



SERIAL SYSTEM LTD

Company Registration No.: 199202071D

(Incorporated in Singapore on 22 April 1992)

Unaudited Third Quarter and Nine Months Financial Statement Announcement for the Period Ended 30 September 2015

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

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

	Note	Third Quarter			The Group		
		3Q2015	3Q2014		30/09/2015	30/09/2014	
		US\$'000	US\$'000		US\$'000	US\$'000	
Sales		321,127	293,107	10%	892,484	768,391	16%
Cost of sales		(298,134)	(268,396)	11%	(823,743)	(702,053)	17%
Gross profit		22,993	24,711	-7%	68,741	66,338	4%
Gross profit margin		7.2%	8.4%	-1.2 pt	7.7%	8.6%	-0.9 pt
Other income:							
Other operating income		2,217	1,088	104%	7,021	4,562	54%
Expenses:							
Distribution		(11,832)	(11,458)	3%	(35,160)	(31,997)	10%
Administrative		(2,814)	(2,710)	4%	(8,981)	(7,973)	13%
Finance		(1,982)	(1,218)	63%	(4,834)	(3,263)	48%
Other		(4,614)	(4,447)	4%	(12,604)	(12,403)	2%
Total expenses		(21,242)	(19,833)	7%	(61,579)	(55,636)	11%
		3,968	5,966	-33%	14,183	15,264	-7%
Share of results of associated companies (after income tax)		(734)	(87)	-744%	(1,281)	(63)	-1,933%
Profit before income tax	1	3,234	5,879	-45%	12,902	15,201	-15%
Income tax expense	2	(1,036)	(1,371)	-24%	(2,722)	(3,576)	-24%
Profit after income tax		2,198	4,508	-51%	10,180	11,625	-12%
Attributable to:							
Equity holders of the Company		2,182	4,318	-49%	10,008	11,439	-13%
Non-controlling interests		16	190	-92%	172	186	-8%
		2,198	4,508	-51%	10,180	11,625	-12%

1. Profit before income tax

NM – Not Meaningful

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

	The Group			Year-To-Date		
	Third Quarter 3Q2015 US\$'000	3Q2014 US\$'000		30/09/2015 US\$'000	30/09/2014 US\$'000	
Profit after income tax	2,198	4,508	-51%	10,180	11,625	-12%
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	19	386	-95%	244	386	-37%
	19	386	-95%	244	386	-37%
Items that may be reclassified subsequently to profit or loss:						
Net (loss)/gain on fair value changes on financial asset, available-for-sale	(1,782)	-	NM	(1,204)	894	-235%
Currency translation differences	(4,632)	(391)	-1,085%	(5,937)	(504)	-1,078%
	(6,414)	(391)	-1,542%	(7,141)	390	-1,931%
Other comprehensive (loss)/income for the period	(6,395)	(5)	-127,800%	(6,897)	776	-989%
Total comprehensive (loss)/income for the period	(4,197)	4,503	-193%	3,283	12,401	-74%
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(4,163)	4,246	-198%	2,943	12,246	-76%
Non-controlling interests	(34)	257	-113%	340	155	119%
	(4,197)	4,503	-193%	3,283	12,401	-74%

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

	The Group		The Company	
	30/09/2015 US\$'000	31/12/2014 US\$'000	30/09/2015 US\$'000	31/12/2014 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	70,426	58,297	457	2,420
Trade and other receivables	202,670	184,661	20,076	15,278
Inventories	145,186	98,599	-	-
Financial assets, at fair value through profit or loss	1,351	1,259	-	-
Other current assets	2,729	4,968	108	67
	422,362	347,784	20,641	17,765

	The Group		The Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Financial assets, at fair value through profit or loss	13	13	-	-
Loans and receivables	1,000	1,000	36,434	40,625
Financial assets, available-for-sale	2,836	1,324	-	-
Investments in associated companies	18,911	17,373	6,787	6,682
Investments in subsidiaries	-	-	64,350	53,558
Property, plant and equipment	35,377	37,862	406	336
Investment properties	7,277	7,660	-	-
Intangible assets	16,445	9,472	598	521
Other assets	1,302	1,966	-	-
Deferred income tax assets	722	750	-	-
	83,883	77,420	108,575	101,722
Total Assets	506,245	425,204	129,216	119,487
LIABILITIES				
Current liabilities				
Trade and other payables	138,427	120,351	13,251	5,221
Current income tax liabilities	4,548	3,344	315	186
Borrowings	222,201	171,897	2,233	6,783
	365,176	295,592	15,799	12,190
Non-current liabilities				
Other payable	-	-	4,425	4,524
Borrowings	21,884	6,550	11,166	-
Defined benefit plans liabilities	917	656	-	-
Deferred income tax liabilities	174	172	-	-
	22,975	7,378	15,591	4,524
Total Liabilities	388,151	302,970	31,390	16,714
Net Assets	118,094	122,234	97,826	102,773
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	1,259	1,015	180	180
Defined benefit plans reserve	(367)	(367)	-	-
Fair value reserve	(1,204)	-	-	-
Revaluation reserve	59	59	-	-
Other reserve	(718)	(715)	-	-
Currency translation reserve	(1,822)	4,283	17,589	17,589
Retained earnings	45,653	42,847	8,145	13,092
	114,772	119,034	97,826	102,773
Non-controlling interests	3,322	3,200	-	-
Total Equity	118,094	122,234	97,826	102,773

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

Amount repayable in one year or less, or on demand

As at 30 September 2015		As at 31 December 2014	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
3,174	219,027	7,787	164,110

Amount repayable after one year

As at 30 September 2015		As at 31 December 2014	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
15,909	5,975	5,716	834

Details of any collateral

- a) A US\$13.9 million (S\$20 million) four-year term loan amounting to US\$13.4 million as at 30 September 2015, was taken up by the Company with a bank in May 2015 to refinance its previous outstanding four-year term loan (31 December 2014: US\$6.8 million), and to finance the Company's new acquisitions and investments. The term loan is secured with the following:
 - a first legal mortgage of the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$3.8 million (31 December 2014: US\$4.1 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\$1.8 million (31 December 2014: US\$2.5 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 2014: US\$0.05 million) are secured on the Company and Group's motor vehicles acquired under finance lease agreements.

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

	Third Quarter		Year-To-Date	
	3Q2015	3Q2014	30/09/2015	30/09/2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before income tax	3,234	5,879	12,902	15,201
Adjustments for:				
Amortisation of computer software license costs	73	72	212	200
Amortisation of distribution rights	276	433	1,081	1,294
Depreciation of property, plant and equipment	628	641	1,885	1,971
Property, plant and equipment written off	25	-	25	70
Gain on disposal of property, plant and equipment	(13)	-	(13)	(1)
Impairment losses on goodwill arising from acquisition of subsidiaries	180	242	540	602
Loss/(gain) on dilution of interests in an associated company	20	(107)	(42)	(126)
Gain on sale of business	(240)	-	(1,840)	-
Gain on sale of financial asset, available-for-sale	-	-	-	(1,381)
Fair value loss on derivative financial instruments	487	-	9	-
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	(90)	18	(92)	22
Provision for severance benefits	117	68	330	275
Dividend income received from financial assets, available-for-sale	-	-	(147)	(108)
Interest income	(76)	(19)	(177)	(96)
Interest expense	1,982	1,218	4,834	3,263
Share of results of associated companies	734	87	1,281	63
Operating cash flow before working capital changes	7,337	8,532	20,708	21,249
Change in working capital				
Trade and other receivables	(18,332)	3,933	(1,677)	(36,561)
Inventories	(12,364)	1,534	(27,362)	(14,337)
Other current assets	398	(231)	2,317	290
Other assets (non-current)	537	74	664	(246)
Trade and other payables	4,486	10,130	3,677	22,649
Cash (used in)/from operations	(17,938)	23,972	(1,673)	(6,956)
Income tax paid	(250)	(195)	(1,635)	(1,823)
Net cash (used in)/provided by operating activities	(18,188)	23,777	(3,308)	(8,779)

	Third Quarter		Year-To-Date	
	3Q2015	3Q2014	30/09/2015	30/09/2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	(47)	(125)	(272)	(248)
Payments for property, plant and equipment	(330)	(109)	(1,217)	(907)
Proceeds from disposal of property, plant and equipment	10	-	10	15
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 sale of business	240	-	1,840	-
Payment for acquisition of additional interests in a subsidiary from a non-controlling interest	-	-	(18)	-
Net cash inflow on acquisition of subsidiaries	-	-	3,901	-
Payments for acquisition of additional interests in an associated company	(88)	(658)	(127)	(658)
Payments for acquisition of interests in an associated company	(2,219)	(1,990)	(3,165)	(8,816)
Payments for financial asset, at fair value through profit or loss	-	-	(754)	-
Payments for financial asset, available-for-sale	(150)	-	(2,730)	-
Dividends received from an associated company	149	-	309	71
Dividend received from financial assets, available-for-sale	-	-	147	108
Interest received	102	6	239	77
Net cash used in investing activities	(2,333)	(2,876)	(973)	(4,216)
Cash flows from financing activities				
Payment for investment in a subsidiary by non-controlling interests	-	140	-	171
Dividends paid	(2,221)	(2,149)	(7,202)	(4,289)
Dividend paid to non-controlling interests	-	-	(440)	(265)
Proceeds from bank borrowings	197,983	166,320	526,874	493,732
Repayment of bank borrowings	(174,174)	(188,161)	(475,281)	(468,977)
Repayment of other borrowings	(15,000)	-	(21,787)	-
Repayment of finance lease liabilities	(1)	(11)	(16)	(39)
Interest paid	(1,566)	(1,237)	(4,515)	(3,165)
Net cash provided by/(used in) financing activities	5,021	(25,098)	17,633	17,168
Net (decrease)/increase in cash and cash equivalents held	(15,500)	(4,197)	13,352	4,173
Cash and cash equivalents at the beginning of the period	86,999	49,187	58,297	40,548
Effect of currency rate changes on cash and cash equivalents	(1,073)	(524)	(1,223)	(255)
Cash and cash equivalents at the end of the period	70,426	44,466	70,426	44,466

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 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
Total comprehensive income/(loss) for the period	-	-	19	-	(1,782)	-	-	(4,582)	2,182	(4,163)	(34)	(4,197)
One-tier tax-exempt interim cash dividend for year 2015	-	-	-	-	-	-	-	-	(2,221)	(2,221)	-	(2,221)
Adjustment to investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Balance at 30 September 2015	72,648	(736)	1,259	(367)	(1,204)	59	(718)	(1,822)	45,653	114,772	3,322	118,094

Consolidated Statement of Changes in Equity [cont'd]

	← Attributable to equity holders of the Company →										
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2014	72,648	(736)	180	(424)	(894)	(410)	6,025	31,051	107,440	2,522	109,962
Total comprehensive (loss)/income for the period	-	-	-	-	(763)	-	(885)	2,110	462	(266)	196
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	32	32
Balance at 31 March 2014	72,648	(736)	180	(424)	(1,657)	(410)	5,140	33,161	107,902	2,288	110,190
Total comprehensive income for the period	-	-	-	-	1,657	-	870	5,011	7,538	164	7,702
One-tier tax-exempt final cash dividend for year 2013	-	-	-	-	-	-	-	(2,139)	(2,139)	-	(2,139)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(265)	(265)
Movement in option to acquire non-controlling interest of a subsidiary	-	-	-	-	-	393	-	-	393	-	393
Balance at 30 June 2014	72,648	(736)	180	(424)	-	(17)	6,010	36,033	113,694	2,187	115,881
Total comprehensive (loss)/income for the period	-	-	386	-	-	-	(458)	4,318	4,246	257	4,503
One-tier tax-exempt interim cash dividend for year 2014	-	-	-	-	-	-	-	(2,150)	(2,150)	-	(2,150)
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	140	140
Movement in option to acquire non-controlling interest of a subsidiary	-	-	-	-	-	17	-	-	17	-	17
Balance at 30 September 2014	72,648	(736)	566	(424)	-	-	5,552	38,201	115,807	2,584	118,391

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 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
Total comprehensive income for the period	-	-	-	-	1,116	1,116
One-tier tax-exempt interim cash dividend for year 2015	-	-	-	-	(2,221)	(2,221)
Balance at 30 September 2015	72,648	(736)	180	17,589	8,145	97,826
Balance at 1 January 2014	72,648	(736)	180	17,589	12,139	101,820
Total comprehensive income for the period	-	-	-	-	312	312
Balance at 31 March 2014	72,648	(736)	180	17,589	12,451	102,132
Total comprehensive income for the period	-	-	-	-	445	445
One-tier tax-exempt final cash dividend for year 2013	-	-	-	-	(2,139)	(2,139)
Balance at 30 June 2014	72,648	(736)	180	17,589	10,757	100,438
Total comprehensive income for the period	-	-	-	-	970	970
One-tier tax-exempt interim cash dividend for year 2014	-	-	-	-	(2,150)	(2,150)
Balance at 30 September 2014	72,648	(736)	180	17,589	9,577	99,258

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 30 June 2015.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2014.

There were no outstanding share options as at 30 September 2015 (31 December 2014: Nil).

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

	30/09/2015	31/12/2014
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 Third Quarter and Nine Months Financial Statements for the period ended 30 September 2015 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 2014 except as described in section 5 below.

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

The Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. ("SCE"), changed its functional currency from Singapore dollars ("S\$") to United States dollars ("US\$") at the beginning of the financial year (with effect from 1 January 2015). The reason for the change is to measure its transactions using the currency of the primary economic environment where majority of the existing and new loans and investments are mainly transacted in US\$. Accordingly, SCE changed its functional currency from S\$ to US\$ and this change has been applied prospectively.

As a result of the change in functional currency, SCE has also changed its presentation currency of the financial statements from S\$ to US\$ and this change has been applied retrospectively. The comparative figures of SCE's previous financial statements for the corresponding period of the immediately preceding financial year were measured using S\$ which was the functional currency then, and re-presented in the current financial statements in US\$.

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

The Group				
Third Quarter		Year-To-Date		
3Q2015	3Q2014	30/09/2015	30/09/2014	
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.25 cent	0.49 cent	1.12 cents	1.28 cents
On a fully diluted basis (in US\$)	0.25 cent	0.49 cent	1.12 cents	1.28 cents

Earnings per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (3Q2014/Year-To-Date 30/09/2014: 895,841,914).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (3Q2014/Year-To-Date 30/09/2014: 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 September 2015 and 30 September 2014.

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

	The Group		The Company	
	30/09/2015	31/12/2014	30/09/2015	30/12/2014
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.18 cents	13.64 cents	10.92 cents	11.47 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 Nine Months Ended 30 September 2015

The Group recorded a turnover of US\$892.5 million for the nine months ended 30 September 2015 ("YTD3Q2015"), an increase of 16% compared to the equivalent period in 2014 ("YTD3Q2014"). Net profit after tax ("NPAT"), however, declined 13% to US\$10.0 million from US\$11.4 million in YTD3Q2014, mainly attributable to lower gross profit margin achieved and higher share of losses from associated companies.

The Group's electronic components distribution business registered turnover of US\$793.4 million for YTD3Q2015, an increase of 4% compared to YTD3Q2014. Turnover in South Korea increased by 38% driven mainly by higher sales from an existing product line. Taiwan's turnover increased by 7% attributable to higher sales to existing and new customers. Turnover in Hong Kong and China was flat, affected by slowing growth and stiffer competition in this region. South-East Asia and India reported a 1% decline in turnover as it experienced drop in market demand in Singapore and Thailand. Philippines and India however registered higher sales contributed by sales to new customers

The Group's newly acquired consumer products subsidiaries, Serial I-Tech group (acquired on 31 December 2014) and Swift-Value Business Pte Ltd (acquired on 4 May 2015), contributed a total of US\$94.3 million, or 11% to the Group's turnover in YTD3Q2015.

Gross profit margin declined to 7.7% in YTD3Q2015 from 8.6% in the same period last year, due mainly to increased sales of lower-margin products in South Korea and Taiwan as well as increased market competition in Hong Kong and China. Serial I-Tech Group (“Serial I-Tech”) and Swift-Value Business Pte Ltd (“Swift-Value”), with their lower-margin businesses, also accounted for the drop in overall gross profit margin in YTD3Q2015. Expenses as a percentage of turnover declined to 6.9% in YTD3Q2015 from 7.2% in YTD3Q2014 as the Group continued to focus on improving operational efficiency and costs controls. The Group’s net margin slipped to 1.1% from 1.5% in YTD3Q2014.

Results for 3Q2015

The Group recorded turnover of US\$321.1 million for the third quarter ended 30 September 2015 (“3Q2015”), an increase of 10% from the US\$293.1 million a year earlier (“3Q2014”).

Turnover for the electronic components distribution business declined by 8% to US\$269.2 million when compared to 3Q2014. This is mainly due to a 18% decline in sales in Hong Kong and China as a result of slowing growth and stiffer competition in this region. The decline is negated by higher turnover of 28% by South Korea on increased sales from an existing product line and higher turnover by Taiwan of 27% driven mainly by contributions from new customers. Turnover for South-East Asia and India improved marginally by 0.5% when compared to 3Q2014 mainly due to increased sales from new customers in the Philippines and India. The increase was partly offset by keener market competition in Singapore, Thailand and Malaysia.

Serial I-Tech and Swift-Value contributed total sales of US\$50.2 million or 16% to the Group’s turnover in 3Q2015.

The Group’s gross profit margin declined to 7.2% from 8.4% in 3Q2014, mainly due to increased market competition in Hong Kong, China and Singapore. Serial I-Tech and Swift-Value, with their lower-margin businesses, also accounted for the drop in overall gross profit margin in 3Q2015.

The Group reported a net profit after tax of US\$2.2 million compared to US\$4.3 million in 3Q2014, a decline of 49%, mainly due to lower gross profit margin achieved and higher share of losses from associated companies.

Other operating income increased US\$1.1 million or 104% mainly due to increased advertising and promotion funds and net gains from currency translation and higher product rebates earned.

Distribution expenses increased 3% mainly due to higher freight, storage and transportation costs associated with the electronic components distribution business. Advertising and promotion expenses attributable to Serial I-Tech also contributed to the increase in distribution expenses.

Administrative expenses increased 4% mainly due to higher staff-related costs and office rental and related costs from Serial I-Tech and Swift-Value.

Finance expenses increased 63% mainly due to higher utilization of trade facilities by the Group’s Hong Kong and Singapore subsidiaries to finance increased working capital requirements. The increase in finance expenses was also due to interest costs incurred for a term loan taken by a Singapore subsidiary to partially fund the acquisition of Serial I-Tech.

Other operating expenses increased 4% mainly attributable to net loss of US\$1.0 million (3Q2014: Nil) incurred on derivative financial instruments. The increase is negated by lower staff costs, lower allowances for impairment losses on trade receivables and lower amortisation of distribution rights in 3Q2015.

The Group's share of losses in associated companies amounted to US\$0.73 million (3Q2014: loss of US\$0.09 million). This was due to loss of US\$0.24 million (3Q2014: US\$0.33 million loss) and US\$0.79 million (3Q2014: Nil) incurred by the Group's 29.07%-owned associated company, Bull Will Co. Ltd and 49%-owned associated company, Achieva Technology Pte Ltd respectively. The Group's 20%-owned SPL Holdings (Australia) Pty Ltd, an industrial laundry group, however reported a high profit of US\$0.30 million (3Q2014: US\$0.25 million).

Total expenses as a percentage of turnover declined to 6.6% in 3Q2015 from 6.8% in 3Q2014 as the Group continued to improve operational and cost efficiencies. The Group's net margin slipped to 0.7% from 1.5% in 3Q2014, affected by the lower gross margin achieved and higher share of losses from associated companies.

Balance sheet

Trade and other receivables increased by US\$18.0 million mainly due to addition of trade receivables from newly-acquired consumer products subsidiary, Swift-Value in YTD3Q2015. The increase was reduced by lower trade receivables in the Group's Hong Kong electronic components distribution subsidiary due to the non-recourse factoring arrangement undertaken by this subsidiary in YTD3Q2015. Average turnover days for trade receivables decreased to 58 in YTD3Q2015 from 67 in FY2014 mainly attributed to the non-recourse factoring arrangement.

Inventories increased by US\$46.6 million mainly due to higher purchases by the Group's Hong Kong and Singapore electronic components distribution subsidiaries. The increase was also attributable to newly added subsidiaries, Swift-Value and PT. Achieva Technology Indonesia ("PT Achieva"), which contributed a total of US\$27.0 million to inventories as at 30 September 2015.

Financial assets, available-for-sale increased by US\$1.5 million mainly due to investment in Singapore-listed, Global Invacom Group Limited amounting to US\$2.7 million ("Listed equity"). A fair value loss of US\$1.2 million for the Listed equity was recognised as "Fair value reserve" in equity for this investment in YTD3Q2015.

Investments in associated companies increased by US\$1.5 million mainly due to the Group's acquisition of a 21%-equity interest in Tong Chiang Group amounting to US\$3.2 million. The increase was offset by the Group's share of losses and currency translation reserve amounting to US\$1.2 million and US\$0.5 million respectively in its 49%-owned associated company, Achieva Technology Group.

The Company's investments in subsidiaries increased by US\$10.8 million mainly due to the acquisition of a 100% equity interest in Swift-Value amounting to US\$10.75 million in May 2015.

Property, plant and equipment decreased by about US\$2.5 million mainly due to depreciation on property, plant and equipment of about US\$1.9 million and currency translation losses of about US\$1.9 million. There were additions in plant and equipment of about US\$1.2 million during this financial period.

Intangible assets increased by about US\$7.0 million compared to 31 December 2014. The increase was mainly due to goodwill arising from the acquisition of Swift-Value, amounting to about US\$8.5 million. Total allowances for goodwill impairment and amortization of intangible assets amounted to about US\$1.8 million in YTD3Q2015.

The Group's trade and other payables increased by US\$18.1 million mainly due to increase in trade payables of the Group's Hong Kong and Singapore electronic components distribution subsidiaries from higher purchases of inventories. Average payment days for trade payables increased slightly to 34 in YTD3Q2015 from 33 in FY2014.

The Company's trade and other payables increased by US\$8.0 million mainly due to increase in inter-company loans from a Singapore subsidiary to fund the Company's new acquisitions and investments.

Borrowings increased by US\$65.6 million mainly due to a US\$21.4 million loan due to the previous shareholder of Swift-Value and borrowings of US\$23.0 million taken up by Swift-Value to finance its purchases of inventories. The increase was also attributable to higher borrowings by the Group's Singapore and Hong Kong electronic components distribution subsidiaries to finance their higher working capital requirements in YTD3Q2015. A re-financing of the Company's S\$20.0 million (US\$13.9 million) four-year term loan with a bank in May 2015, resulting in net fresh borrowings of about US\$7.8 million to fund the Company's new acquisitions and investments also contributed to the increase in borrowings.

Currency translation reserve decreased by about US\$6.1 million when compared to 31 December 2014, mainly due to the depreciation of the Group's investments in Hong Kong, Singapore, South Korea and Taiwan arising from the strengthening of United States Dollar against the functional currencies of these subsidiaries, namely Chinese Renminbi, Singapore Dollar, Korean Won and New Taiwan Dollar.

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

No forecast, or prospect statement has been previously issued in respect of the current reporting period.

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

The semiconductor industry is expected to experience slower growth due to headwinds such as weaker global economic expansion, but this slowdown is likely to be mitigated by the growing popularity of emerging technologies, particularly those for wearable devices and the Internet of Things, all of which require integrated circuits and chips. In addition, demand for communication devices is expected to remain buoyant as consumers increasingly seek to stay connected online. These trends bode well for the Group.

The Group will continue to pursue organic and inorganic growth opportunities for its core electronic components distribution business to expand its product lines, customer base and distribution network. It will also look to expand its consumer products business, which it expects will register double-digit revenue growth in 2H2015, compared to 1H2015, following the acquisition of Swift-Value.

The Group will continue to integrate and streamline Serial I-Tech, Achieva Technology group and Hydra & Thermal Pte. Ltd., with an eye on lowering operating costs, improving operational efficiencies and turning them profitable.

The Group remains focused on improving operational efficiency and costs controls to improve profit margins. In line with its strategy to invest in high-margin companies, the Group took a 21% equity stake in Tong Chiang Group, a food caterer and manufacturer. The investment was completed on 28 August 2015.

The Group will continue to be prudent in assessing risks while it keeps a lookout for investment opportunities. Towards this end, on 30 October 2015, the Group has acquired a 49% equity interest in a newly incorporated company, Serial Factoring (Thailand) Co., Ltd. ("Serial Factoring"). The Group will benefit from supplying its electronic components and electronic consumer products for Serial Factoring's IT and related projects in Thailand.

Overall, the Group expects to be profitable in FY2015.

11. Dividend

a) Current Financial Period Reported On

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

No.

b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

No dividend was declared for the third quarter ended 30 September 2015.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), the Board would like to announce a negative statement on the Interested Person Transactions ("IPTs") for Year-To-Date 3Q2015 as follows:

Name of Interested Person	Aggregate value of all IPTs during Year-To-Date 3Q2015 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all IPTs during Year-To-Date 3Q2015 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
	US\$'000	US\$'000
Nil	Nil	Not applicable

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

No mandate from shareholders has been obtained for IPTs.

BY ORDER OF THE BOARD

Dr. Derek Goh Bak Heng
Executive Chairman/Group CEO
06 November 2015