



SERIAL SYSTEM LTD

Company Registration No.: 199202071D

(Incorporated in Singapore on 22 April 1992)

Unaudited Second Quarter and Half Year Financial Statement and Dividend Announcement for the Period Ended 30 June 2016

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

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

	Second Quarter			The Group Year-To-Date		
	2Q2016 US\$'000	2Q2015 US\$'000		30/06/2016 US\$'000	30/06/2015 US\$'000	
Sales	378,572	309,597	22%	711,368	571,357	25%
Cost of sales	(353,697)	(285,543)	24%	(664,136)	(525,609)	26%
Gross profit	24,875	24,054	3%	47,232	45,748	3%
Gross profit margin	6.6%	7.8%	-1.2 pt	6.6%	8.0%	-1.4 pt
Other income:						
Other operating income	3,706	3,265	14%	6,651	4,804	38%
Expenses:						
Distribution	(12,688)	(12,395)	2%	(25,283)	(23,328)	8%
Administrative	(3,221)	(3,100)	4%	(6,413)	(6,167)	4%
Finance	(2,147)	(1,544)	39%	(4,356)	(2,852)	53%
Other	(4,701)	(3,870)	21%	(14,197)	(7,990)	78%
Total expenses	(22,757)	(20,909)	9%	(50,249)	(40,337)	25%
	5,824	6,410	-9%	3,634	10,215	-64%
Share of results of associated companies (after income tax)	(408)	(409)	0.2%	(3,657)	(547)	-569%
Profit/(loss) before income tax	5,416	6,001	-10%	(23)	9,668	-100%
Income tax expense	(1,924)	(1,041)	85%	(2,879)	(1,686)	71%
Profit/(loss) after income tax	3,492	4,960	-30%	(2,902)	7,982	-136%
Attributable to:						
Equity holders of the Company	3,280	4,771	-31%	(3,279)	7,826	-142%
Non-controlling interests	212	189	12%	377	156	142%
	3,492	4,960	-30%	(2,902)	7,982	-136%

Notes :

1. Profit/(Loss) before income tax

	Second Quarter			The Group		
	2Q2016	2Q2015	%	Year-To-Date		%
	US\$'000	US\$'000		30/06/2016	30/06/2015	
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit/(loss) from operations is arrived at after charging/(crediting) :-						
a. Depreciation and amortisation	766	730	5	1,938	1,396	39
b. Amortisation of distribution rights	-	402	NM	-	805	NM
c. Impairment losses on goodwill arising from acquisition of subsidiaries	425	180	136	650	360	81
d. Negative goodwill arising from acquisition of subsidiaries	-	-	NM	(345)	-	NM
e. Loss on remeasuring previously held equity in an associated company	-	-	NM	449	-	NM
f. Gain on disposal of business	-	(1,600)	NM	-	(1,600)	NM
g. Gain on dilution of interests in an associated company	-	(31)	NM	(369)	(62)	495
h. Loss on disposal of property, plant and equipment	-	-	NM	11	-	NM
i. Gain on sale of financial assets, available-for-sale	(1,421)	-	NM	(1,567)	-	NM
j. Gain on sale of financial assets, at fair value through profit or loss	-	(80)	NM	-	(80)	NM
k. Fair value loss/(gain) on financial assets, at fair value through profit or loss	40	(12)	-433	36	(2)	1,900
l. Allowance for impairment losses on trade receivables	75	34	121	270	67	303
m. Allowance for inventory obsolescence	344	77	347	2,222	637	249
n. Write-off of inventories	93	-	NM	109	3	3,533
o. Currency translation (gain)/loss (net)	(265)	(157)	69	2,003	(612)	-427
p. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	200	79	153	1,092	79	1,282
q. Loss on derivative financial instruments	404	264	53	215	394	-45
r. Fair value gain on derivative financial instruments	-	(328)	NM	-	(478)	NM
s. Dividend income received from financial assets, available-for-sale	(153)	(147)	4	(153)	(147)	4
t. Interest income	(270)	(72)	275	(487)	(101)	382
	2Q2016	2Q2015		30/06/2016	30/06/2015	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
2. Income tax expense						
Under/(over) provision in preceding financial years						
- Current income tax	804	-	NM	804	(8)	-10,150
	804	-	NM	804	(8)	-10,150

The under provision of tax expense in preceding years was attributable to tax provision made by the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd.

NM – Not Meaningful

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

	Second Quarter			The Group		
	2Q2016	2Q2015		Year-To-Date		
	US\$'000	US\$'000		30/06/2016	30/06/2015	
	US\$'000	US\$'000		US\$'000	US\$'000	
Net profit/(loss) after income tax	3,492	4,960	-30%	(2,902)	7,982	-136%
Other comprehensive income for the period:						
Items that will not be reclassified subsequently to profit or loss:						
Share of associated company's other comprehensive income	17	15	13%	36	225	-84%
	17	15	13%	36	225	-84%
Items that may be reclassified subsequently to profit or loss:						
Net gain on fair value changes on financial assets, available-for-sale	432	578	-25%	7,338	578	1169%
Fair value gain on financial assets, available-for-sale reclassified to profit or loss	(1,157)	-	NM	(1,303)	-	NM
Share of associated company's other comprehensive income	7	-	NM	11	-	NM
Currency translation differences	(2,211)	(379)	483%	1,622	(1,305)	224%
	(2,929)	199	-1572%	7,668	(727)	-1155%
Other comprehensive (loss)/income for the period	(2,912)	214	-1461%	7,704	(502)	-1635%
Total comprehensive income for the period	580	5,174	-89%	4,802	7,480	-36%
Total comprehensive income attributable to:						
Equity holders of the Company	562	5,016	-89%	4,756	7,106	-33%
Non-controlling interests	18	158	-89%	46	374	-88%
	580	5,174	-89%	4,802	7,480	-36%

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

	The Group		The Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	75,862	64,048	1,275	1,745
Trade and other receivables	221,097	179,357	10,652	10,385
Inventories	127,835	135,743	-	-
Financial assets, at fair value through profit or loss	1,295	1,331	-	-
Other current assets	3,142	2,106	649	50
	429,231	382,585	12,576	12,180
Non-current assets				
Financial assets, at fair value through profit or loss	13	13	-	-
Loans and receivables	820	1,000	45,696	42,570
Financial assets, available-for-sale	8,637	2,654	-	-
Investments in associated companies	18,512	18,729	6,792	6,792
Investments in subsidiaries	-	-	64,926	64,926
Property, plant and equipment	36,416	34,853	369	393
Investment properties	5,072	7,320	-	-
Intangible assets	15,237	15,894	555	544
Other assets	1,408	1,411	-	-
Deferred income tax assets	670	662	-	-
	86,785	82,536	118,338	115,225
Total Assets	516,016	465,121	130,914	127,405
LIABILITIES				
Current liabilities				
Trade and other payables	165,095	139,467	10,095	5,832
Current income tax liabilities	3,630	3,236	650	498
Redemption liabilities	-	-	-	-
Borrowings	207,035	181,438	2,372	2,262
	375,760	324,141	13,117	8,592
Non-current liabilities				
Other payable	-	-	6,150	4,481
Borrowings	18,186	20,584	10,082	10,743
Defined benefit plans liabilities	985	814	-	-
Deferred income tax liabilities	194	198	-	-
	19,365	21,596	16,232	15,224
Total Liabilities	395,125	345,737	29,349	23,816
Net Assets	120,891	119,384	101,565	103,589

	The Group		The Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	US\$'000	US\$'000	US\$'000	US\$'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	72,648	72,648	72,648	72,648
Treasury shares	(736)	(736)	(736)	(736)
Capital reserve	1,312	1,276	180	180
Defined benefit plans reserve	(557)	(557)	-	-
Fair value reserve	4,682	(1,353)	-	-
Revaluation reserve	59	59	-	-
Other reserve	(718)	(718)	-	-
Currency translation reserve	467	(1,498)	17,589	17,589
Retained earnings	40,065	46,680	11,884	13,908
	117,222	115,801	101,565	103,589
Non-controlling interests	3,669	3,583	-	-
Total Equity	120,891	119,384	101,565	103,589

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

Amount repayable in one year or less, or on demand

30/06/2016		31/12/2015	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
3,345	203,690	3,216	178,222

Amount repayable after one year

30/06/2016		31/12/2015	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
14,203	3,983	15,274	5,310

Details of any collateral

- a) A US\$14.8 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$12.5 million (31 December 2015: US\$13.0 million) taken up by the Company with a bank is secured with the following:
 - a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$3.7 million (31 December 2015: US\$3.7 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan is secured by a first legal mortgage of the property.
- c) Bank borrowing of US\$1.4 million (31 December 2015: US\$1.7 million) taken by a 98.2% South Korea subsidiary, Serial Microelectronics Korea Limited, to part finance the acquisition of a property in South Korea is secured by a first legal mortgage of the property.
- d) Finance lease liabilities of US\$0.06 million (31 December 2015: US\$0.06 million) are secured on the Group's motor vehicles acquired under finance lease agreements.

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

	Second Quarter		Year-To-Date	
	2Q2016	2Q2015	30/6/2016	30/6/2015
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit/(loss) before income tax	5,416	6,001	(23)	9,668
Adjustments for:				
Amortisation of computer software license costs	80	85	154	139
Amortisation of distribution rights	-	402	-	805
Depreciation of property, plant and equipment	686	645	1,784	1,257
Loss on disposal of property, plant and equipment	-	-	11	-
Impairment losses on goodwill arising from acquisition of subsidiaries	425	180	650	360
Gain on dilution of interests in an associated company	-	(31)	(369)	(62)
Negative goodwill arising from acquisition of subsidiaries	-	-	(345)	-
Loss on remeasuring previously held equity in an associated company	-	-	449	-
Gain on disposal of business	-	(1,600)	-	(1,600)
Gain on sale of financial assets, available for sale	(1,421)	-	(1,567)	-
Gain on sale of financial assets, at fair value through profit or loss	-	(80)	-	(80)
Fair value loss/(gain) on financial assets, at fair value through profit or loss	40	(12)	36	(2)
Fair value gain on derivative financial instruments	-	(328)	-	(478)
Provision for severance benefits	165	102	236	215
Dividend income received from financial assets, available-for-sale	(153)	(147)	(153)	(147)
Interest income	(270)	(72)	(487)	(101)
Interest expense	2,147	1,544	4,356	2,852
Share of results of associated companies	408	409	3,657	547
Operating cash flow before working capital changes	7,523	7,098	8,389	13,373
Changes in working capital				
Trade and other receivables	(26,494)	(21,018)	(31,651)	16,654
Inventories	111	(3,444)	15,764	(14,999)
Other current assets	(551)	(385)	(946)	1,919
Other assets (non-current)	(24)	122	3	127
Trade and other payables	13,798	(10,814)	17,000	(810)
Cash (used in)/from operations	(5,637)	(28,441)	8,559	16,264
Income tax paid	(1,546)	(589)	(2,374)	(1,384)
Net cash (used in)/provided by operating activities	(7,183)	(29,030)	6,185	14,880

	Second Quarter		Year-To-Date	
	2Q2016	2Q2015	30/6/2016	30/6/2015
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	-	(183)	(132)	(225)
Payments for property, plant and equipment	(654)	(695)	(839)	(887)
Proceeds from disposal of property, plant and equipment	64	-	64	-
Proceeds from sale of financial assets, available-for-sale	1,468	-	1,621	-
Proceeds from sale of financial assets, at fair value through profit or loss	-	864	-	864
Proceeds from disposal of business	-	1,600	-	1,600
Net cash inflow on acquisition of subsidiaries	-	4,431	2,233	3,901
Advance payments for proposed investment	-	(946)	-	(946)
Payments for acquisition of additional interests in an associated company	-	(39)	(4,996)	(39)
Payment for acquisition of additional interests in a subsidiary from a non-controlling interest	-	-	-	(18)
Payments for financial assets, at fair value through profit or loss	-	(754)	-	(754)
Payments for financial assets, available-for-sale	-	(2,580)	(6)	(2,580)
Dividend received from an associated company	-	-	154	160
Dividend received from financial assets, available-for-sale	153	147	153	147
Interest received	238	83	448	137
Net cash provided by/(used in) investing activities	1,269	1,928	(1,300)	1,360
Cash flows from financing activities				
Payment for investment in a subsidiary by non-controlling interests	-	-	40	-
Dividend paid	(3,336)	(4,981)	(3,336)	(4,981)
Dividend paid to non-controlling interests	-	(440)	-	(440)
Proceeds from bank borrowings	181,279	187,136	384,487	328,891
Repayment of bank borrowings	(189,291)	(153,880)	(367,848)	(301,106)
Repayment of other borrowings	(1,486)	-	(2,965)	(6,787)
Repayment of finance lease liabilities	(4)	(7)	(10)	(15)
Interest paid	(2,005)	(1,747)	(3,781)	(2,948)
Net cash (used in)/provided by financing activities	(14,843)	26,081	6,587	12,614
Net (decrease)/ increase in cash and cash equivalents held	(20,757)	(1,022)	11,472	28,854
Cash and cash equivalents at the beginning of the period	96,746	87,921	64,048	58,297
Effect of currency translation on cash and cash equivalents	(127)	100	342	(152)
Cash and cash equivalents at the end of the period	75,862	86,999	75,862	86,999

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2016	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384
Total comprehensive income/(loss) for the period	-	-	19	-	6,760	-	-	3,974	(6,559)	4,194	28	4,222
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 31 March 2016	72,648	(736)	1,295	(557)	5,407	59	(718)	2,476	40,121	119,995	3,651	123,646
Total comprehensive income/(loss) for the period	-	-	17	-	(725)	-	-	(2,009)	3,280	563	18	581
One-tier tax-exempt final cash dividend for year 2015	-	-	-	-	-	-	-	-	(3,336)	(3,336)	-	(3,336)
Balance at 30 June 2016	72,648	(736)	1,312	(557)	4,682	59	(718)	467	40,065	117,222	3,669	120,891
Balance at 1 January 2015	72,648	(736)	1,015	(367)	-	59	(715)	4,283	42,847	119,034	3,200	122,234
Total comprehensive income/(loss) for the period	-	-	210	-	-	-	-	(1,175)	3,055	2,090	216	2,306
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	244	244
Acquisition of additional interests in a subsidiary from non-controlling interests	-	-	-	-	-	-	(3)	-	-	(3)	(16)	(19)
Balance at 31 March 2015	72,648	(736)	1,225	(367)	-	59	(718)	3,108	45,902	121,121	3,644	124,765
Total comprehensive income/(loss) for the period	-	-	15	-	578	-	-	(348)	4,771	5,016	158	5,174
One-tier tax-exempt final cash dividend for year 2014	-	-	-	-	-	-	-	-	(4,981)	(4,981)	-	(4,981)
Dividend paid to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	(440)	(440)
Balance at 30 June 2015	72,648	(736)	1,240	(367)	578	59	(718)	2,760	45,692	121,156	3,362	124,518

Statement of Changes in Equity - Company

	Share capital	Treasury shares	Capital reserve	Currency translation reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	72,648	(736)	180	17,589	13,908	103,589
Total comprehensive income for the period	-	-	-	-	436	436
Balance at 31 March 2016	72,648	(736)	180	17,589	14,344	104,025
Total comprehensive income for the period	-	-	-	-	876	876
One-tier tax-exempt final cash dividend for year 2015	-	-	-	-	(3,336)	(3,336)
Balance at 30 June 2016	72,648	(736)	180	17,589	11,884	101,565
Balance at 1 January 2015	72,648	(736)	180	17,589	13,092	102,773
Total comprehensive income for the period	-	-	-	-	554	554
Balance at 31 March 2015	72,648	(736)	180	17,589	13,646	103,327
Total comprehensive income for the period	-	-	-	-	585	585
One-tier tax-exempt final cash dividend for year 2014	-	-	-	-	(4,981)	(4,981)
Balance at 30 June 2015	72,648	(736)	180	17,589	9,250	98,931

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

There were no ordinary shares issued since the end of the financial period ended 31 March 2016.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2015.

There were no outstanding share options as at 30 June 2016 (30 June 2015: Nil).

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

	30/06/2016	31/12/2015
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Please refer to 1(d)(ii)

1(e) Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited Second Quarter and Half Year Financial Statements for the period ended 30 June 2016 to be false or misleading.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2015.

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

Please refer to paragraph 4 above.

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

	The Group			
	Second Quarter		Year-To-Date	
	2Q2016	2Q2015	30/06/2016	30/06/2015
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.36 cent	0.53 cent	-0.37 cent	0.87 cent
On a fully diluted basis (in US\$)	0.36 cent	0.53 cent	-0.37 cent	0.87 cent

Earnings/(Loss) per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (2Q2015/1H2015: 895,841,914).

Earnings/(Loss) per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (2Q2015/1H2015: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive shares for the financial period ended 30 June 2016 and 30 June 2015.

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

	The Group		The Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.49 cents	13.33 cents	11.34 cents	11.56 cents

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

Income Statement

Results for 1H2016

The Group recorded turnover of US\$711.4 million for the half year ended 30 June 2016 ("1H2016"), an increase of 25% when compared to the same period last year ("1H2015"). The Group incurred a net loss of US\$3.3 million versus net profit of US\$7.8 million in 1H2015 mainly due to higher share of losses from associated companies, increased currency translation loss and higher allowances for inventory obsolescence.

Turnover for the electronic components distribution business increased 11% to US\$579.4 million, driven mainly by higher contributions from the Group's operations in South East Asia and India, Taiwan and Hong Kong. Turnover from South East Asia and India rose 30%, boosted by higher sales to existing and new customers in India and the Philippines. Turnover from Taiwan and Hong Kong increased 20% and 21% respectively on higher demand of its products from new and existing customers.

The Group's consumer products distribution business contributed total revenue of US\$129.5 million versus turnover of US\$44.1 million in 1H2015. The increase is mainly due to contribution from newly consolidated Achieva Technology group (which became a wholly own subsidiary on 27 January 2016), new subsidiaries-Swift-Value Business Pte Ltd and PT. Achieva Technology Indonesia.

Overall gross profit margin declined to 6.6% in 1H2016 from 8.0% in 1H2015, due mainly to increased sales of lower-margin products in Singapore and Taiwan, as well as increased market competition in Hong Kong and China. The Group's lower-margin consumer products distribution businesses also accounted for the drop in overall gross profit margin. Total expenses as a percentage of turnover remained at 7.1% in 1H2016 versus 1H2015.

Results for 2Q2016

The Group recorded turnover of US\$378.6 million for the second quarter ended 30 June 2016 ("2Q2016"), an increase of 22% from the US\$309.6 million a year earlier ("2Q2015").

Turnover for the electronic components distribution business grew 13% to US\$316.7 million when compared to 2Q2015. Turnover from South-East Asia and India increased 26%, mainly due to higher sales to new and existing customers in the Philippines and India. Turnover from Taiwan, Hong Kong and China grew 25%, 45% and 5% respectively on higher demand from new and existing customers. Turnover from South Korea declined 30% on reduction in sales of its product lines.

The Group's consumer products distribution business contributed total revenue of US\$60.6 million in 2Q2016, a 109% growth as compared to turnover of US\$29.0 million in 2Q2015. This was mainly due to higher sales by Serial I-Tech group and PT. Achieva Technology Indonesia, and contribution from newly consolidated Achieva Technology group.

Gross profit margin declined to 6.6% in 2Q2016 from 7.8% in 2Q2015, mainly attributed to higher sales of lower-margin products in Singapore and Taiwan, as well as increased market competition in China. The Group's lower-margin consumer products distribution business also accounted for the drop in overall gross profit margin.

Other operating income increased by US\$0.4 million or 14%, mainly due to a US\$1.4 million gain on the sale of available-for-sale financial assets, higher office rental income and financing income. The overall increase was partly offset by the absence of a US\$1.6 million gain on sale of business in 2Q2015.

Finance expenses increased by US\$0.6 million or 39%, mainly due to higher utilisation of trade facilities by the Group's Hong Kong, Taiwan and Singapore electronic components distribution subsidiaries, and the Group's consumer products distribution subsidiaries to fund increased working capital requirements.

Other operating expenses increased by US\$0.8 million or 21%, mainly due to higher allowances/provisions for inventories, goodwill and trade receivable impairment. Higher depreciation expense and loss on derivative financial instruments also contributed to the increase in other operating expenses. The increase was mitigated by the absence of amortisation of distribution rights in 2Q2016 as compared to 2Q2015 as the Group completed full amortisation of distribution rights in 2015.

The Group's share of losses in associated companies in 2Q2016 amounted to US\$0.4 million mainly due to losses incurred by 29.03%-owned Bull Will Co., Ltd ("Bull Will") and 27.34%-owned SPL Holdings (Australia) Pty Ltd ("SPL Holdings"). Bull Will's loss was mainly due to currency translation loss, provision made for doubtful debts and loss on closure of a subsidiary whilst SPL's loss was mainly due to amortisation of intangible assets arising from acquisitions in recent years.

Total expenses as a percentage of turnover declined to 6.0% in 2Q2016 from 6.8% in 2Q2015 as the Group managed to improve operational and cost efficiencies. The Group's net margin slipped to 0.9% from 1.5% in 2Q2015 mainly due to a decline in gross margin.

Balance sheet

Trade and other receivables increased by US\$41.7 million mainly due to higher trade receivables in the Group's electronic components distribution subsidiaries especially Hong Kong and Singapore subsidiaries in line with their increased sales. Newly consolidated Achieva Technology group also accounted for the increase in trade and other receivables. Lower trade receivables at Swift-Value Business Pte Ltd ("Swift-Value") due to lower sales mitigated the overall increase in the Group's trade receivables. Average turnover days for trade receivables declined to 50 in 1H2016 from 53 in FY2015, mainly due to the non-recourse factoring arrangement.

Inventories decreased by US\$7.9 million mainly due to lower inventory holding by Singapore electronic components distribution subsidiary and Swift-Value in anticipation of lower sales in third quarter. This was partially offset by inventories held by newly consolidated Acheiva Technology group.

Financial assets, available-for-sale increased by US\$6.0 million mainly due to a fair value gain of US\$6.4 million from the Group's investment in Unitron Tech Co., Limited ("Unitron"), an entity listed on the Korean Securities Dealers Automated Quotations (KOSDAQ) of the Korean Exchange on 2 February 2016. There was a fair value loss of US\$0.3 million for a Singapore-listed investment for the period. The net fair value gain of US\$6.0 million was recognised in equity as "Fair value reserve" in 1H2016.

Investments in associated companies decreased by US\$0.2 million in 1H2016, mainly due to the de-recognition of an amount of US\$2.0 million when Achieva Technology group became a subsidiary of the Group on 27 January 2016 and share of net losses and reserves from associated companies totalling US\$3.2 million. The decrease was partly offset by an increase in investment of US\$5.0 million in SPL Holdings (Australia) Pty Ltd, which raised the Group's equity interest in SPL Holdings from 20% to 27.34%.

Property, plant and equipment increased by about US\$1.6 million mainly due to the reclassification of an amount of US\$2.5 million from investment properties as the Group converted the third floor of its 8 Ubi View, Serial System Building, Singapore for its own use, and additions in plant and equipment of about US\$0.8 million. The increase was partially offset by depreciation on property, plant and equipment of US\$1.8 million during the period.

Investment properties decreased by about US\$2.2 million mainly due to the reclassification of US\$2.5 million to property, plant and equipment. The decrease was partially offset by movement in currency translation reserve amounting to about US\$0.3 million.

Trade and other payables increased by US\$25.6 million mainly due to higher trade payables due by the Group's electronic components distribution subsidiaries and contribution by newly consolidated Achieva Technology group. The increase was partially offset by lower trade payables attributable to Swift-Value due to lower purchases. Average payment days for trade payables decreased to 29 in 1H2016 from 33 in FY2015.

Borrowings increased by US\$23.2 million due to bank borrowings arising from newly consolidated Achieva Technology group and higher bank borrowings by the Group's Hong Kong, Taiwan and Singapore electronic components distribution subsidiaries for increased working capital requirements. The increase in borrowings was partially offset by net repayment of borrowings by Swift-Value in 1H2016.

Currency translation reserve increased by about US\$2.0 million, mainly attributed to an amount of US\$1.1 million realised to income statement upon repayment of inter-company long term loans and an amount of US\$0.6 million realised to income statement upon the de-recognition of investment in associated companies following the additional acquisition of the remaining 51% equity interests in Achieva Technology group.

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

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

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

The Group expects to fare better in 2H2016 compared to 1H2016 as it presses ahead with efforts to further streamline the operations of its consumer products distribution subsidiaries and integrate them with its other subsidiaries in order to achieve better synergies across its global distribution network.

The Group will continue to pursue organic and inorganic growth opportunities for its electronic components distribution business, with an eye on higher-value business segments such as automotive, mobile and enterprise cloud solutions.

The Group is mindful of rising volatility in foreign-exchange rates as major central banks act to stimulate economic growth and as unprecedented developments like Britain's decision to leave the European Union take a toll on investor sentiment. It will take steps, wherever possible, to mitigate the impact of such fluctuations on its financial results.

11. Dividend

a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD) cents)	0.18 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD) cents)	0.35 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

c) Date payable

9 September 2016

d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 26 August 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 25 August 2016 will be registered to determine shareholders' entitlements to the interim dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 25 August 2016 will be entitled to the interim dividend which will be paid on 9 September 2016. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the interim dividend will be paid by the Company to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

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

Not applicable.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), the Board would like to announce the following Interested Person Transactions ("IPTs") for 1H2016:

Name of Interested Person	Aggregate value of all IPTs during 1H2016 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) US\$'000	Aggregate value of all IPTs during 1H2016 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) US\$'000
Goh Bak Heng	803*	Not applicable

*Included in the IPT is an amount of US\$797,000 relating to the acquisition of a Penang property ("Acquisition") by the Group's wholly owned subsidiary, Serial Microelectronics Sdn Bhd from Gogain Development Sdn Bhd (In Liquidation) ("Gogain").

Introduction of the Acquisition

Serial Microelectronics Sdn Bhd ("SMSB") entered into a sale and purchase agreement ("SPA") with Gogain during 1H2016 to acquire a freehold single-storey detached house with aggregate floor area of approximately 743 square meters, located at No. 14 Jalan Sultan Azlan Shah, 11700 Gelugor, Pulau Pinang, Malaysia (the "Penang Property"), for an aggregate consideration of MYR 3.21 million (US\$0.80 million) (the "Consideration"). The Consideration was arrived at on a willing-buyer, willing-seller basis, taking into consideration the valuation as set out in the valuation report commissioned by SMSB and conducted by K.T. Appraisers. Based on the valuation report, the market value of the Penang Property is MYR 3.5 million (US\$0.87 million) as at 19 May 2016 (the "Valuation"). The Valuation is based on, inter alia, the contemporaneous open market values of similar properties in terms of size and location. The Consideration will be funded by the Group's existing working capital and bank borrowings.

The Penang Property which was previously rented from Gogain by Serial Microelectronics Pte Ltd, will continue to serve as one of the Group's key operational headquarter for its electronic components distribution business in Malaysia. The Acquisition would also reduce the Group's exposure to any potential increase in rental as a result of increase in market rental rates, which in turn would contribute to an increase in operating costs for the Group.

Chapter 9 of the Listing Manual

Mr. Goh Bak Heng and Gogain

Mr. Goh Bak Heng is the Executive Chairman/Group CEO, and substantial shareholder of the Company with interest representing 39.64% of the total issued and paid-up capital of the Company. He is also the director and a 50% shareholder of Gogain. Accordingly, Gogain is considered an associate of Mr. Goh Bak Heng under the Listing Manual and is deemed to be an interested person vis-à-vis the Company.

Accordingly, the Acquisition constitutes an interested person transaction under Chapter 9 of the Listing Manual, and Mr. Goh Bak Heng has abstained from expressing any views in the rationale and voting for the Proposed Acquisition.

Total Value of Interested Person Transactions

For the half year ended 30 June 2016, the current total of all transactions with Gogain, as well as the current total of all interested person transactions of the Company, is approximately US\$0.8 million. This represents approximately 0.8% of the Group's latest audited net tangible assets of US\$103.5 million as at 31 December 2015.

Statement from the Audit Committee

The Audit Committee of the Company, comprising Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy and Mr. Lee Teck Leng Robson, having reviewed the terms and value of the Acquisition, is of the view that the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

A copy of the SPA and the valuation report will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

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

No general mandate from shareholders has been obtained for IPTs.

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

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

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/Group CEO
5 August 2016