



SERIAL SYSTEM LTD

Company Registration No.: 199202071D

(Incorporated in Singapore on 22 April 1992)

Unaudited First Quarter Financial Statement Announcement for the Period Ended 31 March 2016

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

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

	Note	The Group First Quarter		
		1Q2016 US\$'000	1Q2015 US\$'000	
Sales		332,796	261,760	27%
Cost of sales		(310,439)	(240,066)	29%
Gross profit		22,357	21,694	3%
Gross profit margin		6.7%	8.3%	-1.6 pt
Other income:				
Other operating income		2,945	1,539	91%
Expenses:				
Distribution		(12,595)	(10,933)	15%
Administrative		(3,192)	(3,067)	4%
Finance		(2,209)	(1,308)	69%
Other		(9,496)	(4,120)	130%
Total expenses		(27,492)	(19,428)	42%
		(2,190)	3,805	-158%
Share of results of associated companies (after income tax)		(3,249)	(138)	-2,254%
(Loss)/Profit before income tax	1	(5,439)	3,667	-248%
Income tax expense	2	(955)	(645)	-48%
(Loss)/Profit after income tax		(6,394)	3,022	-312%
Attributable to:				
Equity holders of the Company		(6,559)	3,055	-315%
Non-controlling interests		165	(33)	600%
		(6,394)	3,022	-312%

Notes :

1. (Loss)/Profit before income tax

		The Group First Quarter		
		1Q2016	1Q2015	
		US\$'000	US\$'000	%
(Loss)/Profit from operations is arrived at after charging/(crediting) :-				
a.	Depreciation and amortisation	1,171	666	76
b.	Amortisation of distribution rights	-	402	NM
c.	Impairment losses on goodwill arising from acquisition of subsidiaries	225	180	25
d.	Negative goodwill arising from acquisition of subsidiaries	(345)	-	NM
e.	Loss on remeasuring previously held equity interest in an associated company	449	-	NM
f.	Gain on dilution of interests in an associated company	(369)	(31)	1,090
g.	Loss on disposal of property, plant and equipment	11	-	NM
h.	Gain on sale of financial asset, available-for-sale	(146)	-	NM
i.	Fair value (gain)/loss on financial assets, at fair value through profit or loss	(4)	11	136
j.	Allowance for impairment losses on trade receivables	195	33	491
k.	Allowance for inventory obsolescence	1,878	560	235
l.	Write-off of inventories	16	3	433
m.	Currency translation loss/(gain) (net)	2,268	(455)	-598
n.	Currency translation reserve realised to income statement upon repayment of inter-company long term loans	892	-	NM
o.	(Gain)/loss on derivative financial instruments	(189)	130	245
p.	Fair value gain on derivative financial instruments	-	(150)	NM
q.	Interest income	(217)	(29)	648

		1Q2016	1Q2015	
		US\$'000	US\$'000	%
2. Income tax expense				
(Over)/under provision in preceding financial years				
- Current income tax		-	(8)	NM
		-	(8)	NM

NM – Not Meaningful

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

	The Group First Quarter		
	1Q2016 US\$'000	1Q2015 US\$'000	
Net (loss)/profit after income tax	(6,394)	3,022	-312%
Other comprehensive income for the period:			
Items that will not be reclassified subsequently to profit or loss:			
Share of associated company's other comprehensive income	19	210	-91%
	19	210	-91%
Items that may be reclassified subsequently to profit or loss:			
Net gain on fair value changes on financial assets, available-for-sale	6,906	-	NM
Fair value gain on financial asset, available-for-sale			
reclassified to profit or loss	(146)	-	NM
Share of associated company's other comprehensive income	4	-	NM
Currency translation differences	3,833	(926)	514%
	10,597	(926)	1,244%
Other comprehensive income/(loss) for the period	10,616	(716)	1,582%
Total comprehensive income for the period	4,222	2,306	83%
Total comprehensive income attributable to:			
Equity holders of the Company	4,194	2,090	101%
Non-controlling interests	28	216	-87%
	4,222	2,306	83%

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

	The Group		The Company	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	96,746	64,048	1,898	1,745
Trade and other receivables	194,452	179,357	8,985	10,385
Inventories	128,703	135,743	-	-
Financial assets, at fair value through profit or loss	1,335	1,331	-	-
Other current assets	2,610	2,106	74	50
	423,846	382,585	10,957	12,180
Non-current assets				
Financial assets, at fair value through profit or loss	13	13	-	-
Loans and receivables	1,000	1,000	45,509	42,570
Financial assets, available-for-sale	9,421	2,654	-	-
Investments in associated companies	18,896	18,729	6,792	6,792
Investments in subsidiaries	-	-	64,926	64,926
Property, plant and equipment	37,218	34,853	402	393
Investment properties	5,106	7,320	-	-
Intangible assets	15,731	15,894	618	544
Other assets	1,384	1,411	-	-
Deferred income tax assets	672	662	-	-
	89,441	82,536	118,247	115,225
Total Assets	513,287	465,121	129,204	127,405
LIABILITIES				
Current liabilities				
Trade and other payables	151,504	139,467	6,840	5,832
Current income tax liabilities	3,404	3,236	633	498
Borrowings	213,966	181,438	2,367	2,262
	368,874	324,141	9,840	8,592
Non-current liabilities				
Other payable	-	-	4,689	4,481
Borrowings	19,675	20,584	10,650	10,743
Defined benefit plans liabilities	898	814	-	-
Deferred income tax liabilities	194	198	-	-
	20,767	21,596	15,339	15,224
Total Liabilities	389,641	345,737	25,179	23,816
Net Assets	123,646	119,384	104,025	103,589

	The Group		The Company	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
	US\$'000	US\$'000	US\$'000	US\$'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	72,648	72,648	72,648	72,648
Treasury shares	(736)	(736)	(736)	(736)
Capital reserve	1,295	1,276	180	180
Defined benefit plans reserve	(557)	(557)	-	-
Fair value reserve	5,407	(1,353)	-	-
Revaluation reserve	59	59	-	-
Other reserve	(718)	(718)	-	-
Currency translation reserve	2,476	(1,498)	17,589	17,589
Retained earnings	40,121	46,680	14,344	13,908
	119,995	115,801	104,025	103,589
Non-controlling interests	3,651	3,583	-	-
Total Equity	123,646	119,384	104,025	103,589

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

Amount repayable in one year or less, or on demand

31/03/2016		31/12/2015	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
3,345	210,621	3,216	178,222

Amount repayable after one year

31/03/2016		31/12/2015	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
15,029	4,646	15,273	5,311

Details of any collateral

- a) A US\$14.8 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$13.0 million (31 December 2015: US\$13.0 million) taken up by the Company with a bank is secured with the following:
 - a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$3.7 million (31 December 2015: US\$3.7 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan is secured by a first legal mortgage of the property.
- c) Bank borrowing of US\$1.6 million (31 December 2015: US\$1.7 million) taken by a 98.2% South Korea subsidiary, Serial Microelectronics Korea Limited, to part finance the acquisition of a property in South Korea is secured by a first legal mortgage of the property.
- d) Finance lease liabilities of US\$0.07 million (31 December 2015: US\$0.06 million) are secured on the Group's motor vehicles acquired under finance lease agreements.

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

	First Quarter	
	1Q2016	1Q2015
	US\$'000	US\$'000
Cash flows from operating activities		
(Loss) / Profit before income tax	(5,439)	3,667
Adjustments for:		
Amortisation of computer software license costs	74	54
Amortisation of distribution rights	-	402
Depreciation of property, plant and equipment	1,097	612
Loss on disposal of property, plant and equipment	11	-
Impairment losses on goodwill arising from acquisition of subsidiaries	225	180
Gain on dilution of interests in an associated company	(369)	(31)
Negative goodwill arising from acquisition of subsidiaries	(345)	-
Loss on remeasuring previously held equity interest in an associated company	449	-
Gain on sale of financial asset, available-for-sale	(146)	-
Fair value gain on derivative financial instruments	-	(150)
Fair value (gain)/loss on financial assets, at fair value through profit or loss	(4)	11
Provision for severance benefits	71	113
Interest income	(217)	(29)
Interest expense	2,209	1,308
Share of results of associated companies	3,249	138
Operating cash flow before working capital changes	865	6,275
Change in working capital		
Trade and other receivables	(5,147)	37,673
Inventories	15,653	(11,555)
Other current assets	(395)	2,303
Other assets (non-current)	27	6
Trade and other payables	3,202	10,004
Cash from operations	14,205	44,706
Income tax paid	(828)	(795)
Net cash provided by operating activities	13,377	43,911

	First Quarter	
	1Q2016	1Q2015
	US\$'000	US\$'000
Cash flows from investing activities		
Payments for intangible assets (computer software license costs)	(142)	(42)
Payments for property, plant and equipment	(185)	(192)
Proceeds from sale of financial asset, available-for-sale	153	-
Net cash inflow/(outflow) on acquisition of subsidiaries	2,233	(531)
Payments for acquisition of additional interests in an associated company	(4,996)	-
Payment for financial asset, available-for-sale	(6)	-
Dividends received from an associated company	154	160
Interest received	210	54
Net cash used in investing activities	(2,579)	(551)
Cash flows from financing activities		
Payment for investment in a subsidiary by non-controlling interests	40	-
Payment for acquisition of additional interests in a subsidiary from a non-controlling interest	-	(19)
Proceeds from bank borrowings	203,208	141,755
Repayment of bank borrowings	(178,556)	(147,226)
Repayment of other borrowings	(1,479)	(6,787)
Repayment of finance lease liabilities	(6)	(8)
Interest paid	(1,776)	(1,201)
Net cash provided by/(used in) financing activities	21,431	(13,486)
Net increase in cash and cash equivalents held	32,229	29,874
Cash and cash equivalents at the beginning of the period	64,048	58,296
Effect of currency translation on cash and cash equivalents	469	(249)
Cash and cash equivalents at the end of the period	96,746	87,921

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2016	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384
Total comprehensive income/(loss) for the period	-	-	19	-	6,760	-	-	3,974	(6,559)	4,194	28	4,222
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 31 March 2016	72,648	(736)	1,295	(557)	5,407	59	(718)	2,476	40,121	119,995	3,651	123,646
Balance at 1 January 2015	72,648	(736)	1,015	(367)	-	59	(715)	4,283	42,847	119,034	3,200	122,234
Total comprehensive income/(loss) for the period	-	-	210	-	-	-	-	(1,175)	3,055	2,090	216	2,306
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	244	244
Acquisition of additional interests in a subsidiary from a non-controlling interest	-	-	-	-	-	-	(3)	-	-	(3)	(16)	(19)
Balance at 31 March 2015	72,648	(736)	1,225	(367)	-	59	(718)	3,108	45,902	121,121	3,644	124,765

	Share capital	Treasury shares	Capital reserve	Currency translation reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	72,648	(736)	180	17,589	13,908	103,589
Total comprehensive income for the period	-	-	-	-	436	436
Balance at 31 March 2016	72,648	(736)	180	17,589	14,344	104,025
Balance at 1 January 2015	72,648	(736)	180	17,589	13,092	102,773
Total comprehensive income for the period	-	-	-	-	554	554
Balance at 31 March 2015	72,648	(736)	180	17,589	13,646	103,327

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

There were no ordinary shares issued since the end of the financial year ended 31 December 2015.

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

There were no outstanding share options as at 31 March 2016 (31 March 2015: Nil).

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

	31/03/2016	31/12/2015
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

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

Please refer to 1(d)(ii).

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited First Quarter Financial Statements for the period ended 31 March 2016 to be false or misleading.

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

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

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

Not applicable.

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

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

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

Please refer to paragraph 4 above.

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

	The Group	
	First Quarter	
	1Q2016	1Q2015
Based on the weighted average number of ordinary shares in issue (in US\$); and	(0.73) cent	0.34 cent
On a fully diluted basis (in US\$)	(0.73) cent	0.34 cent

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

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

There were no potential dilutive shares for the financial period ended 31 March 2016 and 31 March 2015.

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

	The Group		The Company	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.80 cents	13.33 cents	11.61 cents	11.56 cents

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

Income Statement

Results for First Quarter Ended 31 March 2016

The Group recorded turnover of US\$332.8 million for the first quarter ended 31 March 2016 ("1Q2016"), an increase of 27% compared to the same quarter last year ("1Q2015").

Turnover for the electronic components distribution business increased 7% to US\$262.7 million, driven mainly by higher contributions from the Group's operations in South East Asia, India, Taiwan and China. Turnover from South East Asia and India rose 34%, boosted by higher sales from a new product line in Singapore and increased sales from existing and new customers in India and the Philippines. Turnover from Taiwan and China increased 16% and 6% respectively on higher demand from new and existing customers.

The Group's consumer products distribution business – comprising Swift-Value Business Pte Ltd, Achieva Technology group (which became a wholly owned subsidiary on 27 January 2016), PT. Achieva Technology Indonesia, Serial I-Tech group and Hydra and Thermal Pte Ltd – contributed total revenue of US\$68.9 million in 1Q2016. This accounted for 21% of the Group's overall sales.

Overall gross profit margin declined to 6.7% in 1Q2016 from 8.3% in 1Q2015, due mainly to increased sales of lower-margin products in Singapore and Taiwan, as well as increased market competition in Hong Kong and China for the electronic components distribution business. The Group's lower-margin consumer products distribution business also accounted for the drop in overall gross profit margin.

Other operating income increased by US\$1.4 million or 91% mainly due to a US\$0.4 million gain on dilution of interests in an associated company and a US\$0.3 million gain on negative goodwill arising from the acquisition of the remaining 51% equity interest in Achieva Technology group. A US\$0.2 million gain on derivative financial instruments and US\$0.1 million gain on sale of financial asset, available-for-sale, higher office rental income and finance income and increased advertising and promotion funds also contributed to the increased in other operating income.

Distribution expenses increased by US\$1.7 million or 15% mainly due to higher freight, custom declaration and storage costs associated with the electronic components distribution business. Staff costs contributed by the Group's consumer products distribution entities; Swift-Value Business Pte Ltd and Achieva Technology group and increased advertising and promotional expenses incurred by Serial I-Tech group also drove up distribution expenses.

Finance expenses increased by US\$0.9 million or 69% mainly due to higher utilisation of trade facilities by the Group's Hong Kong and Singapore electronic components distribution subsidiaries to meet higher working capital requirements. Utilisation of trade facilities by the Group's consumer products distribution business to fund its working capital requirements also added to the increase in finance expenses.

Other operating expenses increased by US\$5.4 million or 130% mainly due to a net currency translation loss of US\$3.2 million (1Q2015: net currency gain of US\$0.5 million included in “other operating income”), a one-off loss on remeasuring previously held equity of US\$0.4 million in 1Q2016 following the acquisition of the remaining 51% equity interest in Achieva Technology group and higher allowances for inventory obsolescence.

Total expenses as a percentage of turnover increased to 8.3% in 1Q2016 from 7.4% in 1Q2015 mainly due to currency translation losses and increased allowances for inventory obsolescence.

The Group’s share of losses in associated companies increased to US\$3.2 million in 1Q2016 from US\$0.1 million in 1Q2015. This was due to higher share of loss of US\$3.5 million (1Q2015: loss of US\$0.2 million) by 29.03%-owned Bull Will Co., Ltd (“Bull Will”). Bull Will’s loss in 1Q2016 was mainly due to provisions made for doubtful debts and inventory obsolescence. The Group shared profits from its other associated companies; 27.34%-owned SPL Holdings (Australia) Pty Ltd and 21%-owned Tong Chiang Group amounting to US\$0.2 million (1Q2015: profit of US\$0.1 million) and US\$0.06 million (1Q2015: Nil) respectively. Achieva Technology group became a wholly-owned subsidiary on 27 January 2016. Its results have since been consolidated into the Group.

Taken together, the lower gross profit margin achieved, higher share of losses from associated companies and increased currency translation losses and higher allowances for inventory obsolescence led the Group to a net loss of US\$6.6 million in 1Q2016, compared to a net profit after tax of US\$3.1 million in 1Q2015.

Balance sheet

Trade and other receivables increased by US\$15.1 million mainly due to higher trade receivables in the Group’s Hong Kong, Taiwan and South Korean electronic components distribution subsidiaries and increase in Serial Factoring (Thailand) Co., Ltd as this entity expanded its business. Newly consolidated Achieva Technology group also accounted for the increase in trade and other receivables as at 31 March 2016. Reduction in trade receivables in Swift-Value Business Pte Ltd (“Swift-Value”) and PT. Achieva Technology Indonesia (“PT. Achieva”) negated the impact of the increase in trade receivables. Average turnover days for trade receivables declined to 50 in 1Q2016 from 53 in FY2015, mainly due to the non-recourse factoring arrangement with various banks.

Inventories decreased by US\$7.0 million mainly due to lower purchases and higher sales by Swift-Value and Serial I-Tech group and higher sales by the Group’s Singapore electronic components distribution subsidiary. The decrease was partially offset by an increase in inventories at PT. Achieva due to higher purchases and contribution by Achieva Technology group.

Financial assets, available-for-sale increased by US\$6.8 million mainly due to a net fair value gain of US\$7.1 million from the Group’s investment in Unitron Tech Co., Limited (“Unitron”) which was listed on the Korean Securities Dealers Automated Quotations (KOSDAQ) of the Korean Exchange on 2 February 2016. The fair value gain was recognised in equity as “Fair value reserve” in 1Q2016. The increase in available-for-sale financial assets was partially offset by a fair value loss of US\$0.3 million recognised in equity as “Fair Value reserve” for a Singapore-listed investment.

Investments in associated companies increased by US\$0.2 million in 1Q2016. The increase was due to additional investment of US\$5.0 million in SPL Holdings (Australia) Pty Ltd (“SPL Holdings”) which raised the Group’s equity interest in SPL Holdings from 20% to 27.34%. The increase was offset by a derecognition of an amount of US\$2.0 million when Achieva Technology group became a subsidiary of the Group on 27 January 2016 and share of net losses and reserves from its associated companies, totalling US\$2.8 million.

The value of property, plant and equipment increased by about US\$2.4 million mainly due to the reclassification of an amount of US\$2.5 million from investment properties as the Group converted the third floor of its 8 Ubi View, Serial System Building, Singapore from third party rental to own use.

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

Trade and other payables increased by US\$12.0 million mainly due to higher purchases of inventories by the Group's Hong Kong, Singapore, Taiwan and South Korea electronic components distribution subsidiaries. Newly consolidated Achieva Technology group also contributed to the increase in the Group's trade and other payables as at 31 March 2016. The increase was partially offset by lower trade payables attributable to Swift-Value due to lower purchases. Average payment days for trade payables decreased to 31 in 1Q2016 from 33 in FY2015.

Borrowings increased by US\$31.6 million, driven mainly by higher bank borrowings by the Group's Taiwan, Singapore and South Korea electronic components distribution subsidiaries and Swift-Value for increased working capital requirement. Newly consolidated Achieva Technology group also contributed to the increase in total borrowings as at 31 March 2016.

Currency translation reserve increased by US\$4.0 million mainly due to an increase in the value of the Group's investments in Singapore, Taiwan, South Korea, Malaysia and China arising from the weakening of the United States Dollar against these subsidiaries' functional currencies, namely the Singapore Dollar, New Taiwan Dollar, Korean Won, Malaysian Ringgit and Chinese Renminbi. The increase was also attributed to an amount of US\$0.9 million realised to income statement upon repayment of inter-company long term loans and an amount of US\$0.6 million realised to income statement upon de-recognition of investment in an associated company following the additional acquisition of 51% interest in Achieva Technology group.

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

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

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

Having invested in recent years in several entities involved in the distribution of finished consumer products, the Group will double down on efforts to streamline their operations and integrate them with its other subsidiaries in order to achieve better synergies and unified economies of scale across its entire international distribution footprint. The Group believes this will help turn around some of its entities in the consumer products distribution business by the end of the current financial year ending 31 December 2016 ("FY2016").

Despite signs of a slowdown in the global semiconductor industry this year amid less favorable and challenging economic conditions worldwide, the Group will continue to explore opportunities to expand its electronic components distribution business through acquisitions or addition of new product lines as scale is critical in the distribution business. The Group will seek investments in higher-value business segments such as automotive, mobile devices and enterprise cloud solutions to negate its falling gross margin.

The Group is mindful of volatility in foreign-exchange rates and will, wherever possible, take steps to mitigate the impact of such fluctuations on its financial results.

Notwithstanding the 1Q2016 net loss, and barring unforeseen circumstances, the Group will strive for better performances.

11. Dividend

a) Current Financial Period Reported On

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

No.

b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

No dividend was declared for the first quarter ended 31 March 2016.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), the Board would like to announce the following Interested Person Transactions (“IPTs”) for 1Q2016:

Name of Interested Person	Aggregate value of all IPTs during 1Q2016 (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual) US\$’000	Aggregate value of all IPTs during 1Q2016 conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) US\$’000
Nil	Nil	Not applicable

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

No general mandate from shareholders has been obtained for IPTs.

BY ORDER OF THE BOARD
Dr Derek Goh Bak Heng
Executive Chairman/Group CEO
9 May 2016