



Your Integral Component To Success

**DRIVING  
GROWTH  
UNLOCKING  
VALUE**

**SERIAL SYSTEM LTD  
ANNUAL REPORT 2017**





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# CORPORATE PROFILE

Established in Year 1988, listed in April 1997 and currently traded on the Main Board of the Singapore Exchange, Serial System owns and operates a synergistic global distribution network built on strong partnerships with suppliers and customers. In Year 2013, which marked its 25th year in business, Serial System crossed 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, telecommunication, household appliances, industrial, electronics manufacturing services, automotive and medical. Its major suppliers include Texas Instruments, ON Semiconductor, OSRAM Opto Semiconductors, SK Hynix, Fingerprints, TE Connectivity, Molex, TT Electronics and Hisilicon Technologies.

With more than 1,000 employees in 50 offices and 13 warehousing facilities in key Asian markets – Singapore, Cambodia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam – Serial System has one of the largest and most extensive distribution network in the region.

Being in close proximity to its customers and suppliers gives Serial System the ability to align itself to their goals, better understand their needs in order to reduce time-to-market and response time, and improve inventory management. In meeting their engineering and supply chain needs, Serial System has become their integral component for success.

Serial System also enhances demand for its suppliers' components and contributes to its customers' product development by adding value to their products through design and other initiatives.

In Year 2014, Serial System entered a new chapter of growth by diversifying into the distribution of consumer products. Its current portfolio of consumer products consists of household appliances and lifestyle goods, including camera accessories, printer accessories, motherboards and hard-disk drives.

Major suppliers of consumer products distributed by Serial System include Hewlett-Packard, Intel, Asus, Canon and Samsung.

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

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

## OUR VISION

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

### 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.

## OUR MISSION

To provide a wealth of growth opportunities for our stakeholders.

### Towards our community

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

### Progressiveness

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

## OUR VALUES

### 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 2017

## February

Increased investment in 21%-owned associated company, Tong Chiang Group Pte. Ltd.



## April

Disposed of 100% equity interest in JEL Distribution (Kazakhstan) LLP

Restructured Serial I-Tech Singapore, Serial I-Tech Middle East and Achieva Technology Australia

Consolidated Consumer Products Distribution group into a single Changi office/warehouse



## May

Completed acquisition of 70% issued and paid-up capital of Print-IQ Singapore Pte. Ltd.

Incorporated a 63.7% effective equity interest in Xuanhong Automotive Electronics Limited in Hong Kong to focus on automotive segment

## June

Announced proposed spin-off of Serial Microelectronics (HK) Limited to be listed on Main Board of the Stock Exchange of Hong Kong Limited



## August

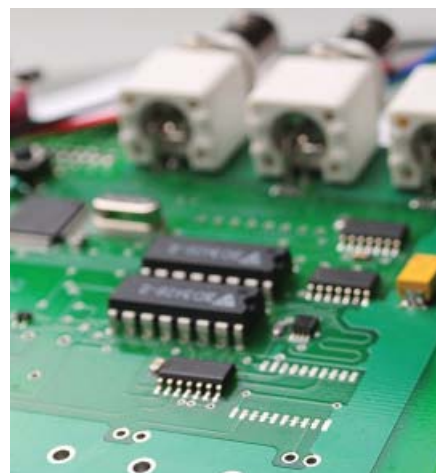
Entered into joint-venture agreement to incorporate Bast Investment Pte Ltd, which acquired a 50% stake in Musang Durians Frozen Food (M) Sdn. Bhd.

Incorporated a 63.7% effective equity interest in Xuanli Automotive Electronics Co., Limited in China to focus on automotive segment



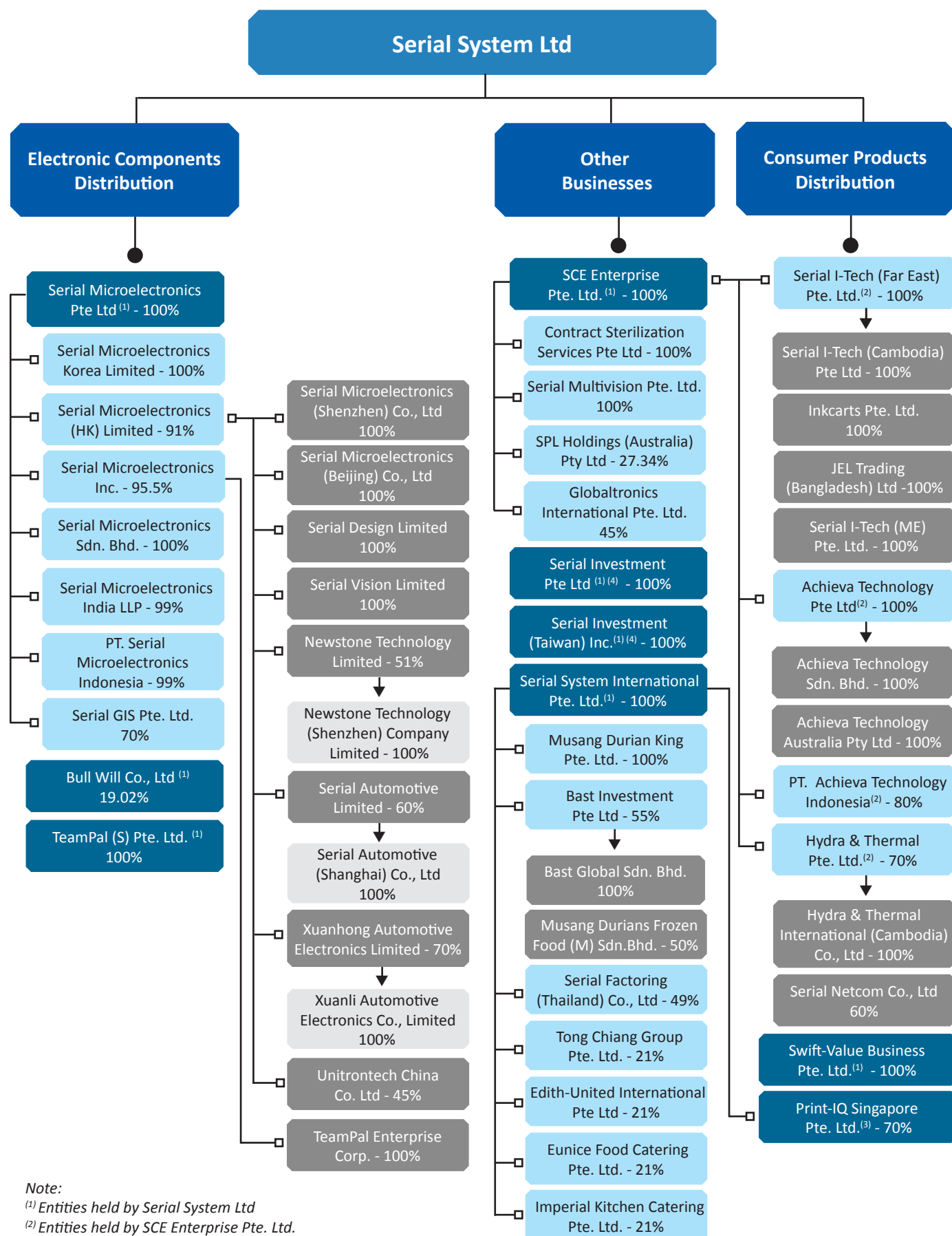
## September

Serial Microelectronics (HK) Limited increased investment in subsidiary, Serial Vision Limited from 55% to 100%



# GROUP STRUCTURE

As at 28 March 2018



Note:

(1) Entities held by Serial System Ltd

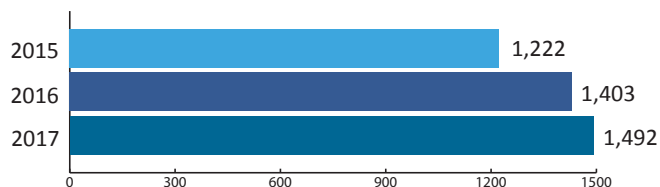
(2) Entities held by SCE Enterprise Pte. Ltd.

(3) Entities held by Serial System International Pte. Ltd.

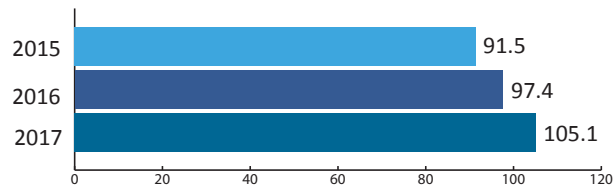
(4) Investment holding and trading, and rental of properties

# FINANCIAL HIGHLIGHTS

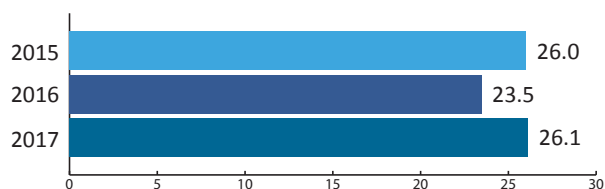
## Revenue (US\$' million)



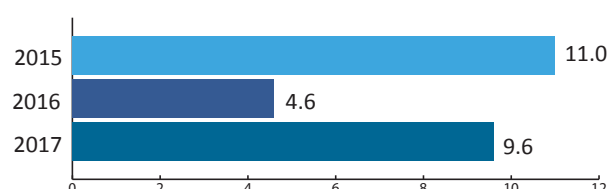
## Gross Profit (US\$' million)



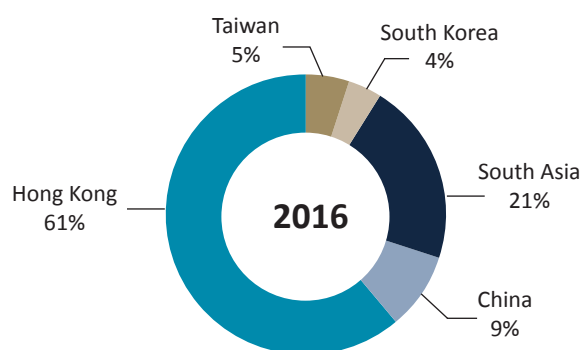
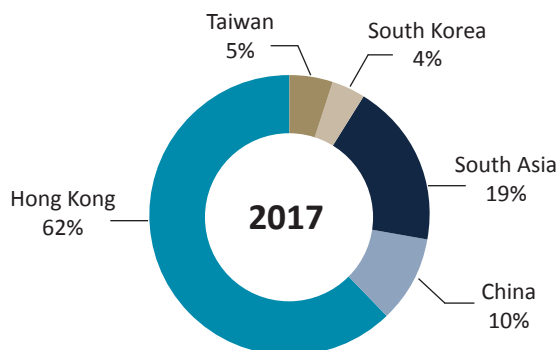
## EBITDA (US\$' million)



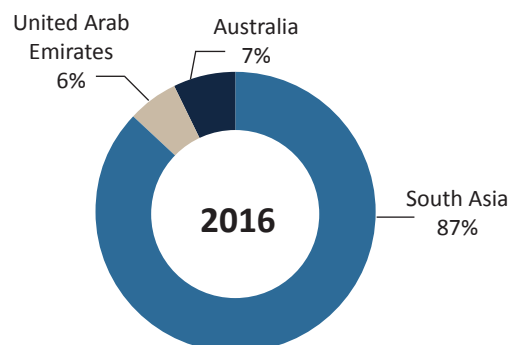
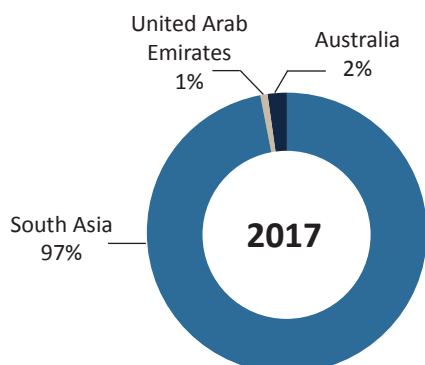
## Profit Attributable to Equity Holders (US\$' million)



## Revenue by Market - Electronic Components Distribution



## Revenue by Market - Consumer Products Distribution



	2017 US\$'000	2016 US\$'000	2015 US\$'000
<b>Capital Employed</b>			
Working Capital	71,051	58,590	58,444
Total Assets	554,288	512,602	465,121
Net Assets	145,015	124,787	119,384
Net Assets per Share (United States cents)	16.19	13.93	13.33
Net Debts	166,502	139,272	137,974
<b>Share Capital</b>			
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
<b>Earnings and Dividend per Share</b>			
Earnings per Share (United States cents) <sup>(1)</sup>	1.07	0.51	1.23
Dividend per Share (Singapore cent)	0.75	0.35	0.85
Dividend Yield (%) <sup>(2)</sup>	4.6	2.4	6.3
<b>Ratios</b>			
Current Ratio	1.18	1.16	1.18
AR Turnover (days)	51	49	53
AP Turnover (days)	35	33	33
Inventory Turnover (days)	42	40	38
Cash Conversion Cycle (days)	58	56	58
Net Gearing Ratio	1.15	1.12	1.16

<sup>(1)</sup> Earnings per share is calculated based on profit after tax on weighted average of 895,841,914 shares in issue for financial year ended 31 December 2017, 31 December 2016 and 31 December 2015 respectively.

<sup>(2)</sup> 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

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## Dear Shareholders,

The Year 2017 was particularly significant for Serial System on several fronts: Our revenue and gross profit for the entire year reached all-time highs. Our consumer products distribution business began showing signs of improvement after several years of streamlining. We also unveiled plans to spin off a key subsidiary through a public listing in Hong Kong, our biggest revenue market.

Our revenue for the 12 months ended 31 December 2017 ("FY2017") grew 6% from the previous year ("FY2016") to US\$1.49 billion, the highest since our inception. Higher demand for semiconductor and electronic components from new and existing customers in Hong Kong, China, Taiwan and South Asia drove the increase, which in turn lifted our gross profit for FY2017 to a record US\$105.1 million.

The higher revenue from electronic components distribution offsets a slide in sales from the distribution of consumer products. Contributions from the consumer products distribution business, which we have been working hard to turn around in recent years, were lower as we made a conscious effort to reduce sales of low-margin products and exit non-performing markets. We further consolidated the consumer products division into a warehouse-cum-office facility in Singapore. This overall strategy allowed us to focus on more profitable consumer products and markets, which helped increase Serial System's total gross profit margin for FY2017 to 7.0% from 6.9% for FY2016.

## Corporate Highlights

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In seeking to strengthen the foundation for our longer-term growth, we took steps in Year 2017 to better position key subsidiaries and develop new income streams. With Hong Kong and China accounting for the lion's share of our revenue, we proposed listing our 91%-owned Serial Microelectronics (HK) Limited ("SMHK") on the main board of the Stock Exchange of Hong Kong to raise funds to support its growth.

SMHK distributes electronic components in Hong Kong and China. Its customers are primarily China and Hong Kong based manufacturers of smartphones, household appliances,

consumer electronics, cars and industrial products. As part of the proposed spin-off exercise, we intend to transfer Serial System's listing in Singapore from the main board to the Catalyst board.

We also acquired a 70% stake in Print-IQ Singapore Pte. Ltd. ("Print-IQ"), which provides managed print services and maintains and distributes printers and copiers. Given its extensive logistics network and clientele, Print-IQ is expected to contribute positively to the financial performance of our consumer products distribution business in the years ahead.

We also formed a Singapore subsidiary to invest in a Malaysian company that manufactures, trades and exports durian puree and durian-related food products like ice cream and finger foods. China will be a key market for this durian business.

## Outlook

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According to research firm Gartner, the global semiconductor market is expected to fare reasonably well this year after a strong Year 2017. Worldwide semiconductor revenue in Year 2018 is forecast to increase 7.5% from the previous year to US\$451 billion, driven by strong demand for DRAM and NAND flash memory products.

Firm demand for integrated circuits used for state-of-the-art smartphones and consumer electronics, smart-city initiatives, autonomous vehicles and other technology-reliant projects and applications is also expected to underpin global semiconductor sales this year. At the same time, growing interest in cryptocurrency mining – the process of creating digital currencies and recording all their transactions on a blockchain or public ledger – is rapidly driving sales of high-performance chips.

This broad outlook bodes well for us given that we are one of the largest distributors of semiconductor and electronic components in Asia, with close ties to leading chipmakers such as Texas Instruments, ON Semiconductor, SK Hynix and OSRAM Opto Semiconductors.



“Even as we strive to offer more value to our customers, we will continue to actively manage competition and cost pressures to uphold profit margins and generate sustainable returns for shareholders.”

Dato' Seri Dr. Derek Goh Bak Heng <sup>BBM</sup>  
Executive Chairman & Group CEO

Even as we strive to offer more value to our customers, we will continue to actively manage competition and cost pressures to uphold profit margins and generate sustainable returns for shareholders. For FY2017, we have declared a final dividend of 0.46 Singapore cent a share. This brings the total payout for FY2017, including an interim dividend of 0.29 Singapore cent already given out, to 0.75 Singapore cent a share. The total dividend for FY2016 was 0.35 Singapore cent a share.

### Appreciation

I welcome Mr. Teo Ser Luck and Mr. Ng Cher Yan to our board of directors. Ser Luck was appointed Non-Executive Independent Deputy Chairman on 15 July 2017. Having spent 11 years as a political office holder and with his deep experience in the private sector, he brings with him fresh insights to help steer the Company forward.

Cher Yan joined the board earlier, on 28 March 2017, as Non-Executive Independent Director. A Chartered Accountant, his knowledge and experience can be relied on as we continue to explore more investment and acquisition opportunities.

On behalf of the Board, I would like to thank all our customers, business partners, shareholders and employees for their trust, support and hard work, without which Serial System would not be what it is today. I look forward to another exciting year together.

Dato' Seri Dr. Derek Goh Bak Heng <sup>BBM</sup>  
Executive Chairman & Group CEO  
March 2018

# OPERATIONS AND FINANCIAL REVIEW



Despite fierce competition and cost pressures, as well as ongoing uncertainties in the global economy, the semiconductor market fared better in Year 2017. In view of the ongoing demand for memory products and other technology-reliant projects and applications, the Group is optimistic about its prospects for Year 2018.

## Financial Performance

Serial System generated revenue of US\$1.5 billion in FY2017, breaking the previous year's record of US\$1.4 billion, which at the time was the highest in the Group's history.

Turnover from electronic components distribution increased 17% to US\$1.43 billion in FY2017, driven mainly by contributions from the Group's operations in Hong Kong, China, South Asia and Taiwan. Turnover from these markets rose 21%, 35%, 4% and 7%, respectively, boosted by higher demand for product lines from new and existing customers.

The consumer products distribution business generated revenue of US\$55.4 million, compared to US\$173.3 million in FY2016, due to lower sales across all subsidiaries as they exited or reduced sales in non-performing markets and low-margin products.

## Profit Margins

Gross profit margin increased to 7.0% from 6.9% in FY2016, mainly due to higher margins for the consumer products distribution business. The increase was partly offset by lower margins for the electronic components distribution business due to keen competition and higher sales of low-margin products.

The Group's net margin increased to 0.6% from 0.3% in FY2016.

to a previous shareholder of a subsidiary; and advertising income of US\$0.6 million due to the discontinuation of the advertising media business in July 2016.

Lower commission and rebate income from suppliers amounting to US\$1.9 million, in line with the lower revenue from the consumer products distribution business, also contributed to the decline.

The Group earned higher finance income of US\$0.4 million compared to FY2016.

as higher professional fees attributable to the proposed listing of the Group's 91%-owned Hong Kong subsidiary, Serial Microelectronics (HK) Limited.

Finance expenses increased by US\$2.0 million or 24%. This was mainly due to higher utilisation of trade facilities by the electronic components distribution subsidiaries in order to finance higher working capital requirements. Higher interest rates in FY2017 also contributed to the increase.

## Other Operating Income

Other operating income decreased by US\$7.8 million or 57%, due mainly to the absence of gain of US\$3.9 million from the sale of financial assets, available-for-sale in FY2016; write-back of US\$1.4 million recorded in FY2016 attributable

## Expenses

Administrative expenses increased by US\$0.9 million or 7%. This was mainly due to higher bank finance charges associated with the increase in utilisation of trade facilities for the electronic components distribution subsidiaries' working capital requirements, as well

Other operating expenses decreased by US\$1.3 million or 5%. This was mainly due to lower currency loss, depreciation expenses and fair value loss on financial assets, at fair value through profit or loss. The decrease was offset by a higher allowance for impairment losses on trade receivables and impairment loss on financial assets, available-for-sale in FY2017.

Total expenses as a percentage of turnover declined to 6.4% from 6.8% in FY2016.

### Associated Companies

The Group's share of losses in associated companies was US\$0.4 million for FY2017, mainly due to reduced losses from Bull Will Co., Ltd, which designs and manufactures magnetic components used in various electronic products, such as LCD monitors, smartphones and air-conditioners. Share of losses from Bull Will Co., Ltd declined from US\$3.9 million in FY2016 to US\$0.6 million in FY2017.

During the year, the Group's stake in Bull Will Co., Ltd was diluted to 19.02% from 29.03%.

### Net Profit

In line with the improved sales, higher gross profit and reduced losses from associated companies. The Group reported a net profit after tax attributable to equity holders of the Company of US\$9.6 million compared to US\$4.6 million in FY2016.

Fully diluted earnings per share came to 1.07 US cents, compared to 0.51 US cent for the previous year.

### Expanding Asian Footprint

In the year under review, the Group announced plans to list its 91%-owned Hong Kong electronic components distribution subsidiary, Serial Microelectronics (HK) Limited on the mainboard of the Hong Kong Stock Exchange. The planned listing will enable the subsidiary to raise funds to support its growth in Hong Kong and China.

In line with its recent efforts to turn around its consumer products distribution business – including discontinuing low-margin product lines and exiting non-performing markets – the Group will focus on opportunities in the consumer space that can lead to higher and more sustainable returns in the long haul.

These include the Group's recent entry into a joint-venture agreement to invest in Musang Durians Frozen Food (M) Sdn. Bhd. ("Musang Durians"), in which it now has a 27.5% effective interest. As the food business has higher margins than semiconductors, the move is expected to improve the Group's margins and expand the business by capitalising on the Group's existing strengths and network, thus tapping demand for durian in new markets such as China.

### Assets

As at 31 December 2017, the Group had cash and cash equivalents of US\$73.1 million, compared to US\$65.2 million at the end of Year 2016.

Trade and other receivables rose by US\$15.8 million mainly due to increased trade receivables in the Group's Hong Kong and China, Taiwan and South Korea electronic components distribution subsidiaries in line with their increase in sales. Average turnover day for trade receivables increased to 51 in FY2017 from 49 in FY2016.

Inventories increased by US\$15.6 million, mainly due to higher purchases by the Group's Hong Kong and Singapore electronic components distribution subsidiaries in anticipation of higher sales in 2018. The Group has a 27.5% effective interest in Musang Durians.

The Group's US\$2.4 million investment in a joint venture relates to a 50% investment by Bast Investment Pte Ltd in Musang Durians.

Investments in associated companies increased by US\$1.6 million mainly due to the reclassification of a US\$1.5 million deposit paid by the Group's wholly-owned subsidiary, Serial System International Pte. Ltd., from other current assets to investments in associated companies, following the completion of an additional investment in 21% owned Tong Chiang Group in 1Q2017. Net foreign currency gain of US\$0.5 million resulting from the translation of net investments in associated companies denominated in foreign currencies, also

contributed to the increase. The increase was partly offset by net share of losses from associated companies amounting to US\$0.4 million in FY2017.

Property, plant and equipment increased by US\$2.4 million mainly due to the reclassification of an office unit owned by a China subsidiary amounting to US\$1.2 million from "investment properties", following the repossession by the Group's China subsidiary for its own use in FY2017. Additions to plant and equipment amounted to about US\$1.2 million and currency exchange gain amounted to about US\$2.5 million in FY2017. Depreciation on property, plant and equipment amounting to US\$2.5 million reduced the increase in property, plant and equipment.

The Group's net asset value per share was 16.19 US cents as at 31 December 2017, compared to 13.93 US cents the previous year.

### Liabilities

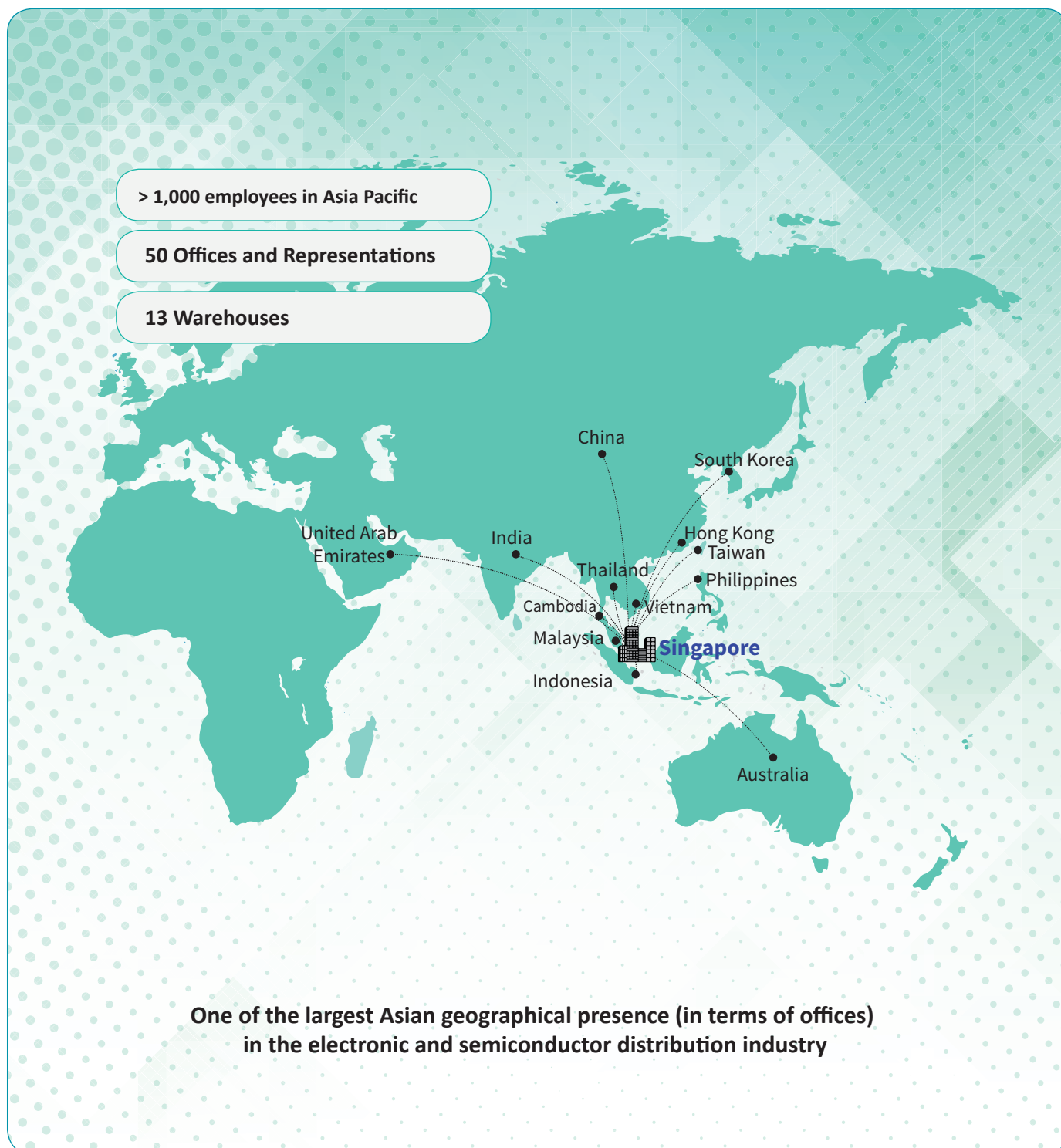
Trade and other payables decreased by US\$13.1 million mainly attributable to lower trade payables at the Group's Hong Kong electronic components distribution subsidiary due to the timing of certain payments to suppliers and overall lower trade payables at the Group's consumer products distribution subsidiaries.

Borrowings increased by US\$35.2 million, mainly due to higher bank borrowings by the Group's Hong Kong, South Korea and Taiwan electronic components distribution subsidiaries for increased working capital requirements. This was partly offset by a reduction in bank borrowings by the Group's Singapore electronic components distribution subsidiary, as well as net repayment of borrowings by the Company and a wholly owned subsidiary in Singapore.

### Share Capital

As at 31 December 2017, Serial System's issued shares stood at 895.8 million (excluding treasury shares of 9.9 million), similar to the number at the end of the previous year.

# EXTENSIVE DISTRIBUTION NETWORK



# ELECTRONIC COMPONENTS DISTRIBUTION PRODUCT LINE CARDS



# CONSUMER PRODUCTS DISTRIBUTION

In Year 2017, Serial System consolidated its key consumer products distribution group in Singapore, beginning with Swift-Value Business Pte. Ltd., Achieva Technology Pte Ltd and Serial I-Tech (Far East) Pte. Ltd. Housing these companies as one group in the same building focuses business operations more efficiently and builds further synergistic opportunities between the various consumer product lines.

These companies' combined business networks, regional presence and product offerings open up new opportunities and make them greater than the sum of their parts.

## Swift-Value Business Pte. Ltd.

Swift-Value Business Pte. Ltd. ('Swift-Value'), 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 and also the authorized reseller of products from major brands such as Fuji Xerox, Samsung, Oki and Panasonic.

Locally, Swift-Value is the largest HP printer product distributor, having captured over 70% of the market there. They keep their top spot by maintaining close relationships with hundreds of customers, ranging from heartland operators to large retail superstores such as Popular.

Their extensive reach into the market, together with efficient warehouse operations and sales personnel, is what exemplifies Swift-Value's name. By providing fast and value-added service and having the ability to retain customer loyalties helps Swift-Value offer an extensive and consistent network for their suppliers and partner brands.



## Achieva Technology

Achieva Technology, with offices based in Singapore (Achieva Technology Pte Ltd), Malaysia (Achieva Technology Sdn. Bhd.) and Indonesia (PT. Achieva Technology Indonesia), is a wholly owned subsidiary of the Group that distributes a multitude of consumer and enterprise information technology products.

The network across the three countries gives Achieva Technology an extensive reach into multiple market segments. This provides suppliers an easy answer for a wide distribution of their products.

The brands taking advantage of Achieva Technology's broad operations include established names such as Intel, Samsung and Asus. Achieva Technology works closely with partner brands to both fulfil their distribution needs and to create a one-stop solution for their customer needs in both end-user and enterprise markets.

To that end, especially in the modern e-commerce market, Achieva Technology already maintains key

channels on online platforms such as Qoo10 and Lazada. It is this adaptiveness that allows Achieva Technology to keep its strong presence in the region, and serve as a robust distribution channel between suppliers and their end-customers.

## Serial I-Tech (Far East) Pte. Ltd.

Serial I-Tech (Far East) Pte. Ltd. ("SIFE"), a wholly owned subsidiary of the Group, specialises in distribution of information technology and photo products. Headquartered in Singapore, it distributes a wide range of globally-renowned brands including Viewsonic, Powercolor, Marumi, Benro and Luxa. With a satellite office in the Middle East, SIFE provides a convenient gateway for suppliers looking to establish a foothold in that market.



## Print-IQ Singapore Pte. Ltd.

Serial System holds a 70% equity stake in Print-IQ Singapore Pte. Ltd. ("Print-IQ"), a managed printing services company in Singapore which distributes and maintains printers and copiers.

Incorporated in Year 2014, Print-IQ's diverse offerings include customised printing and document management solutions by leading brands such as Samsung and HP. Its extensive logistics networks span more than 10,000 locations in the region, which the Group will leverage to achieve greater operational synergies and economies of scale.



# OTHER BUSINESSES

## Serial Multivision Pte. Ltd.

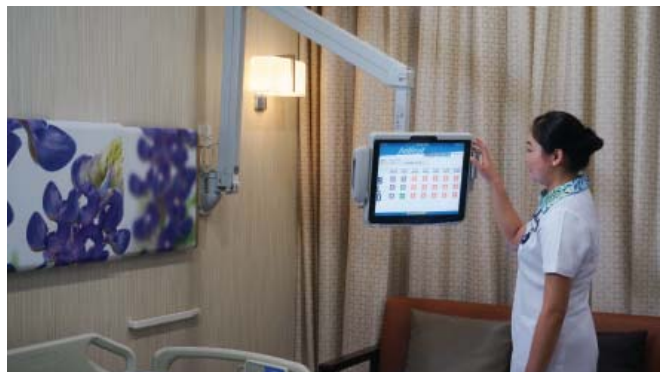
Serial Multivision Pte. Ltd. ("Serial Multivision") is a wholly owned subsidiary of the Group that specialises in hospitality and healthcare solutions.

The hospitality and healthcare solutions are built based on a core venue management application suite known as Venue360. Premise operators are empowered via technology specifically tailored for their needs, complementing existing systems such as their backend ERPs. Serial Multivision's Venue360 is developed with extensive input from ground-level operation staff, making it not only real and practical, users are able to improve their service offerings to a new level ahead of their competitors.

Serial Multivision's leading-edge modules within Venue360, such as the Intelligence Room Infotainment Solution and the Digital Media Content Management system, are part of its Venue Management Suite, which lets organisations automatically parse customer and employee feedback to measure productivity and effectiveness and also alerts the operators in early stages of any shortcomings on the ground allowing immediate remedies and actions to be put in place and should it be necessary to escalate any matters, the enhanced Incident Tracking and reporting system allows health-related incidents to be reported on a common platform and streamlines hospital operations so that staff are better equipped to handle critical issues.

Another key solution is Serial Multivision's flagship electronic Meal Ordering System (eMOS). Developed for food service management in the healthcare industry seamlessly combines hospital and kitchen operations with inputs from the nutrition and dietetics offices, providing a digital knowledge base. Users can easily access information via a mobile menu and get immediate updates on topics such as clinical nutritional care and food allergies. eMOS provides customised HL7 interfaces with real-time information to support patients' nutritional care and meal delivery. Year 2017 was a great opportunity for Serial Multivision as they extended their software for use by third party healthcare caterers such as SFS (Singapore Food Services) in consolidating and managing orders at a hospital site to the caterers' remote kitchen seamlessly.

Serial Multivision's current clients include Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, Institute of Mental Health, St Andrew's Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital, Sengkang Hospital, Sengkang community hospital and Alexandra Integrated Health and thus our coverage already captures the majority of the hospitals in Singapore.



*iPad Touch for Nurse/Patient at Khoo Teck Puat Hospital*



*Touch Medical Pad*



*Incident Tracking and Quality Review*



*Inventory Management System*

## Contract Sterilization Services Pte Ltd

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



*Cleanroom Operation*



*Cleanroom Operation*



*Customized Heart Lung Pack - use in Cardiac Bypass Surgery*



*Angio- use in Interventional Radiology*



*Sterile Procedural Pack*



*Blood Cardioplegia*

Contract Sterilization Services utilises the best components from the United States and Europe, and customises the majority of its products to suit customers’ stringent demands. The company is ISO 13485-certified and its perfusion products bear the coveted CE certification 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@Tukang. The Medtech Hub is a government initiative that aims to promote Singapore as Asia’s medical hub.

## SPL Holdings (Australia) Pty Ltd



*Clientele - Hotels, Resorts, Care Centres,  
Hospitals and Restaurants*



*Manual ironing/folding for normal clothes*



*Flatwork Ironer*



*Processing for the clean, folded linen/towels  
ready to be loaded for delivery*

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

"We don't rest on the Seventh Day" – SPL's service ethic is summed up in their company's vision and motto. SPL's commitment to providing consistent and excellent care for their customers is what allowed them to transform from a small state operation to a nationwide chain.

Formed in Year 1990, SPL started servicing the hospitality industry in metropolitan Melbourne before expanding out to the larger Victoria state. Today their reach extends across the country, with branches up along the coast to Brisbane and Cairns, and operations in other major cities such as Perth and Sydney.

As a testament to their high quality and dependable service, SPL retains a loyal client base of more than 660 in Melbourne with another 2,000 across Australia. These include established hospitality brands such as the Hyatt, Sofitel, Best Western, Stamford and Quest.

SPL uses state-of-the-art technologies, such as radio frequency identification devices and automated towel and linen folders, to stay ahead of the competition and ensure its services are reliable and consistent. SPL commits heavily to environmental protection by ensuring all plants have an on-site water recycling plants for every branch and exploring solar power as an alternative energy source.

Beyond the business aspect, SPL gives back to the community with

complimentary cleaning services and linen donation programs for charities and homeless shelters. This holistic approach to both the community and business is what differentiates SPL from other players in the industry.

Today, SPL handles more than 300 tons of laundry each day. It is their foresighted investment in automation and other key technologies that has allowed them to maintain their vision of a consistent, everyday service for their customers even through public holidays. Despite their successes, SPL continues to innovate as they now look to expand their laundry offerings to the healthcare industry. SPL's relentless self-improvement will help push their operations to greater heights in the future.

## **Bull Will Co., Ltd. (Taiwan Stock Code 6259)**

Bull Will Co., Ltd. ("Bull Will"), a Taiwan entity listed on the Over-The-Counter Securities Exchange in Taiwan, became an associated company after Serial System acquired a 29.3% equity interest in Year 2007. Serial System's current equity stake in Bull Will is 19.02%.

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 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



*Automotive Magnetics*



*Hybrid Series (BW Patent)*



*Choke*



*Wireless Antenna Choke*

monitors, smartphones, notebooks, servers, air-conditioners, automotive, solar inverters and more.

Bull Will's vertical integration, production capacity and technical expertise enable it to quickly adapt to 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 250 employees.



*Manufacturing Plants in China*

## Tong Chiang Group Pte. Ltd.

Serial System has a 21% equity stake in Tong Chiang Group Pte. Ltd. ("Tong Chiang"), a food manufacturer and caterer based in Singapore. Tong Chiang has been offering healthy catering options with quality ingredients to multinational corporations, SMEs and homes since Year 2007.

Tong Chiang's products and services can be broadly categorised into home-meal catering ("tingkat delivery"), bento boxes (packet meals) for corporate customers, and halal and non-halal catering for private and corporate events.

Tong Chiang has fourteen wholly owned subsidiaries and three property investment holding entities. It operates in five factories and three warehouse units.

In Year 2017, Tong Chiang received further support from NSG Catering Pte Ltd (Nanshan Group), which acquired a 25% equity stake in the company.



*Tingkat Delivery*



*Private and Corporate Catering*



*Bento Boxes*



## Musang Durians Frozen Food (M) Sdn. Bhd.



Serial System has a 27.5% equity stake in Musang Durians Frozen Food (M) Sdn. Bhd. ("Musang Durians"), a durian processing and distribution company with operations in Kuala Lumpur and Pahang, Malaysia. It processes durians into paste and related products such as ice cream and finger foods.



100% Durian Flesh



Musang King Pulp (400g) - creamy, tender and has a delicate rich flavor.



Selection of Grade A Musang King Durians for nitrogen freeze at -70 °C to -100 °C to preserve their fresh condition

The Musang (D197) durian is known as the 'king' of durians for its golden flesh, creamy texture and rich fragrance. The word "Musang" is believed to be derived from "Gua Musang", the Malaysian town where the fruit was first grown on a large scale.

Musang Durians produces several hundred tonnes of durians per annum in Pahang, comprising principally the "Musang King" (D197) and the "Sultan King" (D24) varieties. All activities are carried out under controlled environment in accordance with GMP.

Musang Durians is able to provide quality and consistent supply to fulfil its customers' need and is expanding its business in China.



Range of Products

# CORPORATE SOCIAL RESPONSIBILITY



Giving back to society is a trait deeply imbued in Serial System's culture as we believe in responsible corporate citizenship. Our Corporate Social Responsibility (CSR) efforts have a broad reach, targeting the elderly, the poor and needy, as well as areas like medical, education, youth development, arts, culture and heritage.

Our CSR beneficiaries in Year 2017 included but were not limited to citizens' councils, the PAP Community Foundation, the Singapore Red Cross Society and Sian Chay Medical Institution. Altogether we contributed S\$452,000 (approx. US\$325,000) 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.

During the year in review, Serial System donated a total of S\$155,000 (US\$110,000) to various charitable foundations/programs such as the five Community Development Councils ("CDCs"), People's Association Community Centers and the Singapore Red Cross Society.

## Medical, Education and Youth Development

In Year 2017, Serial System pledged to donate S\$100,000 (US\$73,000) annually (Year 2017 being the first year) to Sian Chay Medical Institution over a period of ten years, amounting

to S\$1,000,000 (US\$724,000) to support low income family seeking low cost Traditional Chinese Medicine ("TCM") consultation and treatments across all races or religion. A further S\$110,000 (US\$81,000) donation was made to Sian Chay Medical Institution towards the renovation costs of its Yio Chu Kang branch.

We also donated S\$25,000 (US\$17,000) to the World Learner Student Exchange Programme 2017, an educational collaboration between nEbO – the junior membership arm of NTUC – and Best World International to host students from rural areas of Sichuan, China for a short cultural immersion programme in Singapore.

We gave S\$10,000 (US\$7,000) to the National Youth Achievement Award Association Community Leadership Programme 2017, which aims to develop young people aged 14 to 25 as local leaders in their communities. We also contributed an additional S\$10,000 (US\$7,000) to the NTUC Education and Training Fund, which helps Singaporeans upgrade their skills to meet the demands of modern working life.

## Other Contributions

In addition to aids given for the poor and needy and medical, education and youth development causes, Serial System donated more than S\$42,000 (US\$30,000) in Year 2017 to other charitable funds, community programmes and organisations in Singapore.

## FINANCIAL CALENDAR

### 22 February 2017

Announcement of Fourth Quarter and Financial Year 2016 Results

### 06 April 2017

Release of Annual Report 2016

### 28 April 2017

Annual General Meeting 2017 /  
Announcement of First Quarter 2017 Results

### 30 May 2017

Payment of 2016 Final Cash Dividend

### 04 Aug 2017

Announcement of Second Quarter and Half Year 2017 Results

### 08 September 2017

Payment of 2017 Interim Cash Dividend

### 03 November 2017

Announcement of Third Quarter and Nine Months 2017 Results

### 24 February 2018

Announcement of Fourth Quarter and Financial Year 2017 Results

### 06 April 2018

Release of Annual Report 2017

### 28 April 2018

Annual General Meeting 2018

### 31 May 2018

Payment of 2017 Final Cash Dividend  
(subject to Shareholders' approval at  
Annual General Meeting 2018)

## CORPORATE INFORMATION

### Board of Directors

Dr. Derek Goh Bak Heng  
(Executive Chairman & Group CEO)  
Mr. Teo Ser Luck  
(Non-Executive Independent Deputy Chairman)  
Mr. Tan Lye Heng Paul  
(Lead Independent Director)  
Mr. Ravindran s/o Ramasamy  
Mr. Ng Cher Yan  
Mr. Goi Kok Neng Ben

### Audit Committee

Mr. Tan Lye Heng Paul (Chairman)  
Mr. Ravindran s/o Ramasamy  
Mr. Ng Cher Yan

### Nominating Committee

Mr. Ng Cher Yan (Chairman)  
Mr. Tan Lye Heng Paul  
Mr. Ravindran s/o Ramasamy  
Dr. Derek Goh Bak Heng

### Remuneration Committee

Mr. Ravindran s/o Ramasamy (Chairman)  
Mr. Tan Lye Heng Paul  
Mr. Ng Cher Yan  
Dr. Derek Goh Bak Heng

### Serial System Employee Share Option Scheme 2014

Mr. Ravindran s/o Ramasamy (Chairman)  
Mr. Tan Lye Heng Paul  
Mr. Ng Cher Yan  
Dr. Derek Goh Bak Heng

### 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. Neo Keng Jin  
(appointed in Year 2016)

### Principal Bankers

- Bank of China (Hong Kong) Limited
- BNP Paribas
- China CITIC Bank International
- China Construction Bank (Asia) Corporation Limited
- CTBC Bank Co., Ltd

- DBS Bank Ltd
- Hang Seng Bank Limited
- Industrial and Commercial Bank of China Limited (Asia)
- KGI Bank
- Malayan Banking Berhad
- RHB Bank Berhad
- Shanghai Commercial Bank Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Tai Chung Bank
- 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 2018, Dr. Goh holds 355,090,070 shares (39.64%) in Serial System Ltd. Dr. Goh is a substantial shareholder of Serial System Ltd.



**TEO SER LUCK**  
***Non-Executive Independent Deputy Chairman***

Mr. Teo Ser Luck is an entrepreneur and Singapore Member of Parliament. He was a former Minister of State in the cabinet and a Mayor. Now in the private sector, he has started a few of his own ventures and building others. He also chairs and advises a few listed companies. Ventures of his own are varied and mostly technology related in the areas of finance, education, food, hardware, general commodities, sports and fitness, event management, and other sectors. Mr. Teo is also currently an adviser to the Institute of Chartered Accountants of Singapore (ISCA) and Singapore Fintech Association

Mr. Teo spent 15 years in private sector before being elected as a member of parliament and appointed as a full-time political office holder for 11 years. He returned to the private sector in July 2017 and remain as a Member of Parliament.

Apart from Serial System Ltd, Mr. Teo is also Non-Executive and Independent Director of SGX-listed BRC Asia Limited and United Engineers Limited.

Mr. Teo graduated with an Accountancy degree from the Nanyang Technological University (NTU) and began his career as an auditor. Throughout his private sector career, he has taken on management positions as head of sales, marketing, business operations before progressing to lead and oversee companies as Regional Director, General Manager and Managing Director of multi-national operations in the Asia Pacific. He has worked in Hong Kong, China, Thailand, India and has helped to start companies. Prior to politics, Mr. Teo was overseeing DHL Express (Singapore) Pte Ltd.

Mr. Teo was elected Member of Parliament for Pasir Ris-Punggol GRC in May 2006 and was appointed as Parliamentary Secretary in the Ministry of Community Development, Youth and Sports. He was subsequently promoted and concurrently assumed responsibility in the Ministry of Transport and appointed as the Mayor of the North East District, a position he still holds today. After the General Election in 2011, Mr. Teo was promoted and appointed as the Minister of State for Trade and Industry overseeing entrepreneurship, the Small and Medium Enterprises (SME), consumer protection, and trade relations with the region, including China. He was the chairman of Singapore-Shandong Bilateral Business Council and vice chairman of the Singapore-Jiangsu Bilateral Business Council. He was instrumental in creating the start-up eco-system in Launchpad@one north. Mr. Teo was the Minister of State for Manpower overseeing enterprise and industry development and productivity, Lean Enterprise Development implementation in businesses, foreign workers, rank and file workers and developing progressive workplaces. He was also the coordinating Chairman of the Mayors Committee.

For his achievements, Mr. Teo was recognised as a young global leader by the World Economic Forum for his contribution to the business and community services sectors. He also received the Outstanding Young Alumni Award and subsequently received the outstanding alumni award from his alma mater (NTU) for continuing to make a difference in public service. While in the private sector, he has also received accolades as a global outstanding manager in business and operational excellence.

Mr. Teo was instrumental in leading Singapore's successful bid for the inaugural Youth Olympic Games (YOG) that was held from 14 to 26 August 2010. He was also the Advisor to the Singapore 2010 YOG Organising Committee and the Mayor for the Youth Olympic Village.



**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 Non-Executive and Independent Director of SGX-listed Sin Ghee Huat Corporation Ltd, Second Chance Properties Ltd and China Sunsine Chemical Holdings Ltd.

Mr. Tan holds an 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 and a member of Singapore Institute of Accredited Tax Professionals Limited and Singapore Institute of Directors.

As at 28 March 2018, Mr. Tan holds 300,000 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.

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

Mr. Ng graduated from the National University of Singapore in 1983 with a Bachelor of Accountancy degree and is also qualified as a Chartered Accountant, Australia. He is currently a practicing chartered accountant with Plus LLP, and a fellow member of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia.

For his various community services, Mr Ng was awarded the prestigious Pingat Bakti Masyarakat or the Public Service Medal in 2007 and the Bintang Bakti Masyarakat or the Public Service Star Award in 2016.

As at 28 March 2018, Mr. Ng holds 150,000 shares (0.02%) in Serial System Ltd.



**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 Executive Director of SGX-listed KOP Limited and Non-Executive Director of SGX-listed Union Steel Holdings Limited and Yamada Green Resources Limited.

Mr. Goi Kok Neng Ben is currently the COO of TYJ Group Pte Ltd. From 2009 to 2013, 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. He was General Manager of Honji Foods (2005) Pte Ltd from 2005 to 2009. Mr. Goi started his career with global frozen food manufacturer, TYJ Food in 1999 and was involved in various aspects of the business, namely, investment, marketing and operations.



**NG CHER YAN**  
***Non-Executive & Independent Director***

Mr. Ng Cher Yan joined the Board of Directors on 28 March 2017. He is appointed as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Ng is also Non-Executive and Independent Director of SGX-listed Samko Timber Limited, Vicplas International Ltd and MoneyMax Financial Services Ltd. He is also a Non-Executive Director of Taiwan-listed Bull Will Co., Ltd.

# MANAGEMENT TEAM



**DEREK GOH BAK HENG**  
*Group Chief Executive Officer*

1

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*

2

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 Catalist-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.

**SEAN GOH**  
*Senior Vice President  
Corporate Planning, Development  
& Regional Marketing*

3

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.

**NG TECK CHENG**

*Senior Vice President  
Operations & Asset Management*

4

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.

TC is in-charge of driving optimum inventory turns, minimum inventory obsolescence, supply chain and logistics process/operation efficiency and security for the Group's inventories.

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.

**KIM SANG YEOL**

*President  
Serial Microelectronics Korea Limited  
South Korea*

5

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 32 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.

**LAWRENCE HO**

*President  
Serial Microelectronics (HK) Limited  
Hong Kong & China*

6

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.

**WILLIAM LOW**

*Vice President  
Serial Microelectronics Pte Ltd  
South Asia*

7

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.

William has over 32 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.

**JESSE JENG**

*President  
Serial Microelectronics Inc.  
Taiwan*

8

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 31 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.

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# SUSTAINABILITY STRATEGY

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This report gives an overview of the sustainability practices and strategy of Serial System Ltd and its subsidiaries (the “Group”).

A working committee was formed to identify areas of concerns and define the extent to which these areas might potentially affect the sustainability of the Group. A survey was then carried out involving the management team of the Group to seek their views on the concerns raised and their potential impact. The feedback from the management team was collected and subsequently processed to guide the production of this sustainability report.

## Our Sustainability Focus

This sustainability report focuses on the economic, social, internal and external environmental factors deemed to be material to the Group’s business operations and to stakeholders.

As one of the leading distributors of semiconductor and electronic components in the Asia Pacific region, we are always mindful of the need to uphold responsible business practices to ensure our continued growth and success.

We have a dedicated team of staff to ensure all day-to-day operations run smoothly. Any changes or reshuffling in this team are kept to a minimum to ensure there is no disruption to our customers’ project deadlines. We also have a team to assist customers with design innovation in order to add value to their products.

To reduce our ecological footprint, we adopt practices such as using energy-saving equipment in our offices and warehouses, and consolidating our shipments wherever possible. We are also moving towards digital transactions to reduce paper usage and boost productivity. Besides doing their part for the environment, these efforts also yield cost savings for the Group.

## Stakeholder Engagement

Serial System is committed to building a lasting bond and mutually beneficial relationship with its stakeholders. We engage with them regularly to foster trust and understanding and to gather their input on how we can better work together. Below are three areas we feel are crucial to the sustainability of our group of companies.

“

**Driving  
Sustainable  
Growth**



# Risk Management

In the distribution business, gross profit margins are typically in single digits. To preserve – let alone enhance – profit margins, there cannot be room for error in any of our operational processes. Risk management, internal and external, must therefore be robust in all the markets we operate in.

## 1. Credit Risk

To mitigate credit risks, we have a stringent process to review the credit profile of every customer. With this process in place, we ensure that our trade receivables are manageable.

The increase in the number of turnover days for receivables in Year 2017 was due to revisions in credit terms to some customers. We strive to shorten the turnover period for trade receivables every year, amid competitive pressures from the market so that we can have healthy cash flows and reduce our reliance on credit facilities. Doing so also helps improve our bottom line. On top of the measures the Company implemented, majority of our customers in our core electronic components distribution business are being insured with credit insurance to minimise the probability of bad debts occurring.



## 2. Compliance Risk

Regulatory compliance, especially in the area of trade, has always been our focus. We invested in a Trade Compliance Software that highlights any shipments or customers that are subject to special regulatory controls.

In Year 2014, we attained the “Enhanced” band in TradeFIRST, Singapore Customs’ trade facilitation and integrated risk-based system, which provides a holistic assessment of companies and determines the level of facilitation to be accorded.

In Year 2018, we obtained the TradeFIRST’s “Premium” band which is the highest band that can be accorded by Singapore Customs.

We would also like to at least maintain our STP Status and attain STP-Plus status in the near future. This is Singapore Customs’ Secure Trade Partnership-Plus (STP-Plus) certification programme, which encourages companies to adopt robust security measures using a risk-based approach in their trading operations to improve global supply chain security. By participating in this programme, a company demonstrates commitment and willingness to keep the supply chain secure. Having the TradeFIRST’s “Premium” band and STP-Plus certification will further enhance our export process from Singapore.

As it stands, we comply with a host of other regulations, such as:

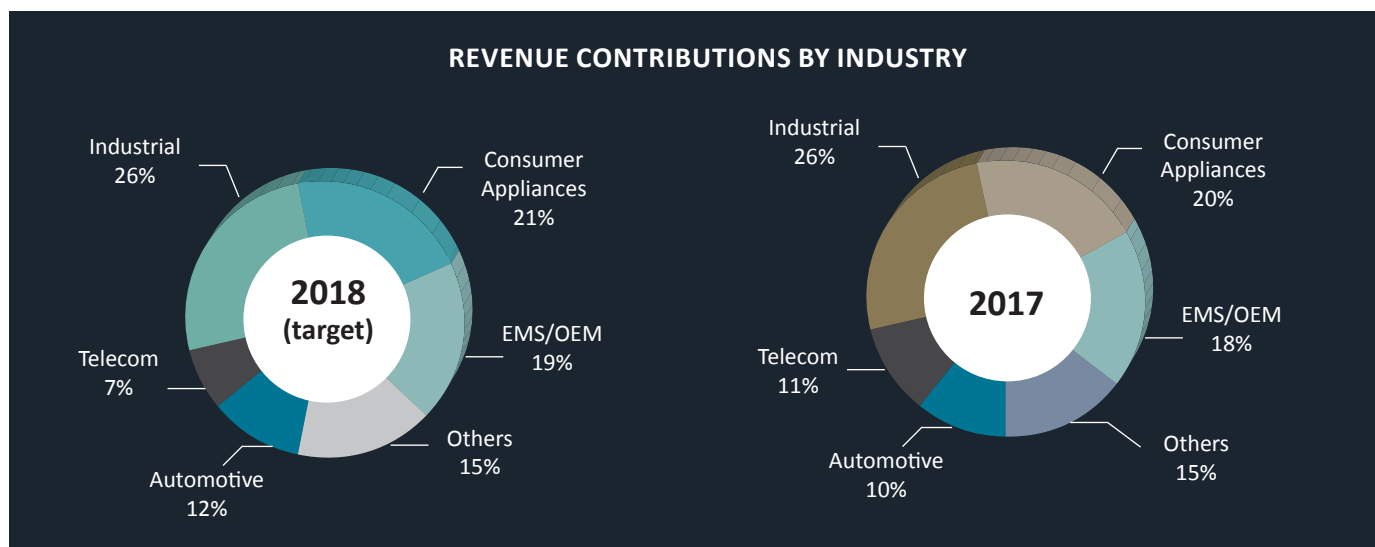
- o Singapore Exchange’s Listing Manual requirements
- o the Companies Act
- o Monetary Authority of Singapore regulations
- o the Securities & Futures Act
- o the Competition Act
- o Market practice codes prescribed by the Infocomm Media Development Authority of Singapore

## 3. Operational Risk

We are aiming for ISO 22301 certification in Year 2018 as we want to assure stakeholders that we can continue our operations even in the event of any crisis or disaster.

## Business Diversification

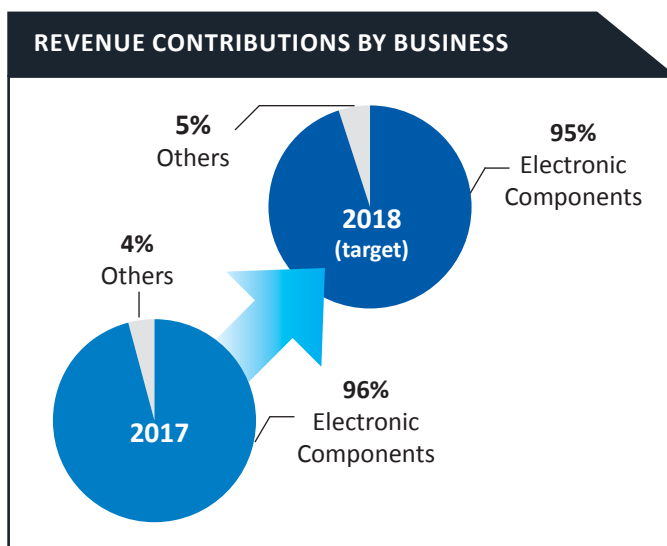
Our revenue from our core electronic components distribution business comes primarily from six industries. The chart below shows the percentage breakdown of contributions from each industry in Year 2017 and our targets for Year 2018.



Given the low profit margins in the electronic components distribution business and the highly volatile nature of the global semiconductor industry, where product life cycles can be as brief as a few months, we see it fit to diversify into other businesses to develop additional income streams and boost profitability.

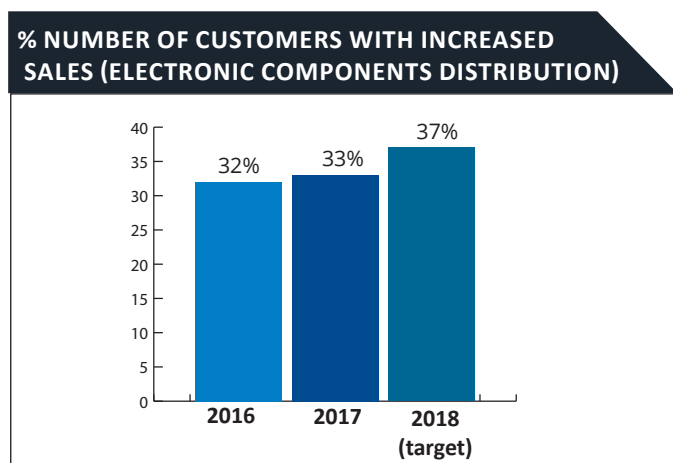
For this reason, we have made strategic investments over the years in the healthcare, consumer products, laundry, food & beverage and printing businesses. In Year 2017, we formed a joint venture in Malaysia to process durians into puree and related products for sale mainly in Malaysia and export to China. During the year, we also acquired a 70% stake in a Singapore company that provides managed print services to drive the growth and improve the results of the consumer products distribution business.

The chart shows the percentage revenue contributions from these businesses in Year 2017. We are exploring opportunities to further diversify our portfolio of businesses in Year 2018. We will work towards driving these businesses to account for 10% of our overall revenue in three to five years, compared to about 4% currently.



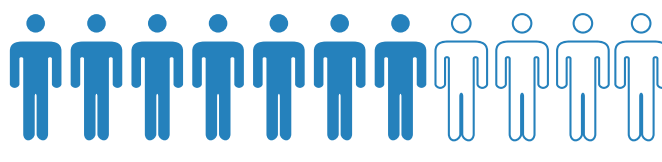
## Customer Value Creation

This entails the need to continuously improve customer satisfaction and add value to customers' supply-chain requirements and processes. This is vital for us to differentiate ourselves from the competition.



The chart indicates, in percentage terms, customers with increased sales in Year 2016 and Year 2017 and our target for Year 2018.

As this is the Group's first sustainability report, we will endeavour to provide more comprehensive disclosure in subsequent years as we continue to improve and fine-tune our sustainability practices.



# Corporate Governance Report

Both Board of Directors (the “Board”) and Management are committed to high standards of corporate governance to protect the interests of its shareholders and enhance long-term shareholders’ value.

This report describes the Company’s corporate governance processes and activities with specific reference to The Code of Corporate Governance 2012 (the “Code”) and relevant sections of the Listing Manual of 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 Group Chief Executive Officer (“Group 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 <sup>(1)</sup>	26 October 1998	26 October 1998	Executive/ Non-independent	Executive Chairman & Group CEO	-	Member	Member
Teo Ser Luck	15 July 2017	-	Non-Executive/ Independent	Non-Executive Deputy Chairman	-	-	-
Tan Lye Heng Paul	16 June 2011	22 April 2016	Non-Executive/ Lead Independent	Member	Chairman	Member	Member
Ravindran s/o Ramasamy	14 August 2001	28 April 2017	Non-Executive/ Independent	Member	Member	Member	Chairman
Ng Cher Yan	28 March 2017	28 April 2017	Non-Executive/ Independent	Member	Member	Chairman	Member
Goi Kok Neng Ben <sup>(2)</sup>	27 April 2013	22 April 2016	Non-Executive/ Non-Independent	Member	-	-	-

<sup>(1)</sup>Appointed Group Managing Director on 1 March 2001 and is not subjected to retirement by rotation pursuant to Serial System Ltd’s Constitution

<sup>(2)</sup>Son of Goi Seng Hui, a substantial shareholder 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 1.4: 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 in Year 2017:

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	6	5	1	1
Number of meetings attended:				
Derek Goh Bak Heng	6	NA	1	1
Teo Ser Luck	2 <sup>(1)</sup>	1 <sup>(3)</sup>	NA	NA
Tan Lye Heng Paul	6	5	1	1
Ng Cher Yan	4 <sup>(2)</sup>	4 <sup>(2)</sup>	-	-
Ravindran s/o Ramasamy	6	5	1	1
Goi Kok Neng Ben	6	2 <sup>(3)</sup>	NA	NA

NA – Not Applicable

<sup>(1)</sup> Two meetings were held in Year 2017 subsequent to his appointment as Director on 15 July 2017.

<sup>(2)</sup> Four meetings were held in Year 2017 subsequent to his appointment as Director on 28 March 2017.

<sup>(3)</sup> Attendance by invitation.

##### 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\$1.5 million)
- Disposal of assets exceeding S\$2.0 million (equivalent to US\$1.5 million)
- Borrowing exceeding S\$5.0 million (equivalent to US\$3.7 million)
- Interested person transactions for an amount equal to or more than S\$100,000 (equivalent to US\$75,000)
- Declaration of dividends by Serial System Ltd
- Appointment of Directors and Chief Executive Officer of Serial System Ltd

##### 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.

The Company has enrolled Teo Ser Luck to attend a full day course conducted by the Singapore Institute of Directors to understand the roles and responsibilities of being a director of a listed company in Singapore in January 2018. Teo Ser Luck has no experience as a director of listed company prior to his appointment in 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 1.7: 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.

Ng Cher Yan and Teo Ser Luck, who were appointed as Directors of the Company in Year 2017, have signed formal letter of appointment with the Company.

## **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 four 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 in determining if a director is independent.

The NC has also reviewed and confirmed that Tan Lye Heng Paul, Ravindran s/o Ramasamy, Ng Cher Yan and Teo Ser Luck 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 has served as independent director of the Company for more than nine years. The Board has determined that Ravindran s/o Ramasamy remains 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 his independence. The Board also reviews the performance of Ravindran s/o Ramasamy and considers that he 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 his performance and continued independence.

During the year under review, the Board has appointed two directors, Ng Cher Yan and Teo Ser Luck on 28 March 2017 and 15 July 2017 respectively. Whilst Teo Ser Luck is fresh to the Board, Ng Cher Yan has rejoined the Board six years after he retired from the Board on 23 April 2011. The Board 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.

## **2. Board composition and guidance (continued)**

### **Principle 2: Independent element on the Board (continued)**

#### **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 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 Group CEO or Group Chief Financial Officer ("Group 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 Executive 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

Ng Cher Yan 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 Constitution and Teo Ser Luck, who retires pursuant to Article 88 of Serial System Ltd's Constitution, be nominated for re-appointment at the forthcoming AGM on 28 April 2018.

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 2017 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, 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 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.

#### **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 23 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 28 April 2018 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 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, Ng Cher Yan 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 2017 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 advise 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 year under review, the RC discussed and sought advice from external professionals regarding a long term incentive scheme for the Group CEO as detailed in Guideline 8.1 below.

#### 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 or business units 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)**

For the year under review, the RC considered and approved Derek Goh Bak Heng's ( "Derek Goh or Group CEO") specific remuneration package which includes salary, bonus and benefits-in-kind, after considering his performance and the financial performance of the Group. In addition, for the Year 2017, the Company contributed a total of S\$808,252 to a long term incentive scheme (deferred compensation) comprising two insurance plans for Derek Goh Bak Heng which was approved by the RC and the Board in Year 2016. The long term incentive scheme totaling S\$8 million will be funded annually by the Company over ten years commencing in Year 2016.

#### **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 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 2017 is appropriate and that the non-executive 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 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 director 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 director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the executive director 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 / payable to the directors for Year 2017 are as follows:

Executive Director	Directors' Fees <sup>(1)</sup> (%)	Salary <sup>(2)</sup> and AWS <sup>(3)</sup> (%)	Incentive Bonus (%)	Other Benefits (%)	Total Remuneration (S\$)
Derek Goh Bak Heng	1.7	29.3	34.8	34.2 <sup>(4)</sup>	2,444,103 <sup>(4)</sup>
Non-Executive & Independent Directors					
Teo Ser Luck	100.0	-	-	-	28,418 <sup>(5)</sup>
Tan Lye Heng Paul	100.0	-	-	-	45,000
Ravindran s/o Ramasamy	100.0	-	-	-	45,000
Ng Cher Yan	100.0	-	-	-	34,397 <sup>(6)</sup>
Non-Executive Director					
Goi Kok Neng Ben	100.0	-	-	-	42,000

<sup>(1)</sup> Accrued for Year 2017

<sup>(2)</sup> Includes employer's CPF contribution

<sup>(3)</sup> Annual wage supplement of one-month salary

<sup>(4)</sup> Includes a deferred compensation of S\$808,252 as detailed in Guideline 8.1 above

<sup>(5)</sup> Fee of S\$62,000 is pro-rated commencing from date of appointment as Director on 15 July 2017

<sup>(6)</sup> Fee of S\$45,000 is pro-rated commencing from date of appointment as Director on 28 March 2017

Note: The remuneration disclosed in this report does not include share option expense. No share options were granted to directors in Year 2017.

Guideline 9.3: Remuneration of top 5 key management personnel

The Board is aware that the Code 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 2017 is S\$2,248,553 and the remuneration bands for Year 2017 are presented as follows:

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

<sup>(1)</sup> Includes executives of overseas subsidiaries

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

Guideline 9.4: Employee related to directors/ CEO

Saved for Sean Goh Su Teng as disclosed in guideline 9.3 above, and Victoria Goh Si Hui who is the daughter of Derek Goh Bak Heng and whose remuneration in Year 2017 exceeded S\$50,000, no other employee of the Company whose remuneration exceeded S\$50,000 during the year under review is an immediate family member of a Director or the CEO.

Guideline 9.5: Employee share scheme

For the 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 year under review, the Group CEO and the Group 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 in-house internal auditors oversee and ensure 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 under "Risk management" in the "Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual" section on page 161 of this Annual Report.

On an annual basis, the internal auditors prepare the internal audit plan taking into consideration the risks identified which is approved by the AC. During the year under review, the AC reviewed the reports submitted by the internal auditors 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 Group CEO and the Group 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 of the

## **11. Risk Management and Internal Controls (continued)**

### **Principle 11: Risk management and internal controls (continued)**

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 2017 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 auditors. Having considered the Company's business operations as well as its existing risk management systems and internal controls, 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 Ng Cher Yan. 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.

The AC has reviewed the financial statements with the Management and external auditors and is of the view that the Company and Group's financial statements for Year 2017 are fairly presented in conformity with the relevant Financial Reporting Standards in Singapore 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 five meetings in Year 2017 and the attendance by the members is tabulated in Table 2 – "Attendance at Board and Board Committee Meetings" above.

## **12. Audit Committee (continued)**

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

#### **Guideline 12.5: External and internal auditors**

The AC meets regularly with the Group's external auditors and internal auditors. At least once a year, the AC would meet with the Group's external auditors and internal auditors 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 AGM of the Company.

The auditors of the Company's subsidiaries, associated companies and joint venture are disclosed in Note 20, Note 18 and Note 19 respectively to the financial statements in this annual report. The Company confirms that Listing Rule 712, Rule 715 and Rule 716 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 auditors 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 in-house internal auditors who report directly to the chairman of the AC, for the year under review. The internal auditors have 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 internal audit manager 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 recommendations for improvement are

### **13. Internal Audit (continued)**

#### **Principle 13: Internal audit (continued)**

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, works 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 2017 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 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 on the SGXNET and the Company's website. 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.

##### **Guideline 14.3: Proxies for nominee companies**

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Company's Constitution allows 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 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 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 quarterly 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 quarterly 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, contain 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](http://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.

## **15. Communication with shareholders (continued)**

### **Principle 15: Communication with shareholders (continued)**

#### **Guideline 15.5: Dividend policy**

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends payable each year will take into consideration 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 Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

#### **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**

To promote greater transparency in general meetings and support listed companies in enhancing their shareholders engagement, the resolutions of the Company transacted at general meetings are 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 Constitution. The information on the total number of votes cast for or against each resolution are incorporated into the announcement released on SGXNET and the Company's website 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 154 to 155 of this Annual Report.

### **Compliance with The Code of Corporate Governance**

The Board is satisfied that for the financial year ended 31 December 2017, the Group has complied with the spirit of the principal corporate governance recommendations set out in The Code of Corporate Governance 2012.

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# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

The directors present their statement to the members together with the audited financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2017 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  
Teo Ser Luck (appointed on 15 July 2017)  
Tan Lye Heng Paul  
Ravindran s/o Ramasamy  
Ng Cher Yan (appointed on 28 March 2017)  
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			Deemed interest holdings registered in name of director or nominees		
	At 1.1.2017/ date of appointment			At 1.1.2017/ date of appointment		
	At 21.1.2018	At 31.12.2017	At 1.1.2017	At 21.1.2018	At 31.12.2017	At 1.1.2017
<b>The Company</b>						
<u>(Number of ordinary shares)</u>						
Derek Goh Bak Heng	355,090,070	355,090,070	355,090,070	50,000	50,000	—
Tan Lye Heng Paul	300,000	300,000	240,000	—	—	—
Ng Cher Yan	150,000	150,000	150,000	—	—	—

- (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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## Directors' interests in shares or debentures (continued)

- (c) 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 31.12.2017	At 1.1.2017
Serial Microelectronics (HK) Limited (Number of ordinary shares of HK\$1 each)	54,600,000	54,600,000
Serial Microelectronics Inc. (Number of ordinary shares of NT\$10 each)	5,348,250	5,348,250
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)	1,432,500	2,865,000
Serial GIS Pte. Ltd. (Number of ordinary shares)	350,000	350,000
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)	9,100	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	2,147,499
PT. Achieva Technology Indonesia (Number of ordinary shares of US\$1 each)	200,000	200,000
Serial Factoring (Thailand) Co., Ltd (Number of ordinary shares of THB10 each)	5,341,000	5,341,000
Serial Netcom Co., Ltd (Number of ordinary shares of US\$1 each)	42,000	42,000
Hydra & Thermal International (Cambodia) Co., Ltd. (Number of ordinary shares of US\$1 each)	700	700

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

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 31.12.2017	At 1.1.2017
Serial Microelectronics (Beijing) Co., Ltd (Capital contribution in RMB) <sup>(1)</sup>	—	—
Newstone Technology Limited (Number of ordinary shares of US\$1 each)	464,100	—
Print-IQ Singapore Pte. Ltd. <sup>(2)</sup> (Number of ordinary shares)	140,000	—
Bast Investment Pte. Ltd. <sup>(2)</sup> (Number of ordinary shares)	165,000	—
Bast Global Sdn. Bhd. <sup>(2)</sup> (Number of ordinary shares of RM1 each)	5,500	—
Serial Microelectronics India LLP <sup>(2)</sup> (Capital contribution in INR)	3,267,001	—
Xuanhong Automotive Electronics Limited <sup>(2)</sup> (Number of ordinary shares of HK\$1 each)	732,550	—
Xuanli Automotive Electronics Co., Limited <sup>(2)</sup> (Capital contribution in RMB)	622,202	—
New Chinese Corporation <sup>(3)</sup> (Number of ordinary shares of US\$1 each)	—	287,455
Bridge Electronics (Shenzhen) Co., Ltd <sup>(3)</sup> (Capital contribution in US\$)	—	286,500
Serial AMSC Microelectronics Co., Ltd <sup>(4)</sup> (Number of ordinary shares of JPY50,000 each)	—	4,200
Nippon Denka Serial Pte. Ltd. <sup>(4)</sup> (Number of ordinary shares)	—	60,000
Agricola Pte. Ltd. <sup>(4)</sup> (Number of ordinary shares)	—	40,000

Note:

- (1) Capital has not been contributed as at 31 December 2017
- (2) Incorporated/acquired during the financial year
- (3) Disposed of during the financial year
- (4) Liquidated/struck off during the year

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 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.

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 2017 and 31 December 2016.

### (b) Outstanding share options

There are no share options outstanding at the end of the financial year ended 31 December 2017.

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## Share options (continued)

### (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, Ng Cher Yan 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.
- (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  
Ng Cher Yan

The Audit Committee carried out its functions in accordance with Section 201B(5) of the 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.

# DIRECTORS' STATEMENT

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

*For the financial year ended 31 December 2017*

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## **Audit Committee (continued)**

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 re-appointment 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 (if any) would not, in the Audit Committee's opinion, affect the independence of the external auditors.

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 re-appointment.

On behalf of the Board of Directors

**DEREK GOH BAK HENG**  
Director

**TAN LYE HENG PAUL**  
Director

28 March 2018

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERIAL SYSTEM LTD

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matter
<p><b>Valuation of goodwill</b></p> <p>We refer to Note 2.14, Note 4(a)(i) and Note 23(a) to the financial statements.</p> <p>The carrying amount of the Group's goodwill amounted to US\$13,432,000 as at 31 December 2017.</p> <p>The Group tested goodwill for impairment at the end of the reporting period. The recoverable amounts of the allocated cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions which involve judgements. Changes to the estimates and assumptions will result in changes in the carrying amount of goodwill recognised at the end of the reporting period.</p> <p>Based on the impairment test performed by management, the Group recorded an impairment loss amounting to US\$900,000 for the current financial year.</p>	<p><b>Our response</b></p> <p>We reviewed the value-in-use calculations of each cash-generating unit prepared by the management. We conducted a detailed discussion with the Group's key management and considered their views on the key estimates and assumptions used in determining the recoverable amounts. We compared the future cash forecast to actual past performance and industry benchmarks and challenged the key estimates and assumptions used by management, which included gross margin, growth rate and discount rate. Based on our understanding of the nature of the Group's businesses and the economic environment in which it operates, we have performed our own sensitivity analysis based on the range of plausible changes to the acceptable key estimates and assumptions used and analysed the impact to the headroom where breakeven or independently derived rates were applied.</p> <p><b>Our findings</b></p> <p>We found the estimates and assumptions used by management in the value-in-use calculations to determine the recoverable amounts of the goodwill allocated to each cash-generating units to be reasonable.</p>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERIAL SYSTEM LTD

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## Report on the Audit of the Financial Statements (continued)

### Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p><b>Tax recoverable relating to Transfer Pricing audit between the Group's subsidiary in the People's Republic of China ("China") and Hong Kong</b></p> <p>We refer to Note 2.5, Note 4(b)(ii), Note 9 and Note 12 to the financial statements.</p> <p>During the previous financial year, as part of the Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiary in China and Hong Kong, the Group paid additional income tax of RMB18,313,000 (US\$2,731,000) and interest of RMB4,374,000 (US\$652,000) to the China tax authority. As the Transfer Pricing audit was carried out in China, a unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, an independent tax consultant has been engaged to assist the Group's Hong Kong subsidiary to apply for corresponding adjustment to eliminate double taxation, based on current tax rules and regulations in China and Hong Kong. Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that the Hong Kong's tax authority will accept the application for the tax refund in principle and amount. Management has applied their judgement and recognised a tax recoverable amount of HK\$13,000,000 (US\$1,667,000) as at 31 December 2017.</p>	<p><b>Our response</b></p> <p>We discussed with the component auditors on their work performed. We evaluated the advice obtained by the Group's key management from the independent tax consultant to support the judgement taken by management in recognising the tax recoverable amount, including a detailed discussion with the Group's key management and independent tax consultant to consider their views in reaching the conclusion.</p> <p><b>Our findings</b></p> <p>We found the tax recoverable recognised to be appropriate and reasonable.</p>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERIAL SYSTEM LTD

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## Report on the Audit of the Financial Statements (continued)

### Responsibilities of Management and Directors 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 Act and FRSSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERIAL SYSTEM LTD**

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

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## **Report on the Audit of the Financial Statements (continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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.

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

### **Moore Stephens LLP**

Public Accountants and Chartered Accountants

Singapore  
28 March 2018

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

	Note	2017 US\$'000	2016 US\$'000
<b>Sales</b>	5	<b>1,492,204</b>	1,402,583
<b>Cost of sales</b>	6	<b>(1,387,085)</b>	(1,305,190)
<b>Gross profit</b>		<b>105,119</b>	97,393
<b>Other income</b>	5	<b>5,959</b>	13,802
Expenses:			
Distribution	6	<b>(48,830)</b>	(50,428)
Administrative	6	<b>(13,051)</b>	(12,191)
Finance	8	<b>(10,290)</b>	(8,289)
Other	6	<b>(22,756)</b>	(24,054)
<b>Total expenses</b>		<b>(94,927)</b>	(94,962)
		<b>16,151</b>	16,233
Share of results of associated companies (after income tax)		<b>(446)</b>	(3,949)
Share of loss of joint venture (after income tax)		<b>(34)</b>	-
<b>Profit before income tax</b>	6	<b>15,671</b>	12,284
Income tax expense	9	<b>(4,125)</b>	(6,937)
<b>Profit after income tax</b>		<b>11,546</b>	5,347
<b>Attributable to:</b>			
Equity holders of the Company		<b>9,550</b>	4,558
Non-controlling interests	34	<b>1,996</b>	789
		<b>11,546</b>	5,347
<b>Earnings per share attributable to equity holders of the Company:</b>			
Basic	10	<b>1.07 cents</b>	0.51 cent
Diluted	10	<b>1.07 cents</b>	0.51 cent

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
<b>Profit for the year</b>		<b>11,546</b>	5,347
<b>Other comprehensive income/(loss):</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Defined benefit plans' actuarial gains	28	<b>108</b>	300
		<b>108</b>	300
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net (loss)/gain on fair value changes on financial assets, available-for-sale		<b>(660)</b>	8,897
Cumulative loss reclassified from equity on impairment of financial assets, available-for-sale	31	<b>1,444</b>	—
Fair value changes on sale of financial assets, available-for-sale reclassified to profit or loss	31	—	(3,874)
Share of associated companies' other comprehensive income/(loss)	32	<b>532</b>	(1,552)
Share of joint venture's other comprehensive income	32	<b>126</b>	—
Currency translation differences	32	<b>9,453</b>	10
		<b>10,895</b>	3,481
<b>Other comprehensive income for the year, net of tax</b>		<b>11,003</b>	3,781
<b>Total comprehensive income for the year</b>		<b>22,549</b>	9,128
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>20,601</b>	8,696
Non-controlling interests	34	<b>1,948</b>	432
		<b>22,549</b>	9,128

The accompanying notes form an integral part of these financial statements

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

	Note	The Group		The Company	
		2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	73,080	65,153	8,478	859
Trade and other receivables	12	223,510	207,750	15,703	12,393
Inventories	13	168,465	152,901	—	—
Financial assets, at fair value through profit or loss	14	810	812	—	—
Other current assets	15	2,733	3,944	158	245
		468,598	430,560	24,339	13,497
<b>Non-current assets</b>					
Loans and receivables	16	—	820	41,370	45,241
Financial assets, available-for-sale	17	6,894	7,517	—	—
Investments in associated companies	18	18,375	16,738	1,936	4,872
Investment in joint venture	19	2,436	—	—	—
Investments in subsidiaries	20	—	—	72,789	65,547
Property, plant and equipment	21	37,630	35,200	355	305
Investment properties	22	4,534	5,267	—	—
Intangible assets	23	13,809	14,721	248	465
Other assets	24	1,171	1,068	—	—
Deferred income tax assets	29	841	711	—	—
		85,690	82,042	116,698	116,430
<b>Total assets</b>		554,288	512,602	141,037	129,927
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	25	165,444	178,507	21,739	9,128
Current income tax liabilities	9	2,861	4,070	106	405
Borrowings	26	229,242	189,393	2,395	2,216
		397,547	371,970	24,240	11,749
<b>Non-current liabilities</b>					
Other payable	25	—	—	2,585	6,078
Borrowings	26	10,340	15,032	6,587	8,310
Defined benefit plans liabilities	28	831	542	—	—
Deferred income tax liabilities	29	555	271	249	—
		11,726	15,845	9,421	14,388
<b>Total liabilities</b>		409,273	387,815	33,661	26,137
<b>NET ASSETS</b>		145,015	124,787	107,376	103,790
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	30	72,648	72,648	72,648	72,648
Treasury shares	30	(736)	(736)	(736)	(736)
Capital reserve	31	1,276	1,276	180	180
Defined benefit plans reserve	31	(149)	(257)	—	—
Fair value reserve	31	4,454	3,670	—	—
Revaluation reserve	31	59	59	—	—
Other reserve	31	(765)	(771)	—	—
Currency translation reserve	32	7,476	(2,683)	17,589	17,589
Retained earnings	33	53,264	46,719	17,695	14,109
		137,527	119,925	107,376	103,790
<b>Non-controlling interests</b>	34	7,488	4,862	—	—
<b>TOTAL EQUITY</b>		145,015	124,787	107,376	103,790

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 2017

Attributable to equity holders of the Company												
Note	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans 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		
										Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>Balance at 1 January 2017</b>												
Profit for the year	-	-	-	-	-	-	-	-	9,550	9,550	1,996	11,546
Other comprehensive income/(loss):												
Defined benefit plans' actuarial gains	-	-	-	108	-	-	-	-	-	108	-	108
Net loss on fair value changes on financial assets, available-for-sale	-	-	-	-	(660)	-	-	-	-	(660)	-	(660)
Cumulative loss reclassified from equity on impairment of financial assets, available-for-sale	-	-	-	-	1,444	-	-	-	-	1,444	-	1,444
Share of associated companies' other comprehensive income	-	-	-	-	-	-	-	532	-	532	-	532
Share of joint venture's other comprehensive income	-	-	-	-	-	-	-	126	-	126	-	126
Currency translation differences	-	-	-	-	-	-	-	9,501	-	9,501	(48)	9,453
Other comprehensive income/(loss) for the year, net of tax	-	-	-	108	784	-	-	10,159	-	11,051	(48)	11,003
Total comprehensive income for the year	-	-	-	108	784	-	-	10,159	9,550	20,601	1,948	22,549
Contributions by and distributions to owners:												
One-tier tax-exempt final cash dividend for year 2016	35	-	-	-	-	-	-	-	(1,091)	(1,091)	-	(1,091)
One-tier tax-exempt interim cash dividend for year 2017	35	-	-	-	-	-	-	-	(1,914)	(1,914)	-	(1,914)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	(3,005)	(3,005)	-	(3,005)
Others:												
Investment in subsidiaries by non-controlling interests	34	-	-	-	-	-	-	-	-	-	717	717
Acquisition of additional interests in a subsidiary from non-controlling interest	34	-	-	-	-	-	6	-	-	6	(5)	1
Disposal/closure of subsidiaries	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Total others	-	-	-	-	-	-	6	-	-	6	678	684
<b>Balance at 31 December 2017</b>												
	72,648	(736)	1,276	(149)	4,454	59	(765)	7,476	53,264	137,527	7,488	145,015

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

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	Currency translation reserve		Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000
				reserve US\$'000	US\$'000	US\$'000			US\$'000	US\$'000		
	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384
Balance at 1 January 2016												
Profit for the year	-	-	-	-	-	-	-	-	4,558	4,558	789	5,347
Other comprehensive income/(loss):												
Defined benefit plans' actuarial gains	-	-	-	300	-	-	-	-	-	300	-	300
Share of associated companies' other comprehensive loss	-	-	-	-	-	-	-	(1,552)	-	(1,552)	-	(1,552)
Net gain on fair value changes on financial assets, available-for-sale	-	-	-	-	8,897	-	-	-	-	8,897	-	8,897
Fair value changes on sale of financial assets, available-for-sale reclassified to profit or loss	-	-	-	-	(3,874)	-	-	-	-	(3,874)	-	(3,874)
Currency translation differences	-	-	-	-	-	-	-	367	-	367	(357)	10
Other comprehensive income/(loss) for the year, net of tax	-	-	-	300	5,023	-	-	(1,185)	-	4,138	(357)	3,781
Total comprehensive income/(loss) for the year	-	-	-	300	5,023	-	-	(1,185)	4,558	8,696	432	9,128
Contributions by and distributions to owners:												
One-tier tax-exempt final cash dividend for year 2015	35	-	-	-	-	-	-	-	(3,336)	(3,336)	-	(3,336)
One-tier tax-exempt interim cash dividend for year 2016	35	-	-	-	-	-	-	-	(1,183)	(1,183)	-	(1,183)
Total contributions by and distributions to owners		-	-	-	-	-	-	-	(4,519)	(4,519)	-	(4,519)
Others:												
Investment in subsidiaries by non-controlling interests	34	-	-	-	-	-	-	-	-	-	1,094	1,094
Acquisition of additional interests in a subsidiary from non-controlling interest	34	-	-	-	-	-	(53)	-	-	(53)	(247)	(300)
Total others		-	-	-	-	-	(53)	-	-	(53)	847	794
Balance at 31 December 2016	72,648	(736)	1,276	(257)	3,670	59	(771)	(2,683)	46,719	119,925	4,862	124,787

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		15,671	12,284
Adjustments for:			
Amortisation of computer software license costs		338	311
Amortisation of distribution rights		14	6
Depreciation of property, plant and equipment		2,455	3,491
Property, plant and equipment written off		5	21
Loss/(gain) on disposal of property, plant and equipment		18	(21)
Fair value loss/(gain) on investment properties		9	(228)
Impairment losses on goodwill arising from acquisition of subsidiaries		900	1,100
Negative goodwill arising from acquisition of subsidiaries		–	(345)
Loss on re-measuring previously held equity in an associated company		–	449
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year		(672)	–
Gain on dilution of interests in an associated company		(24)	–
Gain on sale of financial assets, available-for-sale		–	(3,874)
Gain on disposal/closure of subsidiaries		(105)	–
Impairment loss on financial assets, available-for-sale		1,444	25
Fair value loss on derivative financial instruments		333	167
Fair value loss on financial assets, at fair value through profit or loss (net)		8	533
Provision for defined benefit plans liabilities		972	472
Dividend income from financial assets, available-for-sale		(94)	(153)
Interest income		(1,571)	(1,166)
Interest expense		10,290	8,289
Share of results of associated companies		446	3,949
Share of loss of joint venture		34	–
<b>Operating cash flow before working capital changes</b>		<b>30,471</b>	<b>25,310</b>
<b>Change in working capital</b>			
Trade and other receivables		(5,814)	(17,416)
Inventories		(13,234)	(8,933)
Other current assets		(137)	(97)
Other assets (non-current)		(104)	343
Trade and other payables		(17,345)	29,341
Cash (used in)/from operations		(6,163)	28,548
Income tax paid	9(b)	(5,175)	(8,081)
<b>Net cash (used in)/provided by operating activities</b>		<b>(11,338)</b>	<b>20,467</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets (computer software license costs)		(102)	(185)
Payments for intangible assets (distribution rights)		–	(59)
Payments for property, plant and equipment		(1,115)	(2,382)
Proceeds from disposal of property, plant and equipment		5	96
Proceeds from sale of financial assets, available-for-sale		–	3,997
Net cash (outflow)/inflow on acquisition of subsidiaries	20(a)	(100)	2,236
Net cash outflow on disposal/closure of subsidiaries	20(e)	(119)	–
Payments for acquisition of interests in a joint venture	19	(2,344)	–
Payments for acquisition of additional interests in associated companies	18	–	(4,996)
Payments for acquisition of interests in associated companies	18	–	(450)
Payments for financial assets, at fair value through profit or loss		(7)	–
Payment for deposit for additional investment in an associated company	15	–	(1,505)
Dividends received from associated companies		–	483
Dividends received from financial assets, available-for-sale		94	153
Interest received		1,543	1,072
<b>Net cash used in investing activities</b>		<b>(2,145)</b>	<b>(1,540)</b>

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

	Note	2017 US\$'000	2016 US\$'000
<b>Cash flows from financing activities</b>			
Subscription of interests in a subsidiary by non-controlling interests	34	679	40
Payment for acquisition of additional interests in subsidiaries from a non-controlling interest	20(b)	1	(300)
Dividends paid	35	(3,005)	(4,519)
Proceeds from bank borrowings		867,155	797,765
Repayment of bank borrowings		(834,389)	(792,561)
Repayment of other borrowings		–	(9,520)
Repayment of finance lease liabilities		(15)	(21)
Increase in pledged deposits		(923)	–
Interest paid		(10,278)	(8,013)
<b>Net cash provided by/(used in) financing activities</b>		<b>19,225</b>	<b>(17,129)</b>
<b>Net increase in cash and cash equivalents held</b>		<b>5,742</b>	<b>1,798</b>
Cash and cash equivalents at the beginning of the year		65,153	64,048
Effect of currency translation on cash and cash equivalents		1,262	(693)
<b>Cash and cash equivalents at the end of the year</b>	11	<b>72,157</b>	<b>65,153</b>

The accompanying notes form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

*For the financial year ended 31 December 2017*

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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 20.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) in Singapore 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 judgement 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 judgement 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 2017, the Group has adopted the following new and revised FRS which are relevant to the Group and mandatory for application:

Amendment 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.

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 did not have any impact on the financial performance or financial position of the Group when implemented. The disclosure is provided in Notes 11 and 26 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2017*

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 which 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 unless the transaction provides evidence of 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 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 financial position and consolidated statement of changes in equity. 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 entered into 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 at the acquisition date.

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

SERIAL SYSTEM LTD  
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*For the financial year ended 31 December 2017*

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## 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 and joint ventures

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.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. Investments in associated companies and joint ventures 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 and joint ventures.

Investments in associated companies and joint ventures 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' or joint venture's 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 and joint venture equals or exceeds its interest in the associated company or joint venture, 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 or joint venture.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.2 Group accounting (continued)

#### (e) Associated companies and joint ventures (continued)

Investments in associated companies and joint ventures 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.

Gains or losses arising from partial disposals or dilutions in investments in associated companies and joint ventures 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 United States dollar (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 exchange 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 qualified 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 statement 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 are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### (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;
- (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 derecognised, but they are not reclassified to consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.3 Currency translation (continued)

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

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 consolidated 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 consolidated 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, rebate income from suppliers, 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.5 Income taxes (continued)

Deferred income tax liabilities are recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, 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: financial assets, at fair value through profit or loss, loans and receivables and financial assets, 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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*For the financial year ended 31 December 2017*

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## 2. Significant accounting policies (continued)

### 2.6 Financial assets (continued)

#### (a) Classification (continued)

##### (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 de-recognition

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 are 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 2. Significant accounting policies (continued)

### 2.6 Financial assets (continued)

#### (d) Subsequent measurement (continued)

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.

##### (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 in subsequent period.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

*For the financial year ended 31 December 2017*

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## 2. Significant accounting policies (continued)

### 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 derecognised 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 derecognition 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.11 Property, plant and equipment (continued)

#### (b) Depreciation

Freehold land is 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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*For the financial year ended 31 December 2017*

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## 2. Significant accounting policies (continued)

### 2.12 Investment properties (continued)

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 re-measured to fair value and reclassified accordingly. Any gain arising on re-measurement 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 and joint ventures 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 and joint ventures 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, associated companies and joint ventures 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.13 Intangible assets (continued)

#### (c) Distribution rights (continued)

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.

#### (b) Intangible assets (other than goodwill)

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries, associated companies and joint ventures 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.14 Impairment of non-financial assets (continued)

#### (b) Intangible assets (other than goodwill) (continued)

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.

#### (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 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.

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 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 re-measured to fair value at each reporting date. The gain or loss on re-measurement 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.

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 and suppliers for bank borrowings and purchases respectively of its subsidiaries. These guarantees are financial guarantee as they require the Company to reimburse the banks and suppliers if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings and credit.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. Significant accounting policies (continued)

### 2.21 Financial guarantees (continued)

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 and Indonesia, 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. Significant accounting policies (continued)

### 2.22 Employee compensation (continued)

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

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 for 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 2. Significant accounting policies (continued)

### 2.23 Leases (continued)

#### (a) When the Group is the lessee (continued):

##### Finance leases (continued)

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 associated companies and 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.

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 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.

### 2.25 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. Significant accounting policies (continued)

### 2.25 Share capital and treasury shares (continued)

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.

### 2.26 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.

## 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
Convergence with International Financial Reporting Standards ("IFRSs")	1 January 2018
Improvements to FRS 101 First-time Adoption of International Financial Reporting Standards	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 40 Investment Property	1 January 2018
Improvements to FRS (December 2016)	
Improvements to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to FRS 109 Prepayment Features with Negative Compensation and Modification of Financial Liabilities	1 January 2019
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRS (March 2018)	
Improvements to FRS 12 Income Taxes	1 January 2019
Improvements to FRS 23 Borrowing Costs	1 January 2019

### Convergence with International Financial Reporting Standards ("IFRSs")

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework identical to the IFRS (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. New and revised FRS issued but not yet adopted (continued)

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 115 Revenue from Contracts with Customers and SG-IFRS 9 Financial Instruments will be similar to adoption of FRS 109 and FRS 115 as described below.

Based on the preliminary assessment, other than the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework except for the adoption of the optional exemptions under SG-IFRS 1 on the accounting treatment for cumulative translation differences. The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SG-IFRS 1 on 1 January 2017 and the currency translation reserves as disclosed in statement of changes in equity will be reclassified to retained earnings.

### FRS 101      First-time Adoption of International Financial Reporting Standards

The amendment removes certain short-term exemptions relating to financial instruments, employee benefits and investment entities that are only relevant for past reporting periods. The adoption of this standard will not have any impact on the Group's financial performance or financial position when adopted.

### 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 plans to adopt SG-IFRS 9 on 1 January 2018 without restating prior period information. Any differences between the previous carrying amounts and revised carrying amounts of affected assets and liabilities are recognised in opening retained earnings on 1 January 2018. The expected impacts on adoption of SG-IFRS 9 are described below.

- Classification and measurement of financial assets, available-for-sale

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SG-IFRS 9 as follows:

- Reclassification of financial assets from AFS to FVPL

Investments in listed equity shares will be reclassified from the "available-for-sale" category to "fair value through profit or loss" as the Group's business model is neither to hold these investments to collect contractual cash flows nor does the asset's contractual cash flows represent only payments of principal and interest. The difference between the cost as at 31 December 2017, amounting to US\$1,490,000 and the fair value, amounting to US\$5,944,000 will be recognised in the opening reserves when the Group applies SG-IFRS 9.

- Classification and measurement of financial assets

The Group plans to apply the simplified impairment approach to recognise only lifetime expected credit loss impairment charges on all trade receivables. The Group expects a resulting increase in aggregate impairment allowance on trade receivables amounting to US\$555,000. The Group is in the process of finalising its expected credit loss estimation which may vary upon completion.

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## 3. New and revised FRS issued but not yet adopted (continued)

### 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 plans to adopt SG-IFRS 15 on 1 January 2018 retrospectively, which involves restating the comparative period presented in the 2018 financial statements. The Group does not expect the adoption of this standard to have a significant financial impact on the financial statements.

### Amendments to FRS 40      Investment Property

The amendment clarifies that transfers to and from investment properties are made only when there is evidence of a change in use, and cannot be solely based on intention. The amendment re-characterises the list of evidence in paragraphs 57(a) – (d) as a non-exhaustive list of examples, thereby permitting transfers in other circumstances. The adoption of this standard will not have any impact on the Group's financial performance or financial position and the Group will review the impact if any for future transactions.

### Improvements to FRS 28      Investments in Associates and Joint Ventures

The amendment clarifies that the following elections should be made separately for each investment in associate or joint venture:

- (a) Election by venture capital organisations, mutual funds, unit trusts and similar entities, to measure investments in associates and joint ventures at fair value through profit or loss at initial recognition; and
- (b) Election by investors that are not investment entities, when applying the equity method, to retain the fair value measurements applied by their investment entity associates and joint ventures to the subsidiaries of those associates and joint ventures.

The adoption of this standard will not have any impact on the Group's financial performance or financial position and the Group will review the impact if any for future transactions.

### FRS 116      Leases

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees. The Group is in the process of assessing the impact on the financial statements.

### Amendments to FRS 28      Long-term Interests in Associates and Joint Ventures

The amendments clarify that FRS 109 Financial Instruments, including its impairment requirements, applies to long-term interests in an associate or joint venture to which the equity method is not applied but, in substance, form part of the net investment in an associate or joint venture. The Group is in the process of assessing the impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. New and revised FRS issued but not yet adopted (continued)

### Amendments to FRS 109    Prepayment Features with Negative Compensation and Modification of Financial Liabilities

The amendments provide an exception for entities to measure particular financial assets with prepayment features that could result in negative compensation (i.e. prepayment amount that is substantially less than unpaid amounts of principal and interest) at amortised cost or fair value through other comprehensive income, subject to an assessment of the business model. Such financial assets with prepayment features pass the solely payments of principal and interest criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. It clarifies that an entity should recognise a gain or loss in profit or loss immediately at the date of such modification or exchange.

The Group is in the process of assessing the impact on the financial statements.

### INT FRS 123    Uncertainty over Income Tax Treatments

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a group. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. INT FRS 123 provides the following guidance on determining an entity's accounting tax positions:

- If it is probable that taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filing.
- If it is not probable, an entity should estimate the effect of uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

The Group is in the process of assessing the impact on the financial statements.

### Improvements to FRS 12    Income Taxes

This amendment requires an entity to recognise the income tax consequences of dividends paid in profit or loss, other comprehensive income, or equity, according to where the entity originally recognised those past transactions or events. The tax consequences should be recognised when the liability to pay the dividend is recognised. The Group is in the process of assessing the impact on the financial statements.

### Improvements to FRS 23    Borrowing Costs

This amendment clarifies that after a qualifying asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that qualifying asset should be included within the pool of general borrowings used to calculate capitalised borrowing costs. The Group is in the process of assessing the impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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 these estimates and assumptions would result in changes in the carrying amount of goodwill arising from the acquisition of subsidiaries at the reporting date.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the CGU in Singapore is raised by 1.5% (2016: 1.5%), the impairment loss on goodwill would have been increased by approximately US\$343,000 (2016: US\$845,000).

As at the reporting date, the net carrying amount of goodwill arising from acquisition of subsidiaries amounted to US\$13,432,000 (2016: US\$14,129,000), net of accumulated impairment loss amounted to US\$7,448,000 (2016: US\$6,548,000).

#### (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\$37,630,000 (2016: US\$35,200,000). 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\$205,000 (2016: US\$292,000).

### (b) Critical judgements 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.

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## 4. Critical accounting estimates, assumptions and judgements (continued)

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

#### (i) Allowances for impairment of receivables (continued)

The Group has charged US\$4,125,000 (2016: US\$1,599,000) of 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\$223,510,000 (2016: US\$207,750,000).

#### (ii) Tax recoverable

During the financial year ended 31 December 2016, as part of the Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiary in China and Hong Kong, the Group paid additional income tax of RMB18,313,000 (US\$2,731,000) and interest of RMB4,374,000 (US\$652,000) to the China tax authority. As the Transfer Pricing audit was carried out in China, an unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, an independent tax consultant has been engaged to assist the Group's Hong Kong subsidiary to apply for corresponding adjustment to eliminate double taxation, based on current tax rules and regulations in China and Hong Kong. Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that Hong Kong's tax authority will accept the application for the tax refund in principle and amount. As at 31 December 2017, the carrying amount of the tax recoverable amount amounted to HK\$13,000,000 (US\$1,667,000) (2016: US\$1,667,000).

#### (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\$2,222,000 (2016: US\$1,848,000).

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 totalling US\$403,000 (2016: US\$569,000) have been written off. The carrying amount of inventories as at the reporting date was US\$168,465,000 (2016: US\$152,901,000).

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## 5. Revenue

	The Group	
	2017 US\$'000	2016 US\$'000
Sales of goods	1,492,204	1,402,583
Other income:		
Advertising and promotion income	214	1,701
Commission and service income	1,479	1,865
Rebate income from suppliers	428	1,233
Warehouse management and rental income	958	1,218
Gain on dilution of interests in an associated company	24	–
Gain on disposal/closure of subsidiaries [Note 20(e)]	105	–
Dividend income from financial assets, available-for-sale	94	153
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year	672	–
Write back of amount due to previous shareholder of a subsidiary	–	1,385
Gain on sale of financial assets, available-for-sale	–	3,874
Negative goodwill arising from acquisition of subsidiaries [Note 20(a)(vi)(c)]	–	345
Gain on disposal of property, plant and equipment	–	21
Fair value gain on investment properties (Note 22)	–	228
Interest income:		
- project financing, factoring and leasing	1,262	908
- bank balances	255	216
- loan to an associated company	54	42
Sundry income	414	613
Total other income	5,959	13,802
	<b>1,498,163</b>	<b>1,416,385</b>

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## 6. Profit before income tax

	The Group	
	2017	2016
	US\$'000	US\$'000
This is arrived at after charging:		
Amortisation charges for intangible assets*		
- computer software license costs [Note 23(b)]	338	311
- distribution rights [Note 23(c)]	14	6
Depreciation of property, plant and equipment* (Note 21)	2,455	3,491
Property, plant and equipment written off*	5	21
Fair value loss on investment properties (Note 22)	9	—
Loss on disposal of property, plant and equipment*	18	—
Impairment losses on goodwill arising from acquisition of subsidiaries* [Note 23(a)]	900	1,100
Loss on re-measuring previously held equity in an associated company*	—	449
Impairment losses on trade receivables - third parties* [Note 37(b)]	4,125	1,472
Impairment losses on other receivables* [Note 37(b)]	—	127
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	1,387,085	1,305,190
- allowances for inventory obsolescence* (Note 13)	2,222	1,848
- write-off of inventories*	403	569
Fair value loss on derivative financial instruments*	333	167
Impairment loss on financial assets, available-for-sale* (Note 17 and Note 31)	1,444	25
Fair value loss on financial assets, at fair value through profit or loss (net)* (Note 14)	8	533
Foreign exchange loss (net)*	411	4,141
Employee benefits expense (Note 7)	39,835	39,986
Rental expense - operating leases	4,719	4,619
Freight and handling charges	7,831	7,338
Travelling and transportation expenses	3,346	3,314
Sales commission expense	1,491	2,320
Other expenses (included in distribution, administrative and other expenses)	14,730	14,836
Total cost of sales, distribution, administrative and other expenses	1,471,722	1,391,863

\* Included in "other expenses"

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. Employee benefits expense

	The Group	
	2017	2016
	US\$'000	US\$'000
Wages, salaries and bonuses	35,479	36,436
Employer's contribution to defined contribution plans	2,689	2,564
Defined benefit plans [Note 28(b)]	972	472
Other long term benefits	695	514
Total (Note 6)	39,835	39,986

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

## 8. Finance expense

	The Group	
	2017	2016
	US\$'000	US\$'000
Interest expense:		
Bank borrowings	1,606	1,534
Trust receipts	6,038	4,851
Factoring	2,643	1,901
Finance lease liabilities	3	3
	10,290	8,289

## 9. Income taxes

(a) Income tax expense

	The Group	
	2017	2016
	US\$'000	US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	738	1,100
Current income tax – Foreign	4,192	3,906
	4,930	5,006
Deferred income tax (Note 29)	(119)	(26)
	4,811	4,980
(Over)/under provision in preceding financial years		
Current income tax [Note 9(b)]	(961)	1,900
Deferred income tax (Note 29)	275	57
	4,125	6,937

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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	
	2017 US\$'000	2016 US\$'000
Profit before income tax	15,671	12,284
Tax calculated at applicable tax rates	2,586	2,018
Effects of:		
Income not subject to tax	(71)	(876)
Expenses not deductible for tax purposes	1,833	1,736
Utilisation of previously unrecognised deferred income tax assets	(695)	(819)
Deferred income tax assets not recognised	907	1,660
Tax effect on share of results of associated companies and joint venture	93	671
Withholding tax - foreign	158	590
(Over)/under provision of current income tax in preceding financial years	(961)	1,900
Under provision of deferred income tax in preceding financial years	275	57
Tax expense	4,125	6,937

The income not subject to tax mainly relates to other operating income arising from the gain on disposal/closure of subsidiaries, gain on dilution of interests in an associated company, reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year, gain on sale of financial assets, available-for-sale, fair value gain on investment properties and exchange gain from revaluation of non-trade balances.

The expenses not deductible for tax purposes mainly relate to impairment loss on financial assets, available-for-sale, exchange loss arising from revaluation of non-trade balances, fair value loss on derivative financial instruments, 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, are calculated at the tax rates applicable in the country/region in which these subsidiaries are assessable for tax, based on existing legislation, interpretations and practices in respect thereof.

The corporate income tax rates for the Group's subsidiaries which were subject to tax are as follows:

	2017	2016
Country/region of the subsidiaries:		
Singapore	17.0%	17.0%
China	25.0%	25.0%
Hong Kong	16.5%	16.5%
Malaysia	20.0%	20.0%
South Korea	22.0%	22.0%
Taiwan	17.0%	17.0%
Thailand	20.0%	20.0%

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## 9. Income taxes (continued)

### (b) Movement in current income tax liabilities

	The Group		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	4,070	3,236	405	498
Acquisition of subsidiaries [Note 20(a)(v)(c) & Note 20(a)(vi)(c)]	7	2	–	–
Disposal/closure of subsidiaries [Note 20(e) (iii)]	(35)	–	–	–
Income tax paid	(5,175)	(8,081)	(128)	(241)
Income tax recoverable (Note 12)	–	1,667	–	–
Tax expense on profit [Note 9(a)]	4,930	5,006	79	408
(Over)/under provision in preceding financial years [Note 9(a)]	(961)	1,900	(250)	(260)
Currency translation differences	25	340	–	–
End of financial year	2,861	4,070	106	405

## 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	
	2017	2016
Net profit attributable to equity holders of the Company (US\$'000)	9,550	4,558
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	895,842	895,842
Basic earnings per share (US\$)	1.07 cents	0.51 cent

### (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 2017 and 31 December 2016. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for financial year ended 31 December 2017 and 31 December 2016.

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## 11. Cash and cash equivalents

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Cash at bank and on hand	60,311	60,898	977	858
Short-term bank deposits	12,769	4,255	7,501	1
Cash and bank balances	73,080	65,153	8,478	859
Less: Bank deposits pledged for overdraft facility	(923)	—	—	—
Cash and cash equivalents per consolidated cash flows	72,157	65,153	8,478	859

- (a) As at the reporting date, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately US\$4,095,000 (2016: US\$5,404,000). 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.
- (b) As at the reporting date, short-term bank deposits matured on varying dates within one week to twelve months (2016: three to twelve months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2017	2016	2017	2016
Singapore Dollar	0.99%	0.99%	0.10%	0.10%
New Taiwan Dollar	0.63%	0.63%	—	—
United States Dollar	1.30%	0.45%	1.37%	—
Thailand Baht	1.50%	1.65%	—	—
Australian Dollar	2.40%	2.40%	—	—
Chinese Renminbi	0.30%	—	—	—

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## 12. Trade and other receivables

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Trade receivables:				
Third parties	218,340	201,845	–	–
Subsidiaries	–	–	2,730	10,028
Associated companies	24	1	36	10
	218,364	201,846	2,766	10,038
Less: Allowance for impairment [Note 37(b)]	(11,575)	(4,837)	–	–
Trade receivables (net)	206,789	197,009	2,766	10,038
Other receivables: Third parties	10,353	8,565	38	72
Income tax recoverable [Note 9(b)]	1,667	1,667	–	–
Less: Allowance for impairment [Note 37(b)]	(379)	(379)	–	–
	11,641	9,853	38	72
Due from subsidiaries [Note 12(a)]	–	–	11,250	2,231
Due from associated companies and a joint venture [Note 12(b)]	5,080	888	1,649	52
Other receivables (net)	16,721	10,741	12,937	2,355
Total	223,510	207,750	15,703	12,393

- (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\$8,425,000 (2016: US\$1,702,000) which bears interest at 3.61% (2016: 4.20%) per annum.
- (b) The amounts due from associated companies and a joint venture are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US\$730,000 due to the Group and Company and US\$2,471,000 due to the Group, which bears interest at 3.65% and 5% per annum respectively (2016: Nil).
- (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\$79,236,000 (2016: US\$66,417,000).

## 13. Inventories

	The Group	
	2017 US\$'000	2016 US\$'000
Finished goods	167,544	152,094
Work in progress	12	18
Raw materials	909	789
	168,465	152,901

During the financial year, the Group made allowances for inventory obsolescence amounting to US\$2,222,000 (2016: US\$1,848,000) (Note 6).

# NOTES TO THE FINANCIAL STATEMENTS

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

	The Group	
	2017 US\$'000	2016 US\$'000
Classified as:		
Current	810	812
Comprised:		
<i>Listed equity securities</i>		
Singapore	48	57
Indonesia	7	–
	55	57
<i>Convertible note</i>		
Singapore	755	755
United States	–	–
	755	755
Total	810	812
Designated as:		
Held for trading	55	57
At fair value on initial recognition	755	755
	810	812

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

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	812	1,344
Additions	7	–
Fair value loss (Note 6)	(8)	(533)
Currency translation differences	(1)	1
End of financial year	810	812

As at the reporting date, the Group has an unsecured convertible note with a principal amount of US\$755,000 (2016: US\$755,000) issued by a third party entity incorporated in Singapore. The note bears interest at the rate of 7% per annum payable annually. The Group has called for redemption of the convertible note.

As at the reporting date, the Group also has an unsecured convertible note with a principal amount of US\$500,000 issued by a third party entity incorporated in the United States of America. During the previous financial year ended 31 December 2016, the Group recognised a fair value loss amounting to US\$475,000 in respect of the convertible note.

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## 15. Other current assets

	The Group		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits [Note 15(b)]	675	2,200	8	8
Prepayments	2,058	1,744	150	237
	<b>2,733</b>	<b>3,944</b>	<b>158</b>	<b>245</b>

(a) Prepayments are denominated in the following currencies:

	The Group		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar	238	274	46	135
United States Dollar	406	277	97	95
Hong Kong Dollar	294	70	—	—
New Taiwan Dollar	312	132	—	—
Korean Won	182	179	—	—
Chinese Renminbi	148	437	7	7
Indonesian Rupiah	444	297	—	—
Others	34	78	—	—
	<b>2,058</b>	<b>1,744</b>	<b>150</b>	<b>237</b>

(b) As at 31 December 2016, the deposits included an amount of S\$2,173,000 (US\$1,505,000) for the additional investment in an associated company.

(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	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Loan to an associated company	—	820	—	—
Loans to subsidiaries				
Interest bearing	—	—	29,415	42,301
Non-interest bearing				
Gross amount	—	—	13,879	2,940
Less: Fair value adjustment to Investments in subsidiaries	—	—	(2,362)	—
Add: Imputed interest recognised in Company's Income Statement	—	—	438	—
		—	11,955	2,940
Total	—	820	41,370	45,241

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## 16. Loans and receivables (continued)

As at the reporting date, the loans to subsidiaries of US\$13,879,000 are interest-free and repayable on 31 December 2021. The amounts are adjusted to be measured at fair value at date of inception. Accordingly, an imputed interest income of US\$438,000 has been recognised in the Company's income statement and fair value adjustment of US\$2,362,000 has been recognised in investments in subsidiaries.

As at 31 December 2016, the loans to subsidiaries and an associated company were interest bearing, unsecured and repayable between two and five years, except for an amount of US\$2,940,000 due from a subsidiary which was non-interest bearing.

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 3.94% (2016: 3.79%) and Nil (2016: 3.84%) per annum respectively.

## 17. Financial assets, available-for-sale

	The Group	
	2017	2016
	US\$'000	US\$'000
Listed equity securities		
Singapore	1,313	1,294
South Korea	4,631	5,268
	5,944	6,562
Unlisted equity securities		
Singapore	661	661
China	211	197
Taiwan	78	97
	950	955
Total	6,894	7,517

Movements in financial assets, available-for-sale are as follows:

Beginning of financial year	7,517	2,654
Fair value (loss)/gain recognised in other comprehensive income	(660)	8,897
Disposals	–	(3,997)
Impairment loss (Note 6)	–	(25)
Currency translation differences	37	(12)
End of financial year	6,894	7,517

During the financial year, impairment loss of US\$1,444,000 was recognised and reclassified from fair value reserve to consolidated income statement (Note 6).

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	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Quoted equity shares, at cost	7,487	7,487	1,936	4,872
Unquoted equity shares, at cost	17,025	15,474	–	–
	24,512	22,961	1,936	4,872
Share of post-acquisition results and reserves	(5,910)	(5,931)	–	–
Currency translation differences	(227)	(292)	–	–
	18,375	16,738	1,936	4,872
Market value of quoted equity shares	2,141	1,882	1,936	1,702

(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	
			2017 %	2016 %
Held by the Group and Company				
(1) Bull Will Co., Ltd	Manufacturing and sale of electronic components with focus on passive components	Taiwan	19.0	29.0
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	27.3	27.3
(4) Tong Chiang Group Pte. Ltd.	Manufacture of food products and provision of food catering business	Singapore	21.0	21.0
(4) Edith-United International Pte Ltd	Investment holding and rental of investment properties	Singapore	21.0	21.0
(4) Eunice Food Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	21.0	21.0
(4) Imperial Kitchen Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	21.0	21.0
(5) Unitrontech China Co. Ltd	Distribution of electronic and electrical components	Hong Kong	41.0	41.0

(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 Victoria, Australia, a member firm of Moore Stephens International Limited for consolidation purposes. The entity is not considered a significant associated company pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited

(4) 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.

(5) Audited by PricewaterhouseCoopers, Hong Kong

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## 18. Investments in associated companies (continued)

- (b) On 23 February 2017, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. increased its investment in associated company, Tong Chiang Group Pte. Ltd., pursuant to the subscription of its full entitlement of 54,335 shares at the subscription price of S\$40.00 (US\$28.16) per share totaling about S\$2,173,000 (US\$1,551,000). Derek Goh Bak Heng, a director of the Company has also subscribed for his full entitlement of 6,468 shares totalling about S\$259,000 (US\$182,000). The Group and Derek Goh Bak Heng's shareholding in Tong Chiang Group Pte. Ltd. remained at 21% and 2.5% respectively, before and after the share subscription.
- (c) On 30 September 2017, 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 29.03% to 19.02% pursuant to the subscription of 38,400,000 new placement shares of Bull Will for a total cash consideration of NT\$57,600,000 (US\$1,900,000). The Group recognised a gain of dilution of interests of US\$24,000 in the consolidated income statement during the financial year ended 31 December 2017.
- (d) On 27 January 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 51% equity interests in Achieva Technology Pte Ltd, 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 [Note 20(a)(iii)].
- (e) On 21 March 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. increased its investment in an associated company, SPL Holdings (Australia) Pty Ltd ("SPL Holdings"), a company principally engaged in providing laundry services in the hospitality industry In Australia, from 20.0% to 27.3% pursuant to a rights issue undertaken by SPL Holdings to finance SPL Holdings' expansion and acquisition. SCE Enterprise Pte Ltd had subscribed fully its entitlement of 1,665,684 shares and an additional 3,559,446 shares of SPL Holdings not taken up by other existing shareholders at the subscription price of AUD1.26 (US\$0.96) per share totalling about AUD6,584,000 (US\$4,996,000).
- (f) On 28 October 2016, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited acquired an equity interest of 45% in a newly incorporated company in Hong Kong, Unitrontech China Co. Ltd for a total cash consideration of US\$450,000.
- (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\$303,000 (2016: US\$248,000), after the share of the current year's loss of US\$55,000 (2016: US\$51,000). The Group has no obligation in respect of these unrecognised losses.
- (h) During the financial year, SPL Holdings has contingent liabilities amounting to approximately AUD 1,500,000 (US\$1,171,000) and AUD 2,892,000 (US\$2,259,000) relating to additional payroll tax assessments issued by the State Revenue Offices in New South Wales and Victoria respectively. SPL Holdings has disputed and lodged objections for the additional payroll tax assessments in both states. In New South Wales, notwithstanding the objections lodged, SPL Holdings is required to pay the AUD \$1,500,000 (US\$1,171,000) additional payroll taxes over thirty-eight equal monthly instalments of AUD 40,000 (US\$31,000) each beginning from November 2016. As at the reporting date, SPL Holdings has made payment totaling AUD 560,000 (US\$437,000). In Victoria, for the additional payroll tax of AUD 2,892,000 (US\$2,259,000), an instalment plan is still being finalised with the State Revenue Office of Victoria. In both cases, as the tax investigations are still in the early stages, it is not possible to determine whether the additional payroll tax assessments are with merit. As at 31 December 2017, there is no additional provision of the contingent liabilities except for the AUD 560,000 (US\$437,000) which has been paid during the previous and current financial year.

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## 18. Investments in associated companies (continued)

- (i) Summarised financial information in respect of the Group's material associated company is set out below. The summarised financial information below represents amounts shown in the associated company's financial statements prepared in accordance with FRSs adjusted by the Group for equity accounting purposes.

Bull Will Co., Ltd ("Bull Will")

	2017 US\$'000	2016 US\$'000
Current assets	6,637	14,496
Non-current assets	2,306	4,041
Current liabilities	3,540	6,662
Non-current liabilities	758	5,218
Revenue	9,408	16,032
Loss from continuing operations	(1,860)	(13,625)
Total comprehensive loss	(2,155)	(13,501)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bull Will recognised in the consolidated financial statements:

	2017 US\$'000	2016 US\$'000
Net assets of Bull Will	4,645	6,657
Proportion of the Group's ownership in Bull Will	19.0%	29.0%
Carrying amount of the Group's interest in Bull Will	883	1,931

- (j) The following table summarises, in aggregate, the carrying amount, share of profit/(loss) and other comprehensive income/(loss) of the remaining associated companies that are not individually material to the Group and accounted for using the equity method:

	The Group	
	2017 US\$'000	2016 US\$'000
The Group's share of:		
Profit from continuing operations	979	2
Other comprehensive income/(loss)	588	(1,588)
Total comprehensive income/(loss)	1,567	(1,586)
Aggregate carrying amount of the Group's interests in these associated companies	17,492	14,807

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## 19. Investment in joint venture

	The Group 2017 US\$'000
Unquoted equity shares, at cost	2,344
Share of post-acquisition results and reserves	92
	<b>2,436</b>

(a) The details of the joint venture held directly by the Group is as follows:

Name of associated companies	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group 2017 %
<b>Held by the Group</b>			
<sup>(1)</sup> Musang Durians Frozen Food (M) Sdn. Bhd.	Manufacturing, processing, trading and exporting of durian puree and durian related products	Malaysia	<b>27.5</b>

<sup>(1)</sup> Reviewed by Moore Stephens LLP, Singapore for consolidation purposes. The entity is not considered a significant joint venture pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(b) On 29 August 2017, the Group's 55% owned subsidiary, Bast Investment Pte Ltd, acquired equity interests in Musang Durians Frozen Food (M) Sdn. Bhd. by subscribing for 10 new ordinary shares for MYR10,000,000 (US\$2,344,000), representing 50% of the enlarged share capital of Musang Durians Frozen Food (M) Sdn. Bhd. Cost of investment in joint venture included goodwill amounting to MYR 3,760,000 (US\$881,000).

(c) The following table summarises, in aggregate, the carrying amount, share of loss and other comprehensive income of the joint venture that is not material to the Group and accounted for using the equity method:

	The Group 2017 US\$'000
The Group's share of:	
Loss from continuing operation	(34)
Other comprehensive income	126
Total comprehensive income	92
Aggregate carrying amount of the Group's interest in the joint venture	<b>2,436</b>

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## 20. Investments in subsidiaries

	The Company	
	2017 US\$'000	2016 US\$'000
Equity investments at cost		
Beginning of financial year	67,123	66,502
Additions	4,000	–
Accounting for financial guarantee contracts	1,380	621
Fair value adjustment to loans to/(from) subsidiaries	1,862	–
End of financial year	74,365	67,123
Accumulated impairment losses:		
Beginning and end of financial year	(1,576)	(1,576)
Net investment	72,789	65,547

### (a) Business combinations

- (i) On 5 May 2017, the Company's wholly-owned subsidiary, Serial System International Pte. Ltd. acquired a 70% equity interest in Print-IQ Singapore Pte. Ltd. ("Print-IQ"), for a total cash consideration of S\$331,000 (US\$237,000). The Group acquired Print-IQ with the intent for Print-IQ to leverage on the Group's extensive distribution network and wide customer base, as well as to achieve operational synergies and economies of scale. This will in turn expand the business, operations and improve the financial performance of the Group's consumer products distribution business. Print-IQ became a 70% owned subsidiary of the Group upon completion of the acquisition.
- (ii) On 28 June 2017, the Group's wholly-owned subsidiary, Serial I-Tech (Far East) Pte. Ltd., acquired a 100% equity interest in Inkcarters Pte. Ltd. ("Inkcarters"), for a total cash consideration of S\$1.00 (US\$0.73). The Group intends to use Inkcarters to expand the Group's consumer products distribution business by leveraging on the Group's extensive distribution network and wide customer base. Inkcarters became a wholly-owned subsidiary of the Group upon completion of the acquisition.
- (iii) On 27 January 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 51% equity interests in Achieva Technology Pte Ltd ("Achieva"), for a total cash 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.
- (iv) On 22 July 2016, the Group's 70% owned subsidiary, Hydra & Thermal Pte. Ltd. acquired a 100% equity interest in Hydra & Thermal International (Cambodia) Co., Ltd ("Hydra Cambodia"), for a total cash consideration of US\$1. The Group acquired Hydra Cambodia to tap on its Cambodia market and also allows an avenue for Hydra Cambodia to leverage on the Group's extensive distribution and extensive product lines and customer base. Hydra Cambodia became a 70% own subsidiary of the Group upon completion of the acquisition.

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## 20. Investments in subsidiaries (continued)

### (a) Business combinations (continued)

- (v) As the acquisitions in Note 20(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:

2017	Print-IQ US\$'000	Inkcart's US\$'000	Total US\$'000
(a) Purchase consideration			
Cash paid/payable	237	—*	237
Contingent consideration	—	—	—
Consideration transferred for the business	237	—	237
(b) Effect on cash flow of the Group			
Cash paid/payable (as above)	237	—	237
Less: Cash and cash equivalents acquired	(91)	(46)	(137)
Cash outflow/(inflow) on acquisition	146	(46)	100
(c) Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	91	46	137
Inventories	46	—	46
Trade and other receivables	118	—	118
Other current assets	23	—	23
Plant and equipment (Note 21)	46	—	46
Intangible assets [Note 23(b)]	28	—	28
Total assets	352	46	398
Trade and other payables	(216)	(46)	(262)
Current income tax liabilities [Note 9(b)]	(7)	—	(7)
Total liabilities	(223)	(46)	(269)
Total identifiable net assets	129	—	129
Less: Non-controlling interests (Note 34)	(38)	—	(38)
Add: Goodwill recognised [Note 23(a)]	146	—	146
Consideration transferred for the business	237	—*	237

\* amount less than US\$1,000

### (d) Acquisition related costs

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 20. Investments in subsidiaries (continued)

### (a) Business combinations (continued)

#### (v) 2017 (continued)

##### (e) Acquired receivables

The trade and other receivables acquired in this transaction with a fair value of US\$118,000 had a gross contractual amount of US\$118,000. At the acquisition date, none of the contractual cash flows pertaining to the trade receivables are not expected to be collected [Note 37(b)].

##### (f) Goodwill

The goodwill of US\$146,000 arising from the acquisition is computed as excess of the fair value of the net identifiable assets of the subsidiary acquired over the sum of the consideration transferred and the acquisition date fair value of previous held equity interest in the acquiree.

##### (g) Revenue and profit contribution

(i) The consolidated income statement for the financial year ended 31 December 2017 included results from the acquired subsidiaries from their respective dates of acquisition. Print-IQ contributed revenue and net loss of US\$1,084,700 and US\$138,500 respectively and Inkcarts contributed revenue and net profit of US\$95,600 and US\$262 respectively.

(ii) Had these business acquisitions been effected at 1 January 2017, the consolidated revenue and net profit for the financial year ended 31 December 2017 would have been US\$1,493,294,000 and US\$9,492,300 respectively.

(vi) As the acquisitions in Note 20(a)(iii) and (iv) 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:

2016	Hydra		
	Achieva	Cambodia	Total
	US\$'000	US\$'000	US\$'000
(a) Purchase consideration			
Cash paid/payable	1,680	—	1,680
Contingent consideration	—	—	—
Consideration transferred for the business	1,680	—	1,680
(b) Effect on cash flow of the Group			
Cash paid/payable (as above)	1,680	—	1,680
Less: Cash and cash equivalents acquired	(3,913)	(3)	(3,916)
Cash inflow on acquisition	(2,233)	(3)	(2,236)

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 20. Investments in subsidiaries (continued)

### (a) Business combinations (continued)

#### (vi) 2016 (continued)

#### (c) Identifiable assets acquired and liabilities assumed

2016	Achieva US\$'000	Hydra Cambodia US\$'000	Total US\$'000
Cash and cash equivalents	3,913	3	3,916
Inventories	7,343	614	7,957
Trade and other receivables	8,161	164	8,325
Other current assets	65	77	142
Plant and equipment (Note 21)	98	261	359
Intangible assets [Note 23(b)]	5	–	5
Total assets	19,585	1,119	20,704
Trade and other payables	(7,780)	(945)	(8,725)
Borrowings	(7,833)	(2)	(7,835)
Current income tax liabilities [Note 9(b)]	(2)	–	(2)
Total liabilities	(15,615)	(947)	(16,562)
Total identifiable net assets	3,970	172	4,142
Less: Transfer from previously held equity in an associated company [Note 18]	(1,945)	–	(1,945)
Less: Non-controlling interest (Note 34)	–	(172)	(172)
Less: Negative goodwill recognised (Note 5)	(345)	–	(345)
Consideration transferred for the business	1,680	–	1,680

#### (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 this transaction with a fair value of US\$8,325,000 had a gross contractual amount of US\$9,449,000. At the acquisition date, US\$1,124,000 of the contractual cash flows pertaining to the trade receivables are not expected to be collected [Note 37(b)].

#### (f) Goodwill

The negative goodwill of US\$345,000 arising from the acquisition is computed as excess of the fair value of the net identifiable assets of the subsidiary acquired over the sum of the consideration transferred and the acquisition date fair value of previous held equity interest in the acquiree. The difference is recognised directly in the profit and loss as a bargain purchase.

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 20. Investments in subsidiaries (continued)

### (a) Business combinations (continued)

#### (vi) 2016 (continued)

#### (g) Revenue and profit contribution

- (i) The consolidated income statement for the financial year ended 31 December 2016 included results from the acquired subsidiaries from their respective dates of acquisition. Achieva contributed revenue and net loss of US\$44,071,000 and US\$3,537,000 respectively and Hydra Cambodia contributed revenue and net loss of US\$174,000 and US\$611,000 respectively.
- (ii) Had these business acquisitions been effected at 1 January 2016, the consolidated revenue and net profit for the financial year ended 31 December 2016 would have been US\$1,406,311,000 and US\$5,341,000 respectively.

### (b) Additional interests in subsidiaries

- (i) On 30 September 2017, the Group's 91% owned subsidiary, Serial Microelectornics (HK) Limited acquired the remaining 45% equity interest in Serial Vision Limited ("SVL") via the purchase of an additional 4,500 ordinary shares of SVL at HK\$4,500 (US\$577) from an existing shareholder. The Group's effective equity interest in SVL increased from 50.05% to 91% upon completion of the acquisition. The Group recognised an increase in other reserve and a decrease in non-controlling interests of US\$5,000 and US\$5,000 respectively.
- (ii) On 7 October 2016, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 1.8% equity interest in Serial Microelectronics Korea Limited via the purchase of an additional 360 ordinary shares of Serial Microelectronics Korea Limited at US\$300,000 from an existing shareholder and director. As a result, Serial Microelectronics Korea Limited 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\$53,000 and US\$247,000 respectively.

### (c) Additional investments in subsidiaries

- (i) On 14 February 2017 and 29 December 2017, the Company increased the issued and paid up share capital of its wholly owned subsidiary, SCE Enterprise Pte. Ltd., from S\$2,428,000 (US\$1,858,000) to S\$8,010,000 (US\$5,858,000) pursuant to the total issuance of 5,582,000 new ordinary shares via the capitalisation of a total loan amount for S\$5,582,000 (US\$4,000,000).
- (ii) On 3 July 2017, the Group's 95.5% owned subsidiary, Teampal Enterprise Corp. ("Teampal") returned excess issued and paid up share capital of NT\$15,000,000 (US\$494,000) to its wholly owned immediate holding company, Serial Microelectronics Inc. via the reduction of NT\$15,000,000 (US\$494,000) issued and paid up share capital of Teampal. Teampal's issued and paid up share capital reduced from NT\$30,000,000 (US\$988,000) to NT\$15,000,000 (US\$494,000) upon the completion of the capital reduction.
- (iii) On 29 December 2017, the Group's wholly owned subsidiary, Achieva Technology Australia Pty Ltd ("ATPY") returned excess issued and paid up share capital to its wholly owned immediate holding company, Achieva Technology Pte Ltd via the reduction of AUD 1,905,160 (US\$1,443,000) issued and paid up share capital of ATPY. ATPY's issued and paid up share capital reduced from AUD 7,700,002 (US\$6,000,000) to AUD 5,794,842 (US\$4,557,000) upon the completion of the capital reduction.
- (iv) On 29 December 2017, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. increased the issued and paid up share capital of its wholly owned subsidiary, Serial I-Tech (Far East) Pte. Ltd., from US\$5,053,000 to US\$11,053,000 pursuant to the issuance of 8,082,000 new ordinary shares via the capitalisation of a loan amount for US\$6,000,000.

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*For the financial year ended 31 December 2017*

## 20. Investments in subsidiaries (continued)

### (c) Additional investments in subsidiaries (continued)

- (v) On 15 April 2016, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited increased its issued and paid up share capital from HK\$30,000,000 (US\$3,846,154) to HK\$60,000,000 (US\$7,692,308), pursuant to the issuance of 30,000,000 new ordinary shares to its existing shareholders via the capitalisation of its retained earnings amounting to HK\$30,000,000 (US\$3,846,154). The Group's effective equity interest in Serial Microelectronics (HK) Limited remained at 91% upon the increase in share capital.
- (vi) On 5 October 2016, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. increased the issued and paid up share capital of its 49% owned subsidiary, Serial Factoring (Thailand) Co., Ltd from THB1,000,000 (US\$27,000) to THB 109,000,000 (US\$2,967,000) pursuant to the issuance of 10,800,000 new ordinary shares. The Group's effective equity interest in Serial Factoring (Thailand) Co., Ltd remained at 49% upon the increase in share capital.
- (vii) On 28 November 2016, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. increased the issued and paid up share capital of its wholly owned subsidiary, Serial I-Tech (Far East) Pte. Ltd. from US\$3,852,864 to US\$5,052,864, pursuant to the issuance of 1,670,280 new ordinary shares via the capitalisation of a loan amount for US\$1,200,000.

### (d) Incorporation of subsidiaries

- (i) On 26 May 2017, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited incorporated a 70% owned subsidiary, Xuanhong Automotive Electronics Limited in Hong Kong with an issued and paid up share capital of HK\$1,150,000 (US\$147,000), of which the 70% capital contribution by Serial Microelectronics (HK) Limited amounted to HK\$805,000 (US\$103,000).
- (ii) On 18 August 2017, the Group's 63.7% owned subsidiary, Xuanhong Automotive Electronics Limited incorporated a wholly owned subsidiary, Xuanli Automotive Electronics Co., Limited in China with a registered capital of RMB 976,769 (US\$147,000).
- (iii) On 21 August 2017, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a 55% equity interest in a newly incorporated company, Bast Investment Pte. Ltd. in Singapore for a total cash consideration of S\$165,000 (US\$122,000).
- (iv) On 29 August 2017, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. incorporated a wholly owned subsidiary, Musang Durian King Pte. Ltd. in Singapore with an issued and paid up share capital of S\$1 (US\$0.74).
- (v) On 15 September 2017, the Group's 55% owned subsidiary, Bast Investment Pte. Ltd. acquired a 100% equity interest in a newly incorporated company, Bast Global Sdn. Bhd. in Malaysia for a total cash consideration of MYR 1 (US\$0.23). The issued and paid up share capital of Bast Global Sdn. Bhd. was increased to MYR 10,000 (US\$2,342) subsequent to the acquisition.
- (vi) On 8 November 2017, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd set up a 99% owned limited liability partnership, Serial Microelectronics India LLP in India with an initial capital of INR3,300,001 (US\$50,000), of which the 99% capital contribution by Serial Microelectronics Pte Ltd amounted to INR 3,267,001 (US\$50,000).
- (vii) On 2 February 2016, the Group's 70% owned subsidiary, Hydra & Thermal Pte. Ltd. acquired a 60% equity interest in a newly incorporated company, Serial Netcom Co., Ltd in Cambodia for a total cash consideration of US\$60,000.

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 20. Investments in subsidiaries (continued)

### (d) Incorporation of subsidiaries (continued)

- (viii) On 24 March 2016, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited incorporated a wholly owned subsidiary, Serial Microelectronics (Beijing) Co., Ltd with an intended registered capital of RMB10,000,000 (US\$1,523,000). The registered capital has not been contributed as at 31 December 2016 and 31 December 2017.
- (ix) On 12 August 2016, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited acquired a 51% equity interest in a newly incorporated company, Newstone Technology Limited in Hong Kong with an intended issued and paid up share capital of HK\$23,400,000 (US\$3,000,000). Subsequent to the incorporation, Serial Microelectronics (HK) limited contributed share capital of HK\$3,978,000 (US\$510,000) on 13 September 2017.

### (e) Disposal/closure of subsidiaries

- (i) On 10 April 2017, the Group's wholly owned subsidiary, Serial I-Tech (ME) Pte. Ltd. entered into a sales and purchase agreement with a third party to dispose 100% equity interest in JEL Distribution (Kazakhstan) LLP, for a cash consideration of US\$450,000.
- (ii) On 1 December 2017, the Group's 95.5% owned subsidiary, Serial Microelectronics Inc. entered into a sales and purchase agreement with a third party to dispose of 100% equity interests in New Chinese Corporation and New Chinese Corporation's wholly owned subsidiary, Bridge Electronics (Shenzhen) Co., Ltd, for an aggregate cash consideration of US\$300,000. The Group recognised a gain on disposal of US\$105,000 in the consolidated income statement during the financial year.
- (iii) During the financial year, the Group liquidated/strike off the following subsidiaries:
- Liquidated 70% owned subsidiary, Serial AMSC Microelectronics Co., Ltd
  - Struck off 80% owned subsidiary, Agricola Pte Ltd
  - Struck off 60% owned subsidiary, Nippon Denka Serial Pte. Ltd.
  - Struck off wholly owned subsidiary, Serial I-Tech Strategic Holdings Franchising Pte. Ltd.

	<b>The Group</b>
	<b>2017</b>
	<b>US\$'000</b>
Carrying amounts of assets and liabilities on disposal/closure of subsidiaries	
Cash and cash equivalents	869
Inventories	72
Trade and other receivables	911
Total assets	<b>1,852</b>
Trade and other payables	1,138
Current income tax liabilities	35
Total liabilities	<b>1,173</b>
Net assets derecognised as above	679
Less: Non-controlling interests	(34)
Net assets disposed off	<b>645</b>

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SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 20. Investments in subsidiaries (continued)

### (e) Disposal/closure of subsidiaries (continued)

The aggregate cash outflows arising from the disposal/closure of subsidiaries were:

	The Group 2017 US\$'000
Net assets disposed of (as above)	645
Gain on disposal/closure of subsidiaries (Note 5)	105
Cash proceeds from disposal	750
Less: Cash and cash equivalents in subsidiaries disposed/closed	(869)
Net cash outflow on disposal/closure of subsidiaries	(119)

### (f) Details of subsidiaries as at 31 December 2017

			Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
Name of subsidiaries		Principal activities		2017 %	2016 %
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
(3)	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	100.0
(1)	Swift-Value Business Pte. Ltd.	Distribution of printer accessories	Singapore	100.0	100.0
(1)	Teampal (S) Pte. Ltd.	Distribution of electronic and electrical components	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
(3)	Serial Microelectronics Korea Limited	Distribution of electronic and electrical components	South Korea	100.0	100.0
(3)	Serial Microelectronics Inc.	Distribution of electronic and electrical components	Taiwan	95.5	95.5
(1)	Teampal (S) Pte. Ltd.	Distribution of electronic and electrical components	Singapore	–	100.0
(4)	PT. Serial Microelectronics Indonesia	In process of liquidation	Indonesia	99.0	99.0

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SERIAL SYSTEM LTD  
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## 20. Investments in subsidiaries (continued)

(f) Details of subsidiaries as at 31 December 2017 (continued)

		Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
Name of subsidiaries		Principal activities	2017 %	2016 %
Held by Serial Microelectronics Pte Ltd (continued)				
(3)	Serial Microelectronics Sdn. Bhd.	Distribution of electronic and electrical components	Malaysia	100.0
(1)	Serial GIS Pte. Ltd.	Wholesale and sub-assembly of electrical signals and controls products	Singapore	70.0
(4)	Serial Microelectronics India LLP	Provision of management, marketing and administrative services	India	—
Held by SCE Enterprise Pte. Ltd.				
(1)	Serial Multivision Pte. Ltd.	Hospitality and healthcare solutions and outdoor advertising media	Singapore	100.0
(1)	Contract Sterilization Services Pte Ltd	Assembly and distribution of medical devices and ethylene oxide sterilization	Singapore	100.0
(1)	Serial I-Tech (Far East) Pte. Ltd.	Trading and distribution of consumer products, IT, photographic and timepiece products	Singapore	100.0
(1)	Hydra & Thermal Pte. Ltd.	Distribution of consumer products and household appliances	Singapore	70.0
(3)	PT. Achieva Technology Indonesia	Importing of computer peripherals, IT accessories and electronic products	Indonesia	80.0
(1)	Achieva Technology Pte Ltd	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Singapore	100.0
Held by Serial System International Pte. Ltd.				
(3)	Serial Factoring (Thailand) Co., Ltd.	Provision of project financing in the form of leasing, hire purchase, factoring and loan	Thailand	49.0
(1)	Print-IQ Singapore Pte. Ltd.	Provision of managed print services and the administrative, maintenance and distribution of copier and printers	Singapore	—
(1)	Bast Investment Pte. Ltd.	Investment holding	Singapore	—
(4)	Musang Durian King Pte. Ltd.	Dormant	Singapore	—

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 20. Investments in subsidiaries (continued)

(f) Details of subsidiaries as at 31 December 2017 (continued)

Name of subsidiaries		Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2017 %	2016 %
Held by Bast Investment Pte. Ltd.					
(4)	Bast Global Sdn. Bhd.	Investment holding	Malaysia	55.0	–
Held by Serial Microelectronics (HK) Limited					
(2)	Serial Design Limited	Distribution of electronic and electrical components	Hong Kong	91.0	91.0
(2)	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	91.0	50.1
(2)	Serial Microelectronics (Beijing) Co., Ltd	Investment holding	China	91.0	91.0
(2)	Newstone Technology Limited	Marketing, promotion, sale, export and distribution of semiconductor components	Hong Kong	46.4	46.4
(2)	Xuanhong Automotive Electronics Limited	Investment holding and distribution of semiconductor components focusing on automotive segment in Hong Kong	Hong Kong	63.7	–
Held by Serial Automotive Limited					
(2)	Serial Automotive (Shanghai) Co., Ltd.	Distribution of electronic component modules focusing on automotive customers	China	54.6	54.6
Held by Newstone Technology Limited					
(2)	Newstone Technology (Shenzhen) Company Limited	Marketing, promotion, sale, export and distribution of semiconductor components	China	46.4	-
Held by Xuanhong Automotive Electronics Limited					
(2)	Xuanli Automotive Electronics Co., Limited	Distribution of semiconductor components focusing on automotive segment in China	China	63.7	-
Held by Serial Microelectronics Inc.					
(3)	TeamPal Enterprise Corp.	Distribution of electronic and electrical components	Taiwan	95.5	95.5

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 20. Investments in subsidiaries (continued)

(f) Details of subsidiaries as at 31 December 2017 (continued)

		Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
Name of subsidiaries	Principal activities		2017 %	2016 %
<b>Held by Serial I-Tech (Far East) Pte. Ltd</b>				
<sup>(4)</sup> Serial I-Tech (ME) Pte. Ltd.	Trading and distribution of consumer products, IT and photographic products	British Virgin Islands	<b>100.0</b>	100.0
<sup>(4)</sup> Serial I-Tech (Cambodia) Pte Ltd	In process of liquidation	Cambodia	<b>100.0</b>	100.0
<sup>(4)</sup> JEL Trading (Bangladesh) Ltd	Dormant	Bangladesh	<b>100.0</b>	100.0
<sup>(1)</sup> Inkcarts Pte Ltd	Trading and distribution of computers and peripheral equipment, IT and electronic products	Singapore	<b>100.0</b>	-
<b>Held by Achieva Technology Pte. Ltd.</b>				
<sup>(4)</sup> Achieva Technology Australia Pty Ltd	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Australia	<b>100.0</b>	100.0
<sup>(3)</sup> Achieva Technology Sdn. Bhd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Malaysia	<b>100.0</b>	100.0
<b>Held by Hydra &amp; Thermal Pte. Ltd.</b>				
<sup>(4)</sup> Hydra & Thermal International (Cambodia) Co., Ltd	Distribution of consumer electronic products and household appliances	Cambodia	<b>70.0</b>	70.0
<sup>(4)</sup> Serial Netcom Co., Ltd	Distribution and trading of mobile phone’s subscriber identity module (SIM) cards and top up cards	Cambodia	<b>42.0</b>	42.0

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by PricewaterhouseCoopers, Hong Kong

(3) Audited by member firms of Moore Stephens International Limited of which Moore Stephens LLP, Singapore is a member.

(4) Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 21. Property, plant and equipment

The Group	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	Total US\$'000
<b>2017</b>											
Cost											
At 1 January 2017	1,472	24,244	1,688	7,282	5,097	1,836	1,404	4,316	1,178	3,527	52,044
Additions	-	-	-	-	233	58	420	55	-	416	1,182
Acquisition of subsidiaries [Note 20(a)(v)(c)]	-	-	-	-	-	4	3	1	5	33	46
Transfer from investment properties [Note 21(f)]	-	1,157	-	-	-	-	-	-	-	-	1,157
Disposals/write-off	-	-	-	-	(21)	(316)	(68)	(3,892)	(21)	(22)	(4,340)
Currency translation differences	113	1,600	216	680	275	47	92	284	80	57	3,444
At 31 December 2017	1,585	27,001	1,904	7,962	5,584	1,629	1,851	764	1,242	4,011	53,533
Accumulated depreciation											
At 1 January 2017	336	2,414	-	439	3,520	1,496	1,100	4,149	673	2,717	16,844
Depreciation charges (Note 6)	28	712	-	132	538	141	199	74	151	480	2,455
Disposals/write-off	-	-	-	-	(12)	(313)	(64)	(3,892)	(10)	(21)	(4,312)
Currency translation differences	29	208	-	53	192	37	40	283	40	34	916
At 31 December 2017	393	3,334	-	624	4,238	1,361	1,275	614	854	3,210	15,903
Net book value											
At 31 December 2017	1,192	23,667	1,904	7,338	1,346	268	576	150	388	801	37,630

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 21. Property, plant and equipment (continued)

The Group	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	Total US\$'000
2016											
Cost											
At 1 January 2016	1,497	23,031	1,736	6,465	4,471	1,775	1,295	4,324	1,309	2,997	48,900
Additions	–	1	–	848	507	140	133	63	109	581	2,382
Acquisition of subsidiaries [Note 20(a)(vi)(c)]	–	–	–	–	258	2	23	1	61	14	359
Transfer from investment properties [Note 21(b)]	–	2,526	–	–	–	–	–	–	–	–	2,526
Disposals/write-off	–	–	–	–	(21)	(30)	(29)	(1)	(275)	(48)	(404)
Currency translation differences	(25)	(1,314)	(48)	(31)	(118)	(51)	(18)	(71)	(26)	(17)	(1,719)
At 31 December 2016	1,472	24,244	1,688	7,282	5,097	1,836	1,404	4,316	1,178	3,527	52,044
Accumulated depreciation											
At 1 January 2016	315	1,880	–	332	3,079	1,386	953	2,945	749	2,408	14,047
Depreciation charges (Note 6)	28	652	–	114	535	140	176	1,306	169	371	3,491
Disposals/write-off	–	–	–	–	(9)	(14)	(13)	–	(227)	(45)	(308)
Currency translation differences	(7)	(118)	–	(7)	(85)	(16)	(16)	(102)	(18)	(17)	(386)
At 31 December 2016	336	2,414	–	439	3,520	1,496	1,100	4,149	673	2,717	16,844
Net book value											
At 31 December 2016	1,136	21,830	1,688	6,843	1,577	340	304	167	505	810	35,200

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 21. Property, plant and equipment (continued)

The Company	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
<b>2017</b>							
Cost							
At 1 January 2017	395	547	245	80	403	1,183	2,853
Additions	8	1	10	25	-	207	251
At 31 December 2017	403	548	255	105	403	1,390	3,104
Accumulated depreciation							
At 1 January 2017	391	540	224	59	285	1,049	2,548
Depreciation charges	1	4	14	13	38	131	201
At 31 December 2017	392	544	238	72	323	1,180	2,749
Net book value							
At 31 December 2017	11	4	17	33	80	210	355
<b>2016</b>							
Cost							
At 1 January 2016	390	541	243	55	403	1,122	2,754
Additions	5	6	2	25	-	61	99
At 31 December 2016	395	547	245	80	403	1,183	2,853
Accumulated depreciation							
At 1 January 2016	390	536	210	51	247	927	2,361
Depreciation charges	1	4	14	8	38	122	187
At 31 December 2016	391	540	224	59	285	1,049	2,548
Net book value							
At 31 December 2016	4	7	21	21	118	134	305

- (a) As at the reporting date, the carrying amount of office equipment and motor vehicles held under finance lease agreements for the Group and the Company amounted to US\$186,000 (2016: US\$130,000) and US\$6,000 (2016: Nil) respectively [Note 26(a)(vii)].

During the financial year, the Group and the Company acquired office equipment amounting to US\$67,000 (2016: Nil) and US\$7,000 (2016: Nil) respectively under finance lease agreements.

- (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\$7,274,000 (2016: US\$7,060,000).

During the financial year ended 31 December 2016, the Group transferred the remaining portion of its leasehold building in Singapore with a fair value amounting to US\$2,526,000 from investment properties (Note 22) to property, plant and equipment for own use.

The leasehold land and building is held as security for bank borrowings of the Company amounting to US\$8,975,000 (2016: US\$10,526,000) as disclosed in Note 26(a)(i).

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 21. Property, plant and equipment (continued)

- (c) The Group's freehold building in Taipei, Taiwan, used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$3,373,000 (2016: US\$3,135,000). The freehold building is held as security for the Group's bank borrowings of US\$5,560,000 (2016: US\$5,386,000) as disclosed in Note 26(a)(ii). See Note 22(a) for the portion of the freehold building included as investment properties.
- (d) The Group's freehold land and building in Seoul, South Korea used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$5,049,000 (2016: US\$4,554,000). The freehold land and building is held as security for the Group's bank borrowings of US\$373,000 (2016: US\$993,000) as disclosed in Note 26(a)(iii).
- (e) During the financial year ended 31 December 2016, the Group's wholly owned subsidiary, Serial Microelectronics Sdn. Bhd. acquired a freehold building in Penang, Malaysia for a consideration of MYR3,799,000 (US\$848,000). The net carrying value of the freehold building as at the reporting date amounted to US\$820,000 (2016: US\$841,000). The freehold building is held as security for the Group's bank borrowings of US\$491,000 (2016: US\$493,000) as disclosed in Note 26(a)(iv).
- (f) During the financial year, the Group transferred its leasehold building in China with a fair value amounting to US\$1,157,000 from investment properties (Note 22) to property, plant and equipment for own use.

## 22. Investment properties

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	5,267	7,320
Transfer to property, plant and equipment [Note 21(f) and Note 21(b)]	(1,157)	(2,526)
	4,110	4,794
Fair value (loss)/gain (Note 6 and Note 5)	(9)	228
Currency translation differences	433	245
End of financial year	4,534	5,267

- (a) The Group's freehold building in Taipei, Taiwan which is leased to an associated company, Bull Will Co., Ltd, with fair value of US\$4,534,000 (2016: US\$4,189,000) is held as security for the Group's borrowings of US\$5,560,000 (2016: US\$5,386,000) as disclosed in Note 26(a)(ii).
- (b) 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.
- (c) 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	
	2017 US\$'000	2016 US\$'000
Rental income	106	125
Direct operating expenses on investment properties that generated rental income	(7)	(6)

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. Intangible assets

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Goodwill arising from acquisition of subsidiaries	13,432	14,129	–	–
Computer software license costs	338	539	248	465
Distribution rights	39	53	–	–
	<b>13,809</b>	<b>14,721</b>	<b>248</b>	<b>465</b>

(a) Goodwill arising from acquisition of subsidiaries

	The Group	
	2017 US\$'000	2016 US\$'000
Cost		
Beginning of financial year	20,677	20,677
Acquisition of subsidiary [Note 20(a)(v)(c)]	146	–
Currency translation differences	57	–
End of financial year	<b>20,880</b>	<b>20,677</b>
Accumulated impairment loss		
Beginning of financial year	6,548	5,448
Impairment losses (Note 6)	900	1,100
End of financial year	<b>7,448</b>	<b>6,548</b>
Net book value	<b>13,432</b>	<b>14,129</b>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to geographical and business segments.

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

	Electronic components distribution		Consumer products distribution		Other businesses		Total	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
The Group								
Singapore	–	–	9,794	10,417	1,486	1,560	11,280	11,977
Hong Kong	1,292	1,292	–	–	–	–	1,292	1,292
South Korea	860	860	–	–	–	–	860	860
	<b>2,152</b>	<b>2,152</b>	<b>9,794</b>	<b>10,417</b>	<b>1,486</b>	<b>1,560</b>	<b>13,432</b>	<b>14,129</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 23. 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	
	2017	2016	2017	2016
Gross margin <sup>(1)</sup>	7.0%	7.7%	9.0%	9.3%
Growth rate <sup>(2)</sup>	2.6%	2.5%	2.0%	2.0%
Discount rate <sup>(3)</sup>	10.0%	5.4%	10.0%	5.4%

Consumer products distribution

	Singapore	
	2017	2016
Gross margin <sup>(1)</sup>	13.3%	4.0%
Growth rate <sup>(2)</sup>	5.1%	2.3%
Discount rate <sup>(3)</sup>	10.0%	4.5%

Other businesses

	Singapore	
	2017	2016
Gross margin <sup>(1)</sup>	56.5%	55.6%
Growth rate <sup>(2)</sup>	2.9%	2.9%
Discount rate <sup>(3)</sup>	10.0%	4.5%

(1) Budgeted gross margin based on management's assumptions with reference to past and expected future performance.

(2) Weighted average growth rate used to extrapolate cash flows for the first five-year period. Thereafter, the terminal growth rate used beyond the fifth year is zero.

(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\$900,000 (2016: US\$1,100,000) were provided during the financial year. The impairment charges arose mainly from CGU in Singapore 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 23. Intangible assets (continued)

### (b) Computer software license costs

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Beginning of financial year	539	665	465	544
Additions	102	185	49	172
Acquisition of subsidiaries [Note 20(a)(v)(c) and 20(a)(vi)(c)]	28	5	–	–
Amortisation (Note 6)	(338)	(311)	(266)	(251)
Currency translation differences	7	(5)	–	–
End of financial year	338	539	248	465
Cost	3,016	2,879	2,585	2,536
Accumulated amortisation	(2,678)	(2,340)	(2,337)	(2,071)
Net book value	338	539	248	465

### (c) Distribution rights

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	53	–
Additions	–	59
Amortisation (Note 6)	(14)	(6)
End of financial year	39	53
Cost	11,233	11,233
Accumulated amortisation	(11,194)	(11,180)
Net book value	39	53

## 24. Other assets

	The Group	
	2017 US\$'000	2016 US\$'000
Other investment [Note 24(a)]	615	615
Club memberships [Note 24(b)]	143	127
Deposits [Note 24(c)]	413	326
	1,171	1,068

- (a) Other investment relates to an interest in a residential and commercial property development investment on two pieces of land located in Phnom Penh, Cambodia.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. Other assets (continued)

- (b) The club memberships are denominated in Korean Won.
- (c) 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".

## 25. Trade and other payables

	The Group		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade payables:				
Third parties	127,460	137,712	—	—
Associated companies	13	2	—	—
	127,473	137,714	—	—
Other payables and accrued operating expenses	37,487	39,883	1,839	2,399
Derivative financial instruments [Note 25(a)]	470	166	—	—
Due to subsidiaries [Note 25(b)]	—	—	18,623	6,063
Due to associated companies [Note 25(b)]	14	72	9	29
Contingent consideration payable	—	672	—	—
Financial guarantee contracts	—	—	1,268	637
Total	165,444	178,507	21,739	9,128
Non-current				
Due to a subsidiary [Note 25(c)]				
Interest bearing	—	—	—	6,078
Non-interest bearing				
Gross amount	—	—	2,992	—
Less: Fair value adjustment to Investment in subsidiaries	—	—	(500)	—
Add: Imputed interest recognised in Company's Income Statement	—	—	93	—
	—	—	2,585	—
Total	—	—	2,585	6,078

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 25. Trade and other payables (continued)

- (a) The Group used foreign exchange forward contracts to manage exposures to currency risks arising from inter-company loans denominated in Singapore Dollar, New Taiwan Dollar, Chinese Renminbi, Australian Dollar, Malaysian Ringgit and Japanese Yen.

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

	The Group			
	2017		2016	
	Contract notional amount US\$'000	Fair value liability US\$'000	Contract notional amount US\$'000	Fair value liability US\$'000
Foreign exchange forward contracts	44,200	470	3,400	166

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

	2017 Buy United States Dollar	2016 Sell United States Dollar
Against Singapore Dollar	1.338 to 1.364	–
Against New Taiwan Dollar	29.80 to 30.00	–
Against Australian Dollar	–	1.362 to 1.387
Against Malaysian Ringgit	–	4.26
Against Japanese Yen	–	107.82 to 109.74

These foreign exchange forward contracts have maturity dates within eight months (2016: two months) from the reporting date.

- (b) As at the reporting date, the amounts due to subsidiaries and associated companies are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US\$17,640,000 (2016: US\$5,250,000) due to subsidiaries which bears interest at 3.35% (2016: 3.72%) per annum.
- (c) As at 31 December 2017, the amount due to a subsidiary of US\$2,992,000 is interest-free and repayable on 31 December 2021. The amount is adjusted to be measured at fair value at date of inception. Accordingly, an imputed interest expense of US\$93,000 has been recognised in the Company's income statement and fair value adjustment of US\$500,000 has been recognised in investment in subsidiaries.

As at 31 December 2016, the amount due to a subsidiary is non-trade in nature, bears interest at 3.72% per annum and is repayable on 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 26. Borrowings

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current				
Bank borrowings [Note 26(a)(i),(ii),(iii), (iv) and (v)]	53,214	25,673	2,394	2,216
Trust receipts [Note 26(a)(vi)]	172,450	160,420	–	–
Finance lease liabilities [Note 26(a)(vii) and Note 27]	33	18	1	–
Other borrowing [Note 26(a)(viii)]	3,545	3,282	–	–
	<b>229,242</b>	<b>189,393</b>	<b>2,395</b>	<b>2,216</b>
Non-current				
Bank borrowings [Note 26(a)(i),(ii),(iii), (iv) and (v)]	10,278	15,007	6,581	8,310
Finance lease liabilities [Note 26(a)(vii) and Note 27]	62	25	6	–
	<b>10,340</b>	<b>15,032</b>	<b>6,587</b>	<b>8,310</b>
Total	<b>239,582</b>	<b>204,425</b>	<b>8,982</b>	<b>10,526</b>

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

- (i) As at the reporting date, the balance of the S\$20,000,000 (US\$14,829,000) four-year term loan drawn down by the Company amounting to US\$8,975,000 (2016: US\$10,526,000) included in current borrowings of US\$2,394,000 (2016: US\$2,216,000) and non-current borrowings of US\$6,581,000 (2016: US\$8,310,000) of the Group and the Company is 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 21(b)];
  - 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 borrowing amounting to US\$5,560,000 (2016: US\$5,387,000), included in current borrowings of US\$2,298,000 (2016: US\$2,119,000) and non-current borrowings of US\$3,262,000 (2016: US\$3,268,000), is due by a wholly owned subsidiary, Serial Investment (Taiwan) Inc. to partially finance the acquisition of a freehold building of the Group. The bank borrowing is secured by a first legal mortgage of the freehold building [Note 21(c) and Note 22(a)].
- (iii) As at the reporting date, bank borrowing amounting to US\$373,000 (2016: US\$993,000), included in current borrowings of US\$373,000 (2016: US\$662,000) and non-current borrowings of Nil (2016: US\$331,000), is due by a wholly owned subsidiary, Serial Microelectronics Korea Limited to partially finance the acquisition of a freehold land and building. The bank borrowing is secured by a first legal mortgage of the freehold land and building [Note 21(d)].
- (iv) As at the reporting date, the balance of the MYR2,247,000 (US\$542,000) ten-year term loan drawn down by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd. to part finance the acquisition of a property in Malaysia amounting to US\$491,000 (2016: US\$493,000) included in current borrowings of US\$56,000 (2016: US\$50,000) and non-current borrowings of US\$435,000 (2016: US\$443,000) is secured by a first legal mortgage of the freehold building [Note 21(e)].

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 26. Borrowings (continued)

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

- (v) Other than disclosed in Note 26(a)(i), (ii), (iii) and (iv) above, current bank borrowings amounting to US\$44,968,000 (2016: US\$17,707,000) and non-current bank borrowings of Nil (2016: US\$2,655,000) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. The remaining current borrowings of US\$3,125,000 (2016: US\$2,919,000) are unsecured.
- (vi) Trust receipts of US\$167,605,000 (2016: US\$157,604,000) for all subsidiaries are obtained with the corporate guarantee of the Company. The remaining trust receipts of US\$4,845,000 (2016: US\$2,816,000) are unsecured.
- (vii) As at the reporting date, finance lease liabilities amounting to US\$7,000 (2016: Nil) of the Company and US\$95,000 (2016: US\$43,000) of the Group are secured on motor vehicles and office equipment, which have been acquired under finance lease arrangements [Note 21(a)].
- (viii) Other borrowing of US\$3,545,000 (2016: US\$3,282,000) included in current borrowings, is due to the previous shareholder of Swift-Value Business Pte. Ltd. and not secured.

### (b) Maturity of borrowings

The maturity of the borrowings is as follows:

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Within one year	229,242	189,393	2,395	2,216
Between one and five years	8,486	13,063	6,587	8,310
Over five years	1,854	1,969	—	—

### (c) Interest rate risk

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

The Group	Singapore Dollar	United States Dollar	Hong Kong Dollar	New Taiwan Dollar	Korean Won	Malaysian Ringgit	Thai Baht	Indonesian Rupiah
<b>2017</b>								
Bank borrowings	2.94%	3.15%	3.25%	1.92%	3.76%	2.33%	—	—
Trust receipts	3.20%	3.82%	—	3.36%	—	3.49%	—	—
Finance lease liabilities	3.07%	—	—	—	—	—	—	4.69%
<b>2016</b>								
Bank borrowings	2.33%	2.83%	3.30%	1.85%	3.82%	2.93%	2.50%	—
Trust receipts	2.99%	3.26%	—	1.99%	—	1.10%	—	—
Finance lease liabilities	2.88%	—	—	—	—	—	—	4.69%
						Singapore Dollar		
<b>The Company</b>						<b>2017</b>	2016	
Bank borrowing						2.80%	2.27%	
Finance lease liability						3.21%	—	

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. Borrowings (continued)

### (d) Carrying amounts and fair values

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

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Group</b>				
Bank borrowings and finance lease liabilities	<b>10,340</b>	15,032	<b>9,947</b>	14,572
<b>The Company</b>				
Bank borrowing and finance lease liability	<b>6,587</b>	8,310	<b>6,301</b>	8,025

The fair values are determined from discounted cash flows analysis, discounted at the borrowing rates which the management expects 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 borrowings of US\$41,881,000 (2016: US\$18,656,000). The Group obtained waivers from compliance from the relevant banks for borrowings of Nil (2016: US\$13,456,000) during the financial year and US\$41,881,000 (2016: US\$5,200,000) subsequent to the financial year end. Included in borrowings of US\$41,881,000, is an amount of US\$11,931,000 (2016: Nil) in relation to the Group's Hong Kong subsidiary's borrowings comprising trust receipts of US\$8,019,000 and non-recourse factoring arrangement of US\$3,912,000 for which the Company acted as guarantor and did not fulfil a financial requirement as required in the banking facility as at 31 December 2017.

### (f) Changes in liabilities arising from Financing Activities

	Bank borrowings	Trust receipts	Finance lease liabilities	Other borrowings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Group</b>					
At 1 January 2017	<b>40,680</b>	<b>160,420</b>	<b>43</b>	<b>3,282</b>	<b>204,425</b>
Proceeds	<b>41,484</b>	<b>825,604</b>	<b>67</b>	–	<b>867,155</b>
Repayment	<b>(19,612)</b>	<b>(814,777)</b>	<b>(15)</b>	–	<b>(834,404)</b>
<u>Non-cash changes</u>					
Currency translation differences	<b>940</b>	<b>1,203</b>	–	<b>263</b>	<b>2,406</b>
At 31 December 2017	<b>63,492</b>	<b>172,450</b>	<b>95</b>	<b>3,545</b>	<b>239,582</b>

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## 27. Finance lease liabilities

The Group and the Company have finance leases for property, plant and equipment (motor vehicles) and office equipment. 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	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Minimum lease payments due				
Within one year	38	18	2	–
Between one and five years	70	31	6	–
	108	49	8	–
Less: Future finance charges	(13)	(6)	(1)	–
Present value of finance lease liabilities	95	43	7	–

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

	The Group		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year (Note 26)	33	18	1	–
Between one and five years (Note 26)	62	25	6	–
	95	43	7	–

## 28. Defined benefit plans liabilities

The Group has defined benefit pension plans for certain subsidiaries which require contributions to be made to separately administered funds. The Group provides 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 insurance policies ("plan assets").

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

	The Group	
	2017	2016
	US\$'000	US\$'000
Present value of defined benefit obligations	2,115	1,629
Fair value of plan assets	(1,284)	(1,087)
	831	542

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 28. Defined benefit plans liabilities (continued)

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

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	1,629	2,269
Interest costs – charged to consolidated income statement	38	47
Current service costs – charged to consolidated income statement	972	472
Remeasurement gain arising from changes in:		
- demographic assumptions	(68)	(179)
- financial assumptions	(61)	(144)
Benefits paid	(187)	(532)
Currency translation differences	(208)	(304)
End of financial year	2,115	1,629

(c) Changes in fair value of plan assets are as follows:

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	1,087	1,455
Interest income – credited to consolidated income statement	38	46
Remeasurement losses – return on plan assets	(21)	(23)
Contribution by the Group	232	195
Benefits paid	(187)	(532)
Currency translation differences	135	(54)
End of financial year	1,284	1,087

(d) Independent actuarial valuation of the defined benefit plans liabilities was performed and the principal actuarial assumptions used in the actuarial valuation are as follows:

	The Group	
	2017	2016
Discount rate	2.5%-7.3%	2.1% - 3.5%
Future salary increases	4.6%-7.0%	4.5% - 5.0%

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## 28. Defined benefit plans liabilities (continued)

- (e) The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption by 0.25% (2016: 0.25%) on the defined benefit plans liabilities as follows:

	The Group	
	Defined benefit plans liabilities increase/(decrease)	
	2017	2016
	US\$'000	US\$'000
Discount rate		
- increase	(69)	(66)
- decrease	73	70
Future salary increases		
- increase	71	68
- decrease	(68)	(65)

The methods and types of assumptions used in preparing the sensitivity analysis during the financial year did not change as compared to the financial year ended 31 December 2016.

- (f) The Group expects to contribute US\$340,000 to the defined benefit plans in 2018 (2016: US\$294,000 in 2017).
- (g) The average duration of the defined benefit obligation as at the reporting date is 5.5 years (2016: 5.7 years) for the defined benefit plans.

## 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		The Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets to be recovered after one year	(841)	(711)	—	—
Deferred income tax liabilities to be settled after one year	555	271	249	—
	(286)	(440)	249	—

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## 29. Deferred income taxes (continued)

The movements in the deferred income tax account are as follows:

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Beginning of financial year	(440)	(464)	–	–
Tax charged to consolidated income statement [Note 9(a)]	(119)	(26)	–	–
Under provision in preceding financial years [Note 9(a)]	275	57	249	–
Currency translation differences	(2)	(7)	–	–
End of financial year	(286)	(440)	249	–

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 has 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	
	2017 US\$'000	2016 US\$'000
Tax losses	19,782	19,091
Capital allowances	3,090	3,060
	22,872	22,151

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 tax provisions. Included in the tax losses as at the reporting date are US\$1,172,000 (2016: US\$619,000) arising in China that will expire in one to five years after 31 December 2017. 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\$15,089,000 (2016: US\$13,195,000) based on the Group's policy as stated in Note 2.5. The deferred tax liability not recognised is estimated to be US\$1,647,000 (2016: US\$1,390,000).

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	
	2017 US\$'000	2016 US\$'000
Deferred income tax assets		
Beginning of financial year	(711)	(662)
Credited to consolidated income statement	(118)	(84)
Over provision in preceding financial years	–	37
Currency translation differences	(12)	(2)
End of financial year	(841)	(711)

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## 29. Deferred income taxes (continued)

Deferred income tax liabilities

	Investment properties US\$'000	Others US\$'000	Total US\$'000
<b>The Group</b>			
<b>2017</b>			
Beginning of financial year	156	115	271
Credited to consolidated income statement	–	(1)	(1)
(Over)/under provision in preceding financial years	(1)	276	275
Currency translation differences	–	10	10
End of financial year	155	400	555
<b>2016</b>			
Beginning of financial year	154	44	198
Charged to consolidated income statement	2	56	58
Under provision in preceding financial years	–	20	20
Currency translation differences	–	(5)	(5)
End of financial year	156	115	271
<b>The Company</b>			
<b>2017</b>			
Beginning of financial year	–	–	–
Under provision in preceding financial years	–	249	249
End of financial year	–	249	249

## 30. Share capital and treasury shares

	Issued number of shares		Total share capital	
	Share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
<b>The Group and The Company</b>				
<b>2017</b>				
Beginning and end of financial year	905,788	(9,946)	72,648	(736)
<b>2016</b>				
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.

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## 30. Share capital and treasury shares (continued)

### (b) Share options

The Serial System Employee Share Option Scheme 2014 (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.

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 2017 and 31 December 2016.

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## 31. Reserves

The Group	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000
<b>2017</b>					
Beginning of financial year	1,276	(257)	3,670	59	(771)
Addition	–	108	–	–	6
Fair value changes	–	–	(660)	–	–
Cumulative loss reclassified from equity on impairment of financial assets, available-for-sale (Note 6)	–	–	1,444	–	–
End of financial year	1,276	(149)	4,454	59	(765)
<b>2016</b>					
Beginning of financial year	1,276	(557)	(1,353)	59	(718)
Addition	–	300	8,897	–	(53)
Fair value changes	–	–	(3,874)	–	–
End of financial year	1,276	(257)	3,670	59	(771)

### The Company

#### 2017

Beginning and end of financial year

180

#### 2016

Beginning and end of financial year

180

(a) Capital reserve

Capital reserve represents share of capital reserve of an associated company 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.

(e) Other reserve

Other reserve represents the equity recognised on differences between the amount by which the non-controlling interests are adjusted and the fair value of any consideration paid or received, and attribute to the Group when the proportion of the equity held by non-controlling interests changes.

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. Currency translation reserve

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Beginning of financial year	(2,683)	(1,498)	17,589	17,589
Net currency translation differences arising from net investments in foreign subsidiaries, associated companies and joint venture	9,453	10	–	–
Non-controlling interests (Note 34)	48	357	–	–
Share of associated companies' currency translation reserve	532	(1,552)	–	–
Share of joint venture' currency translation reserve	126	–	–	–
	10,159	(1,185)	–	–
End of financial year	7,476	(2,683)	17,589	17,589

## 33. Retained earnings

- (a) Included in the Group's retained earnings of US\$53,264,000 (2016: US\$46,719,000) as at the reporting date are legal reserves amounting to US\$114,000 (2016: US\$102,000) 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	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	14,109	13,908
Total profit	6,591	4,720
Dividends paid (Note 35)	(3,005)	(4,519)
End of financial year	17,695	14,109

Movements in retained earnings for the Group are shown in the Consolidated Statement of Changes in Equity.

# NOTES TO THE FINANCIAL STATEMENTS

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## 34. Non-controlling interests

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	4,862	3,583
Share of results of subsidiaries	1,996	789
Share of currency translation reserve (Note 32)	(48)	(357)
	1,948	432
Acquisition of subsidiaries [Note 20(a)(v)(c) and Note 20(a)(vi)(c)]	38	172
Subscription of interests in subsidiaries [Note 34(a), Note 34(b), Note 34(c), Note 34(d), Note 34(e) and Note 34(g)]	679	40
Subscription of additional interests in a subsidiary [Note 34(h)]	–	882
Acquisition of additional interests in subsidiaries from non-controlling interests [Note 34(f) and Note 34(i)]	(5)	(247)
Closure/disposal of subsidiaries	(34)	–
End of financial year	7,488	4,862

- (a) On 26 May 2017, the non-controlling interests of Xuanhong Automotive Electronics Limited subscribed for 345,000 ordinary shares at HK\$1 (US\$0.13) per share at HK\$345,000 (US\$44,000) in the issued and paid up share capital of Xuanhong Automotive Electronics Limited.
- (b) On 18 August 2017, the non-controlling shareholders of Xuanhong Automotive Electronics Limited subscribed for RMB 293,000 (US\$45,000) in the registered capital of Xuanli Automotive Electronics Co., Limited.
- (c) On 21 August 2017, the non-controlling interests of Bast Investment Pte. Ltd. subscribed for 135,000 ordinary shares at S\$1.00 (US\$0.74) per share at S\$135,000 (US\$99,000) in the issued and paid up share capital of Bast Investment Pte. Ltd.
- (d) On 13 September 2017, the non-controlling interests of Newstone Technology Limited contributed share capital of HK\$3,822,000 (US\$490,000) subsequent to the incorporation of Newstone Technology Limited on 12 August 2016.
- (e) On 15 September 2017, the non-controlling shareholders of Bast Investment Pte. Ltd. subscribed for 4,500 ordinary shares of MYR1 (US\$0.31) per share at MYR4,500 (US\$1,000) in the issued and paid up share capital of Bast Global Sdn. Bhd..
- (f) On 1 October 2017, the Group increased its equity interest by 45% in Serial Vision Limited via the purchase of 4,500 ordinary shares of Serial Vision Limited from an existing shareholder.
- (g) On 2 February 2016, the non-controlling interests of Serial Netcom Co., Ltd subscribed for 40,000 ordinary shares at US\$1 per share at US\$40,000 in the issued and paid up share capital of Serial Netcom Co., Ltd.
- (h) On 5 October 2016, the non-controlling interests of Serial Factoring (Thailand) Co., Ltd subscribed for additional 3,240,000 ordinary shares at THB10 (US\$0.27) per share, amounted to THB32,400,000 (US\$882,000) in the issued and paid up share capital of Serial Factoring (Thailand) Co., Ltd.
- (i) On 7 October 2016, the Group increased its equity interest by 1.8% to 100% in Serial Microelectronics Korea Limited via the purchase of 360 ordinary shares of Serial Microelectronics Korea Limited at US\$300,000 from an existing shareholder and director.

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## 35. Dividends

	The Group and The Company	
	2017 US\$'000	2016 US\$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of 0.17 SGD cent (0.12 USD cent) per share paid in respect of the financial year ended 31 December 2016	1,091	–
One-tier tax-exempt interim cash dividend of 0.29 SGD cent (0.21 USD cent) per share paid in respect of the financial year ended 31 December 2017	1,914	–
One-tier tax-exempt final cash dividend of 0.50 SGD cent (0.37 USD cent) per share paid in respect of the financial year ended 31 December 2015	–	3,336
One-tier tax-exempt interim cash dividend of 0.18 SGD cent (0.13 USD cent) per share paid in respect of the financial year ended 31 December 2016	–	1,183
Total [Note 33(b)]	3,005	4,519

At the forthcoming Annual General Meeting on 28 April 2018, a one-tier tax-exempt final cash dividend of 0.46 SGD cent (0.35 USD 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 2018, subject to shareholders' approval at the forthcoming Annual General Meeting on 28 April 2018.

## 36. Commitments and contingencies

### (a) Guarantees

	The Group		The Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Unsecured guarantees provided by the Company for/to:				
- banking facilities of subsidiaries	–	–	221,214	190,990
- suppliers of subsidiaries	–	–	5,654	7,131
Unsecured bank guarantees provided by the subsidiaries for/to:				
- suppliers of subsidiaries	5,844	13,044	–	–
- customers of a subsidiary	48	–	–	–
	5,892	13,044	226,868	198,121

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 36. Commitments and contingencies (continued)

### (b) Operating lease commitments - where the Group is a lessee

The Group leases motor vehicles and office equipment 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	
	2017 US\$'000	2016 US\$'000
Within one year	2,246	1,992
Between one and five years	2,591	3,029
More than five years	15	26
	<b>4,852</b>	<b>5,047</b>

### (c) Operating lease commitments - where the Group is a lessor

The Group leases out certain investment properties to an associated company and non-related parties under non-cancellable operating leases. 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	
	2017 US\$'000	2016 US\$'000
Within one year	796	1,027
Between one and five years	1,025	1,970
	<b>1,821</b>	<b>2,997</b>

## 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 provide guidelines for overall risk management. Management 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\$), Malaysian Ringgit (MYR), Thailand Baht (THB), Indonesian Rupiah (IDR), Australian Dollar (AUD) and Japanese Yen (JPY). 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:

	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				Malaysian Ringgit US\$'000	Thailand Baht US\$'000	Indonesian Rupiah US\$'000	Others US\$'000	Total US\$'000
<b>The Group</b>														
<b>2017</b>														
Financial assets:														
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	58,455	5,993	5,045	1,700	4,306	1,160	819	2,092	614	600	80,784			
Trade and other receivables	123,929	3,175	8,894	762	63,296	6,457	5,569	9,111	1,971	346	223,510			
Other financial assets	77	86	472	274	9	58	97	11	1	3	1,088			
	182,461	9,254	14,411	2,736	67,611	7,675	6,485	11,214	2,586	949	305,382			
Financial liabilities:														
Borrowings	(189,574)	(20,005)	(7,060)	(5,329)	–	(16,767)	(845)	–	(2)	–	(239,582)			
Trade and other payables	(139,652)	(5,726)	(838)	(7,109)	(6,263)	(4,553)	(76)	(610)	(329)	(288)	(165,444)			
	(329,226)	(25,731)	(7,898)	(12,438)	(6,263)	(21,320)	(921)	(610)	(331)	(288)	(405,026)			
Net financial (liabilities)/assets	(146,765)	(16,477)	6,513	(9,702)	61,348	(13,645)	5,564	10,604	2,255	661	(99,644)			
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	45,549	7,924	(1,798)	9,702	(57,551)	13,764	(6,001)	(11,078)	(2,255)	(2)	(1,746)			
Currency exposure	(101,216)	(8,553)	4,715	–	3,797	119	(437)	(474)	–	659	(101,390)			

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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	Singapore Dollar	Korean Won	Hong Kong Dollar	Chinese Renminbi	New Taiwan Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	Australian Dollar	Japanese Yen	Others	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	US\$'000
The Group													
2016													
Financial assets:													
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	43,556	8,598	6,011	695	5,594	1,254	3,482	1,505	1,281	559	865	82	73,482
Trade and other receivables	131,943	5,901	7,655	4,203	42,072	2,345	1,852	9,332	1,722	650	36	39	207,750
Other financial assets	954	126	400	201	5	54	77	8	1	12	—	3	1,841
	176,453	14,625	14,066	5,099	47,671	3,653	5,411	10,845	3,004	1,221	901	124	283,073
Financial liabilities:													
Borrowings	(162,870)	(18,932)	(2,062)	(2,289)	—	(13,980)	(3,662)	(626)	(4)	—	—	—	(204,425)
Trade and other payables	(157,187)	(6,307)	(1,104)	(6,288)	(4,175)	(1,991)	(165)	(567)	(164)	(446)	(18)	(95)	(178,507)
	(320,057)	(25,239)	(3,166)	(8,577)	(4,175)	(15,971)	(3,827)	(1,193)	(168)	(446)	(18)	(95)	(382,932)
Net financial (liabilities)/assets	(143,604)	(10,614)	10,900	(3,478)	43,496	(12,318)	1,584	9,652	2,836	775	883	29	(99,859)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	60,749	2,868	(5,633)	3,475	(48,538)	12,415	(2,076)	(9,533)	(2,836)	(775)	(31)	—	10,085
Currency exposure	(82,855)	(7,746)	5,267	(3)	(5,042)	97	(492)	119	—	—	852	29	(89,774)

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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:

The Company	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
<b>2017</b>						
Financial assets:						
Cash and cash equivalents	8,124	227	–	–	127	8,478
Trade and other receivables	13,313	1,832	558	–	–	15,703
Loans and receivables	27,256	7,066	6,116	932	–	41,370
Other financial assets	–	8	–	–	–	8
	48,693	9,133	6,674	932	127	65,559
Financial liabilities:						
Borrowings	–	(8,982)	–	–	–	(8,982)
Trade and other payables	(6,826)	(17,489)	–	–	(9)	(24,324)
	(6,826)	(26,471)	–	–	(9)	(33,306)
Net financial assets/(liabilities)	41,867	(17,338)	6,674	932	118	32,253
Less: Net financial assets denominated in the Company's functional currency	(41,867)	–	–	–	–	(41,867)
Currency exposure	–	(17,338)	6,674	932	118	(9,614)

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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:

The Company	United States Dollar US\$'000	Singapore Dollar US\$'000	Thailand Baht US\$'000	Hong Kong Dollar US\$'000	New Taiwan Dollar US\$'000	Total US\$'000
2016						
Financial assets:						
Cash and cash equivalents	54	679	–	–	126	859
Trade and other receivables	11,173	1,010	210	–	–	12,393
Loans and receivables	29,333	7,542	7,434	932	–	45,241
Other financial assets	–	8	–	–	–	8
	40,560	9,239	7,644	932	126	58,501
Financial liabilities:						
Borrowings	–	(10,526)	–	–	–	(10,526)
Trade and other payables	(308)	(14,869)	–	–	(29)	(15,206)
	(308)	(25,395)	–	–	(29)	(25,732)
Net financial assets/(liabilities)	40,252	(16,156)	7,644	932	97	32,769
Less: Net financial assets denominated in the Company's functional currency	(40,252)	–	–	–	–	(40,252)
Currency exposure	–	(16,156)	7,644	932	97	(7,483)

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For the financial year ended 31 December 2017

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## 37. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

If the foreign currencies strengthen/weaken against the United States Dollar by the following percentages:

	The Group	
	2017	2016
Singapore Dollar	5%	5%
Korean Won	5%	5%
Hong Kong Dollar	1%	1%
Chinese Renminbi	5%	5%
New Taiwan Dollar	5%	5%
Malaysian Ringgit	10%	10%
Thailand Baht	10%	10%
Indonesian Rupiah	10%	10%
Australian Dollar	2%	2%
Japanese Yen	–	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:

The Group	Profit after income tax		Equity	
	2017		2016	
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar against United States Dollar				
- strengthened	(357)	(396)	(324)	(143)
- weakened	357	396	324	143
Korean Won against United States Dollar				
- strengthened	197	90	220	282
- weakened	(197)	(90)	(220)	(282)
Hong Kong Dollar against United States Dollar				
- strengthened	*	(97)	*	(35)
- weakened	*	97	*	35
Chinese Renminbi against United States Dollar				
- strengthened	159	2,878	(211)	2,427
- weakened	(159)	(2,878)	211	(2,427)

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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)			
	2017		2016	
The Group	US\$'000	US\$'000	US\$'000	US\$'000
New Taiwan Dollar against United States Dollar				
- strengthened	5	(688)	4	(621)
- weakened	(5)	688	(4)	621
Malaysian Ringgit against United States Dollar				
- strengthened	(36)	600	(41)	208
- weakened	36	(600)	41	(208)
Thailand Baht against United States Dollar				
- strengthened	(40)	1,108	10	953
- weakened	40	(1,108)	(10)	(953)
Indonesian Rupiah against United States Dollar				
- strengthened	—	225	—	284
- weakened	—	(225)	—	(284)
Australian Dollar against United States Dollar				
- strengthened	—	*	—	16
- weakened	—	*	—	(16)
Japanese Yen against United States Dollar				
- strengthened	—	—	71	3
- weakened	—	—	(71)	(3)

Note:

\* Not meaningful to disclose as the figures are less than US\$1,000.

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## 37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Profit after income tax ← Increase/(Decrease) →	
	2017	2016
	US\$'000	US\$'000
<b>The Company</b>		
Singapore Dollar against United States Dollar		
- strengthened	(720)	(670)
- weakened	720	670
Thailand Baht against United States Dollar		
- strengthened	554	634
- weakened	(554)	(634)
Hong Kong Dollar against United States Dollar		
- strengthened	8	8
- weakened	(8)	(8)
New Taiwan Dollar against United States Dollar		
- strengthened	5	4
- weakened	(5)	(4)

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 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. These investments are not hedged.

If prices for equity securities increase/decrease by 10% (2016: 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	
	2017 US\$'000	2016 US\$'000
<b>The Group</b>		
Financial assets, at fair value through profit or loss		
Listed in:		
Singapore	4	4
	Equity	
	2017 US\$'000	2016 US\$'000
Financial assets, available-for-sale		
Listed in:		
Singapore	109	108
South Korea	361	411
	470	519

#### (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.

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% (2016: 1%) with all other variables including the tax rate being held constant, the profit after income tax will decrease/increase by approximately US\$1,941,000 (2016: US\$1,662,000) as a result of higher/lower interest expense on these borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

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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	Total
	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		
The Group	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2017</b>									
Assets:									
Cash and cash equivalents	-	-	-	-	10,991	1,778	-	60,311	73,080
Trade and other receivables	730	-	-	-	2,471	-	-	220,309	223,510
Financial assets, at fair value through profit or loss	-	-	-	-	755	-	-	55	810
Financial assets, available-for-sale	-	-	-	-	-	-	-	6,894	6,894
Other financial assets	-	-	-	-	-	-	-	1,088	1,088
Total financial assets	730	-	-	-	14,217	1,778	-	288,657	305,382
Liabilities:									
Borrowings	204,039	18,922	8,425	1,854	390	2,345	62	3,545	239,582
Trade and other payables	-	-	-	-	-	-	-	165,444	165,444
Total financial liabilities	204,039	18,922	8,425	1,854	390	2,345	62	168,989	405,026

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2017

## 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									
2016									
Assets:									
Cash and cash equivalents	-	-	-	-	2,511	1,744	-	60,898	65,153
Trade and other receivables	-	-	-	-	7,853	-	-	199,897	207,750
Financial assets, at fair value through profit or loss	-	-	-	-	755	-	-	57	812
Financial assets, available-for-sale	-	-	-	-	-	-	-	7,517	7,517
Other financial assets	-	-	820	-	-	-	-	1,021	1,841
Total financial assets	-	-	820	-	11,119	1,744	-	269,390	283,073
Liabilities:									
Borrowings	180,666	4,715	12,264	1,969	365	365	799	3,282	204,425
Trade and other payables	-	-	-	-	-	-	-	178,507	178,507
Total financial liabilities	180,666	4,715	12,264	1,969	365	365	799	181,789	382,932

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 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	
	Less than 6 months	6 to 12 months	1 to 5 years	Less than 6 months	6 to 12 months	1 to 5 years	1 to 5 years	1 to 5 years	US\$'000	US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Company</b>										
<b>2017</b>										
Assets:										
Cash and cash equivalents	–	–	–	7,501	–	–	–	977	8,478	
Trade and other receivables	–	8,425	–	–	–	–	–	7,278	15,703	
Loans and receivables	–	–	20,845	–	–	8,570	–	11,955	41,370	
Other financial assets	–	–	–	–	–	–	–	8	8	
<b>Total financial assets</b>	<b>–</b>	<b>8,425</b>	<b>20,845</b>	<b>7,501</b>	<b>–</b>	<b>8,570</b>	<b>–</b>	<b>20,218</b>	<b>65,559</b>	
Liabilities:										
Borrowings	1,197	1,197	6,581	1	–	6	–	–	8,982	
Trade and other payables	–	17,640	–	–	–	–	–	6,684	24,324	
<b>Total financial liabilities</b>	<b>1,197</b>	<b>18,837</b>	<b>6,581</b>	<b>1</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>6,684</b>	<b>33,306</b>	
<b>2016</b>										
Assets:										
Cash and cash equivalents	–	–	–	1	–	–	–	858	859	
Trade and other receivables	–	1,702	–	–	–	–	–	10,691	12,393	
Loans and receivables	–	–	35,383	–	–	6,918	–	2,940	45,241	
Other financial assets	–	–	–	–	–	–	–	8	8	
<b>Total financial assets</b>	<b>–</b>	<b>1,702</b>	<b>35,383</b>	<b>1</b>	<b>–</b>	<b>6,918</b>	<b>–</b>	<b>14,497</b>	<b>58,501</b>	
Liabilities:										
Borrowings	1,108	1,108	8,310	–	–	–	–	–	10,526	
Trade and other payables	–	5,283	6,078	–	–	–	–	3,845	15,206	
<b>Total financial liabilities</b>	<b>1,108</b>	<b>6,391</b>	<b>14,388</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,845</b>	<b>25,732</b>	

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 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 good 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 five debtors (2016: eight debtors) that individually represented 2.2% to 3.8% (2016: 2.2% to 6.7%) 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\$6,613,000 (2016: US\$14,300,000) 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.

The credit risk for trade receivables is as follows:

	The Group	
	2017 US\$'000	2016 US\$'000
By geographical areas:		
South Asia	44,298	45,141
Hong Kong	82,059	96,257
China	58,760	40,770
South Korea	9,213	7,208
Taiwan	12,459	6,752
Others	—	881
	206,789	197,009

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SERIAL SYSTEM LTD  
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## 37. Financial risk management (continued)

### (b) Credit risk (continued)

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	
	2017	2016
	US\$'000	US\$'000
Not past due and not impaired	160,788	165,684
Past due but not impaired <sup>#</sup>	62,722	42,066
	<b>223,510</b>	<b>207,750</b>
Impaired trade receivables - collectively assessed	385	471
Less: Allowance for impairment	(385)	(471)
	–	–
Impaired trade receivables - individually assessed	11,190	4,366
Less: Allowance for impairment	(11,190)	(4,366)
	–	–
Impaired other receivables - individually assessed	379	379
Less: Allowance for impairment	(379)	(379)
	–	–
Trade and other receivables, net	<b>223,510</b>	<b>207,750</b>

<sup>#</sup> Aging of trade receivables that are past due but not impaired is as follows:

	The Group	
	2017	2016
	US\$'000	US\$'000
Past due:		
Not more than three months	56,855	33,122
Three to six months	5,414	4,964
Over six months	453	3,980
	<b>62,722</b>	<b>42,066</b>

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 37. Financial risk management (continued)

### (b) Credit risk (continued)

The movement in the allowance for impairment of trade receivables is as follows:

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	4,837	2,287
Acquisition of a subsidiary [Note 20(a)(vi)(e)]	–	1,124
Allowances made prior to set off of accrual of credit insurance claim *	6,825	1,472
Impairment written off	(227)	(39)
Currency translation differences	140	(7)
End of financial year (Note 12)	11,575	4,837

\* Allowances recorded in Consolidated Income Statement of US\$4,125,000 (Note 6) are netted off with an accrual of credit insurance claim amounting to US\$2,700,000 for financial year ended 31 December 2017 (2016: Nil) for a customer of the Group's Hong Kong subsidiary.

The movement in the allowance for impairment of other receivables is as follows:

	The Group	
	2017 US\$'000	2016 US\$'000
Beginning of financial year	379	252
Allowance made (Note 6)	–	127
End of financial year (Note 12)	379	379

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.

# NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD  
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## 37. Financial risk management (continued)

### (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 <sup>(1)</sup>	Contractual cash flow	Less than 1 year	1 to 5 years	More than 5 years
The Group	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2017</b>					
Trade and other payables	165,444	165,444	165,444	—	—
Borrowings	239,582	246,528	235,708	8,665	2,155
Financial guarantee contracts	5,892	5,892	5,892	—	—
	<b>410,918</b>	<b>417,864</b>	<b>407,044</b>	<b>8,665</b>	<b>2,155</b>
<b>2016</b>					
Trade and other payables	178,507	178,507	178,507	—	—
Borrowings	204,425	210,211	194,449	13,076	2,686
Financial guarantee contracts	13,044	13,044	13,044	—	—
	<b>395,976</b>	<b>401,762</b>	<b>386,000</b>	<b>13,076</b>	<b>2,686</b>

	Cash flow			
	Carrying amount <sup>(1)</sup>	Contractual cash flow	Less than 1 year	1 to 5 years
The Company	US\$'000	US\$'000	US\$'000	US\$'000
<b>2017</b>				
Trade and other payables	24,324	24,843	21,851	2,992
Borrowings	8,982	9,275	2,616	6,659
Financial guarantee contracts	226,868	226,868	226,868	—
	<b>260,174</b>	<b>260,986</b>	<b>251,335</b>	<b>9,651</b>
<b>2016</b>				
Trade and other payables	15,206	16,327	9,356	6,971
Borrowings	10,526	10,962	2,432	8,530
Financial guarantee contracts	198,121	198,121	198,121	—
	<b>223,853</b>	<b>225,410</b>	<b>209,909</b>	<b>15,501</b>

(1) Includes financial guarantee commitments

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\$72,157,000 (2016: US\$65,153,000).

The amount included for financial guarantee contracts is the maximum amount the Group and 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 Group and the Company consider 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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## 37. Financial risk management (continued)

### (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.

Management monitors capital based on a net gearing ratio. Management's strategy, which was unchanged from the financial year 2016, 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	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Total borrowings	239,582	204,425	8,982	10,526
Less: Cash and cash equivalents	(73,080)	(65,153)	(8,478)	(859)
Net debts	166,502	139,272	504	9,667
Total equity	145,015	124,787	107,376	103,790
Net gearing ratio	114.8%	111.6%	0.5%	9.3%

As disclosed in Note 33(a), certain overseas subsidiaries of the Group are required to contribute to and maintain a non-distributable reserve 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 2017 and 31 December 2016, 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.

# NOTES TO THE FINANCIAL STATEMENTS

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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
<b>The Group</b>				
<b>2017</b>				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	55	–	–	55
Convertible note	–	755	–	755
Financial assets, available-for-sale				
Quoted securities	5,944	–	–	5,944
Total financial assets	5,999	755	–	6,754
Non-financial assets				
Investment properties				
Freehold building	–	4,534	–	4,534
Total non-financial assets	–	4,534	–	4,534
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	–	(470)	–	(470)
Total financial liabilities	–	(470)	–	(470)
<b>2016</b>				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	57	–	–	57
Convertible note	–	755	–	755
Financial assets, available-for-sale				
Quoted securities	6,562	–	–	6,562
Total financial assets	6,619	755	–	7,374
Non-financial assets				
Investment properties				
Leasehold building	–	1,078	–	1,078
Freehold building	–	4,189	–	4,189
Total non-financial assets	–	5,267	–	5,267
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	–	(166)	–	(166)
Contingent consideration payable	–	–	(672)	(672)
Total financial liabilities	–	(166)	(672)	(838)

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*For the financial year ended 31 December 2017*

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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 reporting date. The quoted market prices used for the quoted securities held by the Group are the closing prices as at the reporting 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 reporting date. The model incorporates various inputs including current and expected future credit losses, and market rates of interest.

#### (ii) Leasehold and freehold building

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 with short term maturities and that are not traded in an active market are determined using forward market exchange rates as at the reporting date.

There was no transfer between Level 1 and Level 2 during the financial year ended 31 December 2017 and 31 December 2016.

### (e) Level 3 fair value measurements

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements

##### Contingent consideration payable

The determination of fair value of the contingent consideration was based on the share of forecasted net profits of the subsidiary. During the financial year, the Group reversed the contingent consideration as it did not meet its forecasted net profits. As at 31 December 2016, if the Group adjusts the estimates of net profits by increasing/decreasing 5%, the carrying amount of the contingent consideration payable would increase/decrease by US\$49,000 for the financial year ended 31 December 2016.

##### 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 reporting date, with the resulting value discounted back to present value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 38. Fair value of assets and liabilities (continued)

### (e) Level 3 fair value measurements (continued)

#### (ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the changes in Level 3 instruments:

The Group	Contingent consideration payable US\$'000	Foreign exchange forward contracts US\$'000
<b>2017</b>		
Beginning of financial year	672	–
Reversal	(672)	–
End of financial year	–	–
<b>2016</b>		
Beginning of financial year	672	768
Fair value gain	–	(57)
Settlements	–	(711)
End of financial year	672	–

#### (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 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 38. Fair value of assets and liabilities (continued)

(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
<b>The Group</b>					
<b>2017</b>					
Assets					
Investment in an associated company	2,141	–	–	2,141	883
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	9,896	9,896	10,278
Finance lease liabilities	–	–	51	51	62
	–	–	9,947	9,947	10,340
<b>2016</b>					
Assets					
Investment in an associated company	1,882	–	–	1,882	1,931
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	14,553	14,553	15,007
Finance lease liabilities	–	–	19	19	25
	–	–	14,572	14,572	15,032
<b>The Company</b>					
<b>2017</b>					
Assets					
Investment in an associated company	1,936	–	–	1,936	1,936
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	6,296	6,296	6,581
Finance lease liabilities	–	–	5	5	6
	–	–	6,301	6,301	6,587
<b>2016</b>					
Assets					
Investment in an associated company	1,702	–	–	1,702	4,872
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	–	–	8,025	8,025	8,310

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 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)
- (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 type borrowings or leasing arrangements at the reporting date.
  - (ii) The carrying amounts of other financial assets and liabilities recognised as at 31 December 2017 and 31 December 2016, with maturity of less than one year approximate their fair values due to their short term maturities.
  - (iii) The carrying amounts of the non-current loans to subsidiaries and an associated company and amount due to a subsidiary as at the reporting date, which bear interest at prevailing market interest rates (Level 2), are approximation of fair values.
  - (iv) The interest-free non-current loans to subsidiaries and amount due to a subsidiary are adjusted to their fair values on initial recognition, calculated as the present value of estimated cash flows discounted by the market interest rates that apply to the corresponding financial assets and liabilities (Level 2). Their carrying amounts as at the reporting date include amortisation of imputed interests on initial recognition and are approximation of fair values.
- (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	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
<b>The Group</b>				
Financial assets, available-for-sale	<b>950</b>	955	*	*

Note:

- \* 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 are also no recent observable arm's length transactions in these shares.

## 39. Related party transactions

A related party is a person or entity who 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.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2017

## 39. Related party transactions (continued)

### (a) Sales and purchases of goods and services

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:

	The Group	
	2017	2016
	US\$'000	US\$'000
With associated companies:		
Sales of goods to associated companies	65	237
Purchases of goods from associated companies	2	4
Interest received from an associated company	34	32
Rental received from an associated company	106	130
Fee received from an associated company	–	10
With key management personnel:		
Fees paid to a firm of which a director of the Company is a member, director or shareholder	40	–
Rental expense paid to a company related to the director	–	9
Acquisition of a property from a company related to the director	–	797

Outstanding balances as at the reporting date arising from sales/purchases of goods and services, are set out in Note 12 and Note 25 respectively.

Sales and purchases of goods and services were carried out on commercial terms and conditions as agreed between the parties.

### (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 2017 and 31 December 2016. There were no outstanding share options granted to the directors of the Company at 31 December 2017 and 31 December 2016.

### (c) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2017	2016
	US\$'000	US\$'000
Salaries and other short-term employees' benefits	3,494	3,840
Post employment benefits contribution to defined contribution plans	73	76
Other long term benefits	586	384
	<b>4,153</b>	<b>4,300</b>

Included in the above are remuneration (including salaries, bonuses, directors' fees and other emoluments) paid/payable to Directors of the Company. Fees payable to directors of the Company amounted to US\$172,000 (2016: US\$152,000).

The banding of directors' remuneration is disclosed in Note 1 of the Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

## 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, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, provision of laundry services in the hospitality industry, project financing, food manufacturer and caterer, distribution and trading of mobile phone's subscriber identity module (SIM) cards and top up cards and manufacturing, processing, trading and exporting of durian puree and durian related products.

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 sales, gross profit and profit after tax, as included in the internal management reports that are reviewed by the Group's CEO and CFO on a monthly basis. These criteria are used to measure performance as management believes that such information are the most relevant in evaluating the results of each entity within the same operating segment. Inter-segment transactions are determined on an arm's length basis.

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, investment in joint venture, 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, defined benefit plans liabilities and borrowings. Segment liabilities exclude items such as current income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets such as computer software license costs and distribution rights.

The investments in associated companies and joint venture, as disclosed in Note 18(a) and Note 19(a), are accounted for by the equity method. The investments and the share of results of Bull Will Co., Ltd, Globaltronics International Pte. Ltd. and Unitrontech China Co. Ltd are shown separately in conjunction with data for the electronic components 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 Pte. Ltd., Imperial Kitchen Catering Pte. Ltd. and Musang Durians Frozen Food (M) Sdn. Bhd. are shown separately in conjunction with data for other businesses.

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

For the financial year ended 31 December 2017

## 40. Segment information (continued)

### (a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
<b>2017</b>					
Sales – external	1,455,486	55,671	4,956	(23,909)	1,492,204
Segment results - operating profit/(loss)	29,495	(3,168)	(1,457)	–	24,870
Finance income	2,039	369	1,481	(2,318)	1,571
Finance costs	(9,729)	(638)	(2,241)	2,318	(10,290)
Share of results of associated companies (after income tax)	(658)	–	212	–	(446)
Share of loss of joint venture (after income tax)	–	–	(34)	–	(34)
Profit before income tax					15,671
Income tax expense					(4,125)
Profit after income tax					11,546
Segment assets	519,744	41,837	48,457	(77,402)	532,636
Investments in associated companies	1,214	–	17,161	–	18,375
Investment in joint venture	–	–	2,436	–	2,436
Deferred income tax assets					841
Consolidated total assets					554,288
Segment liabilities	174,366	14,609	54,702	(77,402)	166,275
Borrowings	206,354	16,012	17,216	–	239,582
Current and deferred income tax liabilities					3,416
Consolidated total liabilities					409,273
Capital expenditure on property, plant and equipment	1,045	39	31	–	1,115
Capital expenditure on intangible assets (computer software license costs)	100	2	–	–	102
Acquisition of interests in a joint venture	–	–	2,344	–	2,344
Depreciation of property, plant and equipment	1,882	190	383	–	2,455
Amortisation of computer software license costs	309	28	1	–	338
Amortisation of distribution rights	14	–	–	–	14
Fair value loss on investment properties	–	–	9	–	9
Impairment losses on goodwill arising from acquisition of subsidiaries	–	900	–	–	900
Impairment losses on trade receivables	3,410	668	47	–	4,125

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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	Inter-segment eliminations US\$'000	Total US\$'000
2016					
Sales – external	1,251,187	173,284	4,109	(25,997)	1,402,583
Segment results - operating profit/(loss)	29,733	(5,654)	(723)	–	23,356
Finance income	1,795	197	1,210	(2,036)	1,166
Finance costs	(7,117)	(979)	(2,229)	2,036	(8,289)
Share of result of associated companies (after income tax)	(4,004)	(1)	56	–	(3,949)
Profit before income tax					12,284
Income tax expense					(6,937)
Profit after income tax					5,347
Segment assets	466,600	57,974	54,755	(84,176)	495,153
Investments in associated companies	2,338	–	14,400	–	16,738
Deferred income tax assets					711
Consolidated total assets					512,602
Segment liabilities	182,010	25,437	55,778	(84,176)	179,049
Borrowings	168,344	16,409	19,672	–	204,425
Current and deferred income tax liabilities					4,341
Consolidated total liabilities					387,815
Capital expenditure on property, plant and equipment	2,088	143	151	–	2,382
Capital expenditure on intangible assets (computer software license costs)	184	–	1	–	185
Capital expenditure on intangible assets (distribution rights)	59	–	–	–	59
Acquisition of interests in associated companies	450	–	–	–	450
Acquisition of additional interests in an associated company	–	–	4,996	–	4,996
Deposit for additional investment in an associated company	–	–	1,505	–	1,505
Depreciation of property, plant and equipment	1,669	199	1,623	–	3,491
Amortisation of computer software license costs	294	16	1	–	311
Amortisation of distribution rights	6	–	–	–	6
Fair value gain on investment properties	(218)	–	(10)	–	(228)
Impairment losses on goodwill arising from acquisition of subsidiaries	–	1,100	–	–	1,100
Impairment losses on trade receivables	457	974	41	–	1,472
Impairment losses on other receivables	127	–	–	–	127

# NOTES TO THE FINANCIAL STATEMENTS

SERIAL SYSTEM LTD  
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For the financial year ended 31 December 2017

## 40. Segment information (continued)

### (b) Geographical segments

The geographical segments comprised five broad primary geographic areas, namely: South Asia [consisting of Singapore (the home and principal operating country of the Group), Malaysia, Thailand, Philippines, Indonesia, Vietnam, Cambodia and India], Hong Kong, China, South Korea and Taiwan which reflects the current business process and monitoring in these primary geographic business segments in which the Group operates in.

All geographic locations are engaged in the electronic components distribution business except for Cambodia.

Consumer products distribution in South Asia consists mainly Singapore, Malaysia, Indonesia and Cambodia. Australia, Kazakhstan, United Arab Emirates and Bangladesh are included in "Others" geographical segment.

Other businesses in South Asia (mainly Singapore, Malaysia, Thailand, Indonesia and Cambodia), Taiwan, China and Australia include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, provision of laundry services in the hospitality industry, project financing, food manufacturer and caterer and distribution and trading of mobile phone's subscriber identity module (SIM) cards and top up cards and manufacturing, processing, trading and exporting of durian puree and durian related products.

Sales are based on the geographical area in which the entities are located. Non-current assets are shown by the geographical area where the assets are located.

	Sales		Non-current assets*	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
<b>The Group</b>				
South Asia	<b>324,270</b>	411,187	<b>22,573</b>	23,950
Hong Kong	<b>893,254</b>	738,571	<b>1,745</b>	1,347
China	<b>154,180</b>	114,199	<b>18,375</b>	18,089
South Korea	<b>52,918</b>	54,595	<b>6,488</b>	5,936
Taiwan	<b>65,551</b>	61,220	<b>7,960</b>	7,740
Singapore - Associated company	—	—	<b>5,688</b>	3,401
Taiwan - Associated company	—	—	<b>883</b>	1,931
Australia - Associated company	—	—	<b>11,474</b>	11,000
Hong Kong - Associated company	—	—	<b>330</b>	406
Malaysia - Joint venture	—	—	<b>2,436</b>	—
Others	<b>2,031</b>	22,811	<b>3</b>	14
	<b>1,492,204</b>	1,402,583	<b>77,955</b>	73,814

\* Non-current assets exclude financial assets, available-for-sale and deferred income tax assets.

### (c) Information about major customers

Sales of approximately US\$65,605,000 (2016: US\$77,951,000) during the financial year were derived from a single external customer. These sales were attributable to the electronic components distribution segment in Hong Kong.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
AND ITS SUBSIDIARIES

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## **41. Contingent liabilities**

On 23 February 2017, the Company received notice that the Securities and Futures Investors Protection Center of Taiwan has filed a civil suit against the Company and three of its senior executives amounting to US\$3.63 million (NT\$113.7 million). The civil suit arose due to charges brought by the public prosecutor of New Taipei District Prosecutor Office against Bull Will Co., Ltd's former chairman, Peter Ho I-Chin, for an alleged financial statement fraud. Bull Will Co., Ltd has insured its directors and supervisors with a US\$5 million liability insurance which is adequate to cover the civil suit. The Company has been advised by its lawyers in Taiwan that the civil suit is without merit and unlikely to succeed and accordingly no provision for any liability has been made in these financial statements. There is no further development to the civil suit as at the date of these financial statements. The next court hearing will be held on 25 June 2018.

## **42. Events after the reporting date**

On 13 March 2018, the Group's wholly owned subsidiary, Serial I-Tech (Far East) Pte. Ltd. effected a capital reduction by way of cancellation of part of its issued and paid up share capital amounting to US\$10,000,000, against its accumulated losses. Serial I-Tech (Far East) Pte. Ltd.'s issued and paid up share capital reduced from US\$11,052,864 to US\$1,052,864 upon completion of the capital reduction.

## **43. 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 2018.

# ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 31 December 2017

SERIAL SYSTEM LTD  
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## 1. Directors' remuneration

The following information relates to remuneration of Directors of the Company during the financial year:

	2017	2016
Number of Directors of the Company in remuneration bands:		
S\$2,250,000 to S\$2,499,999	1*	–
S\$2,000,000 to S\$2,249,999	–	1*
S\$0 to S\$249,999	5	5
Total	6	6

\* Includes deferred compensation of S\$808,252 (2016: S\$525,070).

## 2. Auditors' remuneration

The following information relates to remuneration of auditors of the Company and the Group during the financial year:

	2017 US\$'000	2016 US\$'000
Auditors' remuneration paid/payable to:		
auditors of the Company	235	235
other auditors*	273	203
Other fees paid/payable to other auditors*	14	4

\* 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, Malaysia, Thailand, Philippines, India, Indonesia, Vietnam and Cambodia. The Group has no reasons to believe these regions/countries are politically unstable. The Company'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 and risk diversifications. The corporate management team and key executives of its subsidiaries constantly review its investment portfolios. The Company's independent directors serve as advisors and collectively the board of directors reviews and approves all investment decisions. Impairment in investment is constantly reviewed and necessary allowances are made as recommended where applicable.

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.

## ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

*For the financial year ended 31 December 2017*

SERIAL SYSTEM LTD  
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### 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 year or entered into since the end of the previous financial year.

### 5. Investment Property of the Group

Major property held for investment as at 31 December 2017 was:

Location	Description	Existing Use	Tenure	Unexpired term of lease
3rd Floor No.193,195,197,199, Ruei Hu Street Neihu,Taipei Taiwan	1 storey of a 5-storey commercial building	Commercial	Freehold	–

# STATISTICS OF SHAREHOLDINGS

As at 28 March 2018

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	397	7.20	8,966	0.00
100 – 1,000	665	12.06	404,875	0.05
1,001 - 10,000	2,395	43.43	10,573,275	1.18
10,001- 1,000,000	2,016	36.55	125,789,145	14.04
1,000,001 and above	42	0.76	759,065,653	84.73
Total	5,515	100.00	895,841,914	100.00

## Top Twenty Largest Shareholders

Name of Shareholder	Number of Shares	%
Derek Goh Bak Heng	123,919,054	13.83
Goi Seng Hui	115,960,238	12.94
DB Nominees (S) Pte Ltd	82,837,000	9.25
Hong Leong Finance Nominees Pte Ltd	81,213,500	9.06
UOB Nominees (2006) Pte Ltd	51,334,016	5.73
Raffles Nominees (Pte) Ltd	43,236,095	4.83
Goh Tiong Yong	29,927,300	3.34
OCBC Securities Private Ltd	29,725,833	3.32
Tee Yih Jia Food Manufacturing Pte Ltd	24,862,800	2.78
Ho Yung	24,576,200	2.74
DBS Nominees Pte Ltd	13,057,466	1.46
Tan Cheng Hwee or Tan Chiew Peng	12,200,000	1.36
Citibank Nominees Singapore Pte Ltd	12,053,501	1.34
Chin Yeow Hon	11,076,542	1.24
United Overseas Bank Nominees Pte Ltd	10,884,483	1.21
Kim Sang Yeol	10,807,920	1.21
Philip Securities Pte Ltd	9,457,295	1.06
Yu Jie	8,649,064	0.97
Goh Lip Ming	7,500,000	0.84
OCBC Nominees Singapore Pte Ltd	5,506,751	0.61
Total	708,785,058	79.12

## 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	355,090,070	50,000	355,140,070	39.64
Goi Seng Hui	115,960,238	24,862,800*	140,823,038	15.72

\* 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 2018, approximately 40.46% 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

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**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 Saturday, 28 April 2018 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 2017 and Directors’ Statement and the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a one-tier tax-exempt Final Cash Dividend of 0.46 Singapore cent per ordinary share for the financial year ended 31 December 2017 (2016: One-tier tax-exempt Final Cash Dividend of 0.17 Singapore cent per ordinary share). **(Resolution 2)**
3. To approve the payment of Directors’ Fees of S\$237,000 (US\$172,000) for the financial year ended 31 December 2017 [2016: S\$219,000 (US\$152,000)]. **(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 Constitution.  
  
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 Constitution.  
  
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-elect Mr. Teo Ser Luck as Director, who retires by rotation pursuant to Article 88 of the Company’s Constitution.  
  
Mr. Teo Ser Luck will, upon re-election as a Director of the Company, remain a Non-Executive Independent Deputy Chairman and will be considered independent. **(Resolution 6)**
7. 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 authorize the Directors to fix their remuneration **(Resolution 7)**

# NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

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## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution No. 8, Resolution No. 9 and Resolution No. 10 as Ordinary Resolutions, with or without any modifications:

### 8. 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:

- (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 8)**

# NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

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9. 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 9)**

10. 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 (“AGM”) 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;

# NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

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(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

“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 10)**

11. 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  
6 April 2018

## **Explanatory Notes on Special Business to be transacted:**

(i) The proposed Ordinary Resolution No. 8, if passed, will empower the Directors of the Company from date of the above Annual General Meeting until the date of 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.

# NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

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- (ii) The proposed Ordinary Resolution No. 9, 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 the 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.10, 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 I enclosed together with the Annual Report.

## Notes:-

- 1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

- 2. A proxy need not be a member of the Company.
- 3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554, not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
- 4. A member of the Company which is a corporation is entitled to appoint its authorised 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 authorised officer or attorney.
- 5. 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.

# NOTICE OF ANNUAL GENERAL MEETING

SERIAL SYSTEM LTD

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## **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 proxies and representatives 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

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**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed on 19 May 2018 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 18 May 2018 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 18 May 2018 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting to be held on 28 April 2018, will be paid on 31 May 2018.

By Order of the Board

**Alex Wui Heck Koon**  
Company Secretary

Singapore  
6 April 2018

## APPENDIX TO SHAREHOLDERS DATED 6 APRIL 2018

## 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 2017 (the “**Annual Report 2017**”). 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 28 April 2018 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 renewal of the Share Buyback Mandate 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 2017.

Your attention is drawn to page 192 of this Appendix 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 2017 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

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## DEFINITIONS

For the purpose of this Appendix, the following definitions have, where appropriate, been used:

<b>“2011 EGM”</b>	: The extraordinary general meeting of the Company held on 23 April 2011
<b>“2018 AGM”</b>	: The annual general meeting of the Company to be held on 28 April 2018 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 2017
<b>“AGM”</b>	: The annual general meeting of the Company
<b>“Annual Report 2017”</b>	: The annual report of the Company for FY2017
<b>“Approval Date”</b>	: Has the meaning ascribed to it in Section 1.3.1 of this Appendix
<b>“Associates”</b>	: Shall bear the meaning assigned to it by the Listing Manual
<b>“Average Closing Price”</b>	: Has the meaning ascribed to it in Section 1.3.4 of this Appendix
<b>“Board”</b>	: The board of the Directors of the Company for the time being
<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“Companies Act”</b>	: The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<b>“Company”</b>	: Serial System Ltd
<b>“Constitution”</b>	: The Constitution of the Company
<b>“Controlling Shareholder”</b>	: A person who: <div style="margin-left: 40px;">             (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings 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           </div>
<b>“date of the making of the offer”</b>	: Has the meaning ascribed to it in Section 1.3.4 of this Appendix
<b>“Directors”</b>	: Directors of the Company for the time being
<b>“EPS”</b>	: Earnings per Share
<b>“Full Share Purchase”</b>	: Has the meaning ascribed to it in Section 1.9.4.2 of this Appendix
<b>“FY”</b>	: Financial year ended or ending 31 December, as the case may be
<b>“Group”</b>	: The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	: 28 March 2018, being the latest practicable date prior to the printing of this Appendix

<b>“Listing Manual”</b>	: The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
<b>“Market Day”</b>	: A day on which the SGX-ST is open for trading in securities
<b>“Market Purchase”</b>	: Has the meaning ascribed to it in Section 1.3.3(a) of this Appendix
<b>“Maximum Price”</b>	: Has the meaning ascribed to it in Section 1.3.4 of this Appendix
<b>“NTA”</b>	: Net tangible assets
<b>“Off-Market Purchase”</b>	: Has the meaning ascribed to it in Section 1.3.3(b) of this Appendix
<b>“Ordinary Resolution”</b>	: The ordinary resolution relating to the renewal of the Share Buyback Mandate, as set out in the notice of the 2018 AGM
<b>“Prescribed Limit”</b>	: Has the meaning ascribed to it in Section 1.3.1 of this Appendix
<b>“public”</b>	: Persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Group, and their Associates
<b>“Registrar”</b>	: Has the meaning ascribed to it in Section 1.10 of this Appendix
<b>“Relevant Period”</b>	: Has the meaning ascribed to it in Section 1.3.2 of this Appendix
<b>“Securities Account”</b>	: Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
<b>“Securities and Futures Act”</b>	: The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“Share Buyback”</b>	: The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
<b>“Share Buyback Mandate”</b>	: 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
<b>“Shareholders”</b>	: Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term <b>“Shareholders”</b> shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“SIC”</b>	: The Securities Industry Council
<b>“subsidiaries”</b>	: The subsidiaries of a company (as defined in Section 5 of the Companies Act) and <b>“subsidiary”</b> shall be construed accordingly
<b>“Substantial Shareholder”</b>	: 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) Ms. Victoria Goh shall refer to Ms. Victoria Goh Shi Hui (c) Mr. Sean Goh shall refer to Mr. Sean Goh Su Teng; and (d) 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. Teo Ser Luck (Non-Executive Independent Deputy Chairman)  
Mr. Tan Lye Heng Paul (Non-Executive and Lead Independent Director)  
Mr. Ravindran s/o Ramasamy (Non-Executive and Independent Director)  
Mr. Ng Cher Yan (Non-Executive and Independent Director)  
Mr. Goi Kok Neng (Non-Executive Director)

**Registered Office :**

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

6 April 2018

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 relevant information pertaining to, and to seek Shareholders' approval at the 2018 AGM 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 Constitution 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 28 April 2017, and will unless renewed again, expire on the date of the 2018 AGM.

In this regard, approval is now being sought from Shareholders for the renewal of the Share Buyback Mandate at the 2018 AGM. The 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 2018 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, whichever is the earlier, 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 and subsidiary holdings) 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 and subsidiary holdings that may be held by the company from time to time). Shares which are held as treasury shares or subsidiary holdings 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 2018 AGM (being the number of Shares as at the Latest Practicable Date, excluding treasury shares and subsidiary holdings and assuming no change in the number of Shares on or prior to the date of the 2018 AGM), not more than 89,584,191 Shares representing approximately 10% of the Company’s existing issued ordinary share capital (excluding treasury shares and subsidiary holdings) 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 76I(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 2018 AGM) will be 80,632,791 Shares, instead of the aforesaid 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), 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 2018 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,

(the “**Relevant Period**”).

### 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 2017, 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 2017 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 2017 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 2018 AGM:

- (i) as at the Latest Practicable Date, the Company has 895,841,914 issued Shares (excluding treasury shares and subsidiary holdings);
- (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 and subsidiary holdings));
- (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; and
- (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.

### 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\$0.179 (equivalent to US\$0.135 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\$10,885,427.

*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\$0.204 (equivalent to US\$0.154) 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\$12,417,450.

### 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,

based on the audited financial statements of the Group and the Company for FY2017 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 2017	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)	(11,621)	(736)	(11,621)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(149)	(149)	–	–
Fair Value Reserve	4,454	4,454	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(765)	(765)	–	–
Currency Translation Reserve	7,476	7,476	17,589	17,589
Retained Earnings	53,264	53,264	17,695	17,695
Non-Controlling Interests	7,488	7,488	–	–
Shareholders' Equity	145,015	134,130	107,376	96,491
NTA	123,718	112,833	107,128	96,243
Current Assets	468,598	463,156	24,339	18,897
Current Liabilities	397,547	402,990	24,240	29,683
Working Capital	71,051	60,166	99	(10,786)
Total Borrowings <sup>(1)</sup>	239,582	245,025	8,982	14,425
Cash and Cash Equivalents <sup>(1)</sup>	73,080	67,638	8,478	3,036
Net Profit	9,550	9,550	6,591	6,591
Number of Shares <sup>(2)</sup>	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
<b>Financial Ratios</b>				
NTA per Share (US\$ cents)	13.81	13.84	11.96	11.81
Basic EPS (US\$ cents) <sup>(3)</sup>	1.07	1.17	0.74	0.81
Gearing % <sup>(4)</sup>	165	183	8	15
Current Ratio (times) <sup>(5)</sup>	1.18	1.15	1.00	0.64

**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 2018 AGM.
- (3) EPS is computed based on FY2017 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 2017	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)	(13,153)	(736)	(13,153)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(149)	(149)	–	–
Fair Value Reserve	4,454	4,454	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(765)	(765)	–	–
Currency Translation Reserve	7,476	7,476	17,589	17,589
Retained Earnings	53,264	53,264	17,695	17,695
Non-Controlling Interests	7,488	7,488	–	–
Shareholders' Equity	145,015	132,598	107,376	94,959
NTA	123,718	111,301	107,128	94,711
Current Assets	468,598	462,390	24,339	18,131
Current Liabilities	397,547	403,756	24,240	30,449
Working Capital	71,051	58,634	99	(12,318)
Total Borrowings <sup>(1)</sup>	239,582	245,791	8,982	15,191
Cash and Cash Equivalents <sup>(1)</sup>	73,080	66,872	8,478	2,270
Net Profit	9,550	9,550	6,591	6,591
Number of Shares <sup>(2)</sup>	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
<b>Financial Ratios</b>				
NTA per Share (US\$ cents)	13.81	13.65	11.96	11.62
Basic EPS (US\$ cents) <sup>(3)</sup>	1.07	1.17	0.74	0.81
Gearing % <sup>(4)</sup>	165	185	8	16
Current Ratio (times) <sup>(5)</sup>	1.18	1.15	1.00	0.60

**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 2018 AGM.
- (3) EPS is computed based on FY2017 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 2017	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	61,763	72,648	61,763
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(149)	(149)	–	–
Fair Value Reserve	4,454	4,454	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(765)	(765)	–	–
Currency Translation Reserve	7,476	7,476	17,589	17,589
Retained Earnings	53,264	53,264	17,695	17,695
Non-Controlling Interests	7,488	7,488	–	–
Shareholders' Equity	145,015	134,130	107,376	96,491
NTA	123,718	112,833	107,128	96,243
Current Assets	468,598	463,156	24,339	18,897
Current Liabilities	397,547	402,990	24,240	29,683
Working Capital	71,051	60,166	99	(10,786)
Total Borrowings <sup>(1)</sup>	239,582	245,025	8,982	14,425
Cash and Cash Equivalents <sup>(1)</sup>	73,080	67,638	8,478	3,036
Net Profit	9,550	9,550	6,591	6,591
Number of Shares <sup>(2)</sup>	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
<b>Financial Ratios</b>				
NTA per Share (US\$ cents)	13.81	13.84	11.96	11.81
Basic EPS (US\$ cents) <sup>(3)</sup>	1.07	1.17	0.74	0.81
Gearing % <sup>(4)</sup>	165	183	8	15
Current Ratio (times) <sup>(5)</sup>	1.18	1.15	1.00	0.64

**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 2018 AGM.
- (3) EPS is computed based on FY2017 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 2017	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	60,231	72,648	60,231
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	(149)	(149)	–	–
Fair Value Reserve	4,454	4,454	–	–
Revaluation Reserve	59	59	–	–
Other Reserve	(765)	(765)	–	–
Currency Translation Reserve	7,476	7,476	17,589	17,589
Retained Earnings	53,264	53,264	17,695	17,695
Non-Controlling Interests	7,488	7,488	–	–
Shareholders' Equity	145,015	132,598	107,376	94,959
NTA	123,718	111,301	107,128	94,711
Current Assets	468,598	462,390	24,339	18,131
Current Liabilities	397,547	403,756	24,240	30,449
Working Capital	71,051	58,634	99	(12,318)
Total Borrowings <sup>(1)</sup>	239,582	245,791	8,982	15,191
Cash and Cash Equivalents <sup>(1)</sup>	73,080	66,872	8,478	2,270
Net Profit	9,550	9,550	6,591	6,591
Number of Shares <sup>(2)</sup>	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
<b>Financial Ratios</b>				
NTA per Share (US\$ cents)	13.81	13.65	11.96	11.62
Basic EPS (US\$ cents) <sup>(3)</sup>	1.07	1.17	0.74	0.81
Gearing % <sup>(4)</sup>	165	185	8	16
Current Ratio (times) <sup>(5)</sup>	1.18	1.15	1.00	0.60

**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 2018 AGM.
- (3) EPS is computed based on FY2017 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 FY2017 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 40.46% 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 34.57% 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, Ms. Victoria 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, and Ms. Victoria Goh, Dr. Derek Goh’s daughter and the Business Development Executive of the Group, 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, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s spouse in the Company amounts to 355,778,370 Shares, representing approximately 39.71% of the issued Shares (excluding treasury shares and subsidiary holdings) of the Company.

Dr. Derek Goh, Ms. Victoria 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 and subsidiary holdings) 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s 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, Ms. Victoria 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, Ms. Victoria 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 2018 AGM;
- (c) there is no change in Dr. Derek Goh’s, Ms. Victoria Goh’s, Mr. Sean Goh’s or Mr. Sean Goh’s spouse’s direct holdings of Shares between the date of the 2018 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, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s spouse in the Company will increase from approximately 39.71% to approximately 43.64%.

In such event, Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s spouse, if applicable, and their voting rights at the time of the 2018 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 2018 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh’s spouse, if applicable, will abstain from voting on the Ordinary Resolution in respect of all their Shares as of the date of the 2018 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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 2018 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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 2018 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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:

- (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 2018 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 Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's 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 or acquisition 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, Ms. Victoria Goh, 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 <sup>(1)</sup>	% <sup>(2)</sup>	Deemed Interest	% <sup>(2)</sup>	Total Interest	% <sup>(2)</sup>
<b>Directors</b>						
Derek Goh Bak Heng	355,090,070	39.64	50,000	0.01	355,140,070	39.64
Teo Ser Luck	—	—	—	—	—	—
Tan Lye Heng Paul	300,000	0.03	—	—	300,000	0.03
Ravindran s/o Ramasamy	—	—	—	—	—	—
Goi Kok Neng	—	—	—	—	—	—
Ng Cher Yan	150,000	0.02	—	—	150,000	0.02
<b>Substantial Shareholders</b>						
Goi Seng Hui <sup>(3)</sup>	115,960,238	12.94	24,862,800	2.78	140,823,038	15.72

### Notes:

- (1) Including Shares held under nominees accounts.
- (2) "%" is based on 895,841,914 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (3) 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.

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 2018 AGM will be held at 8 Ubi View, #05-01, Serial System Building, Singapore 408554 on 28 April 2018 at 11.00 a.m. for the purpose of, inter alia, considering and, if thought fit, passing, with or without modification the Ordinary Resolution as set out in the notice of the 2018 AGM.

Shareholders who are unable to attend the 2018 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 2018 AGM enclosed with the Annual Report 2017 in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 8 Ubi View, #05-01, Serial System Building, Singapore 408554, not later than 72 hours before the time fixed for the 2018 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2018 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 2018 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 2018 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 2018 AGM.

## **5. ABSTENTION FROM VOTING**

In respect of the proposed renewal of the Share Buyback Mandate, Dr. Derek Goh, and Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, will abstain, and will procure their 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 2018 AGM:

- (a) the Annual Report 2017; and
- (b) the Constitution.

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**  
新曄集團

**SERIAL SYSTEM LTD**  
Company Registration No.199202071D  
(Incorporated in the Republic of Singapore)

#### Important

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap 50 of Singapore, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy Serial System Ltd shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

#### 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 6 April 2018.

### 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 Saturday, 28 April 2018 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.

No.	Resolutions relating to:	For	Against
	<b>Ordinary Business</b>		
Ordinary Resolution 1	Adoption of Audited Financial Statements and Directors’ Statement and Auditor’s report		
Ordinary Resolution 2	Declaration of Final Cash Dividend as recommended by the Directors		
Ordinary Resolution 3	Approval of Directors’ Fees		
Ordinary Resolution 4	Re-election of Mr. Tan Lye Heng Paul as Director of the Company		
Ordinary Resolution 5	Re-election of Mr. Goi Kok Neng Ben as Director of the Company		
Ordinary Resolution 6	Re-election of Mr. Teo Ser Luck as Director of the Company		
Ordinary Resolution 7	Re-appointment of Moore Stephens LLP as Auditors and authorisation for the Directors to fix their remuneration		
	<b>Special Business</b>		
Ordinary Resolution 8	Approval of Share Issue Mandate		
Ordinary Resolution 9	Authority to offer and grant Share Options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014		
Ordinary Resolution 10	Approval of renewal of the Share Buyback Mandate		

Note: Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
  - b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

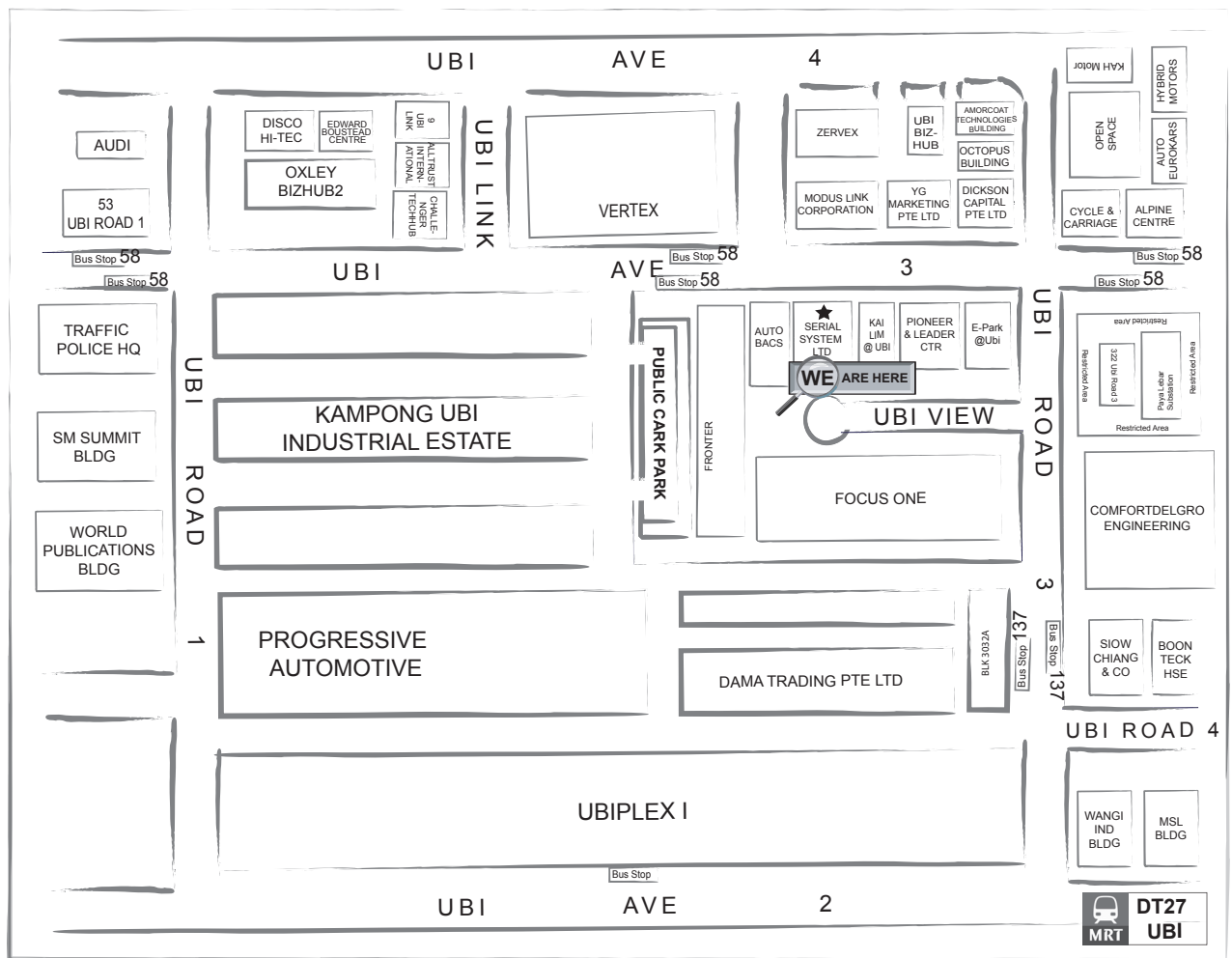
**"Relevant intermediary"** has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company.
4. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554, not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
5. 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 any officer duly authorized or its attorney.
6. 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.
7. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
8. Investors who buy Shares in the Company using CPF monies and/or SRS monies (as may be applicable) ("**CPF/SRS Investors**") may attend and cast their vote at the Annual General Meeting in person. CPF/SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF/SRS Investors shall be precluded from attending the Annual General Meeting.

### 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 proxies and representatives 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

SBS 58 - Bishan - Pasir Ris

SBS 137 - Sims Place Terminal - Upp East Coast Terminal

MRT - Ubi Station

SINGAPORE  
AUSTRALIA  
CAMBODIA  
CHINA  
HONG KONG  
INDIA  
INDONESIA  
MALAYSIA  
PHILIPPINES  
SOUTH KOREA  
TAIWAN  
THAILAND  
UAE (DUBAI)  
VIETNAM



8 Ubi View #05-01 Serial System Building Singapore 408554  
Tel. 65 6510 2408 Fax. 65 6510 2407  
[www.serialsystem.com](http://www.serialsystem.com)