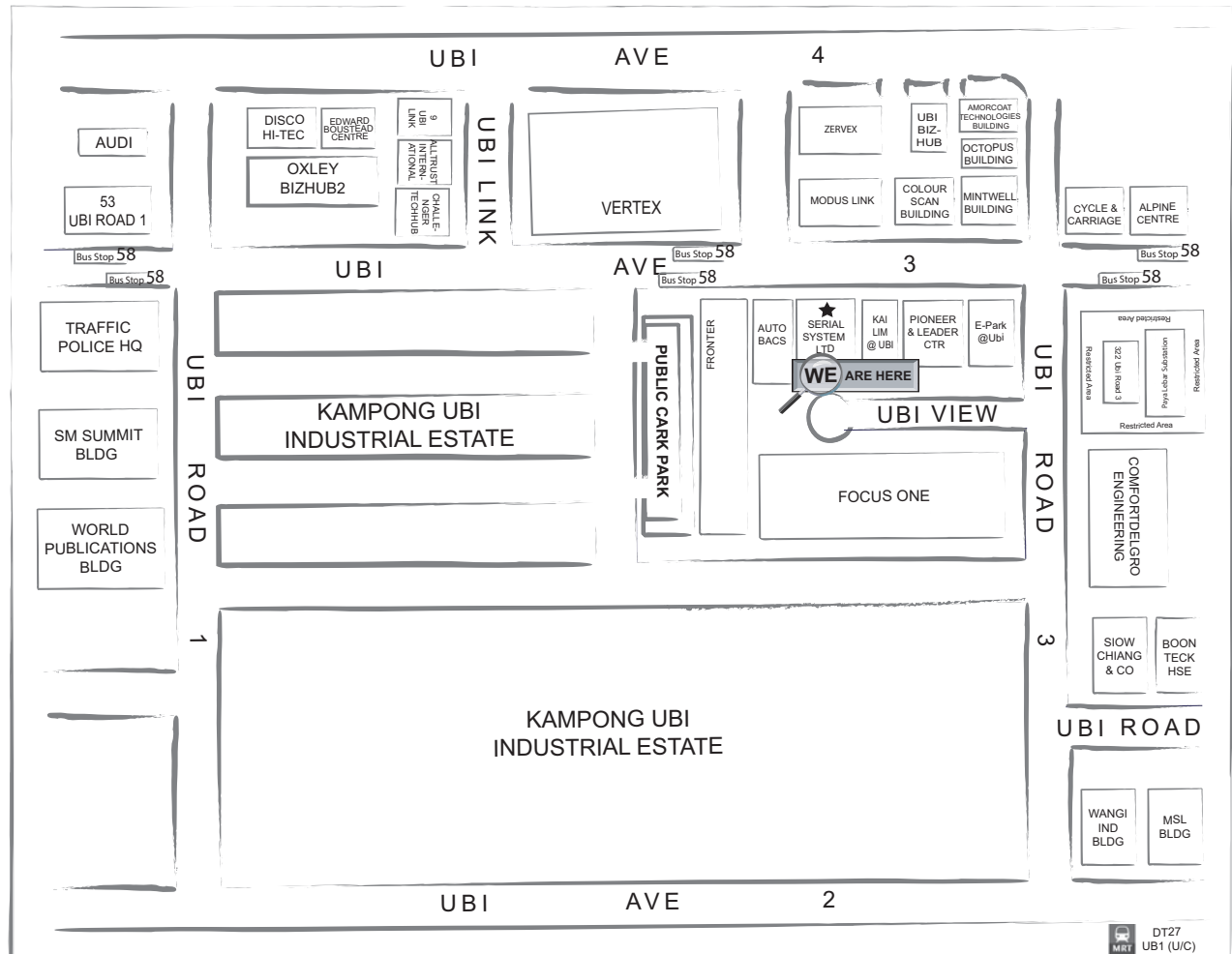
General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Members are not shown to have Shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Ltd to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the proxy(ies) and/or representative(s) appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Location Map



Public Transportation

Bus service SBS 58

Bishan - Pasir Ris

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