



SERIAL SYSTEM LTD

Company Registration No.: 199202071D
(Incorporated in Singapore on 22 April 1992)

Unaudited Third Quarter and Nine Months Financial Statement Announcement for the Period Ended 30 September 2014

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 Third Quarter			The Group Year-To-Date		
		3Q2014 US\$'000	3Q2013 US\$'000		30/09/2014 US\$'000	30/09/2013 US\$'000	
Sales		293,107	222,657	32%	768,391	600,265	28%
Cost of sales		(268,396)	(203,012)	32%	(702,053)	(546,018)	29%
Gross profit		24,711	19,645	26%	66,338	54,247	22%
Gross profit margin		8.4%	8.8%	-0.4 pt	8.6%	9.0%	-0.4 pt
Other operating income		1,088	1,378	-21%	4,562	4,187	9%
Expenses:							
Distribution		(11,458)	(9,212)	24%	(31,997)	(26,007)	23%
Administrative		(2,710)	(3,359)	-19%	(7,973)	(7,993)	-0.3%
Finance		(1,218)	(817)	49%	(3,263)	(2,245)	45%
Other		(4,447)	(3,498)	27%	(12,403)	(11,140)	11%
Total expenses		(19,833)	(16,886)	17%	(55,636)	(47,385)	17%
		5,966	4,137	44%	15,264	11,049	38%
Share of results of associated companies (after income tax)		(87)	(204)	57%	(63)	(328)	81%
Profit before income tax	1	5,879	3,933	49%	15,201	10,721	42%
Income tax expense	2	(1,371)	(962)	43%	(3,576)	(2,355)	52%
Profit after income tax		4,508	2,971	52%	11,625	8,366	39%
Attributable to:							
Equity holders of the Company		4,318	2,870	50%	11,439	8,150	40%
Non-controlling interests		190	101	88%	186	216	14%
		4,508	2,971	52%	11,625	8,366	39%

Notes :

1. Profit before income tax

	The Group Third Quarter			The Group Year-To-Date		
	3Q2014 US\$'000	3Q2013 US\$'000	%	30/09/2014 US\$'000	30/09/2013 US\$'000	%
Profit from operations is arrived at after charging/(crediting) :-						
a. Depreciation and amortisation	713	649	10	2,171	1,853	17
b. Amortisation of distribution rights	433	433	0	1,294	1,617	-20
c. Impairment losses on goodwill arising from acquisition of subsidiaries	242	-	NM	602	431	40
d. Gain on disposal of property, plant and equipment	-	-	NM	(1)	-	NM
e. Property, plant and equipment written off	-	6	NM	70	6	1,067
f. Gain on dilution of interests in an associated company	(107)	-	NM	(126)	-	NM
g. Allowance for impairment losses on trade receivables	300	202	49	521	272	92
h. Write back of allowance for impairment losses on other receivables	-	-	NM	(20)	-	NM
i. Gain on sale of an investment property	-	-	NM	-	(822)	NM
j. Allowance for inventory obsolescence	311	58	436	712	1,454	-51
k. Write-off of inventories	1	-	NM	17	49	-65
l. Currency translation loss/(gain) (net)	170	(438)	-139	337	(620)	-154
m. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	90	-	NM	125	-	NM
n. Gain on derivative financial instruments	-	-	NM	(43)	(7)	514
o. Gain on sale of financial assets, available-for-sale	-	-	NM	(1,381)	-	NM
p. Loss on sale of financial assets, at fair value through profit or loss	-	-	NM	-	17	NM
q. Fair value loss/(gain) on financial assets, at fair value through profit or loss	18	(7)	-357	22	(79)	-128
r. Dividend income received from financial assets, available-for-sale	-	-	NM	(108)	-	NM
s. Interest income	(19)	(23)	-17	(96)	(123)	-22

2. Income tax expense

Under/(over) provision in preceding financial years

- Current income tax

- Deferred income tax

	3Q2014 US\$'000	3Q2013 US\$'000	%	30/09/2014 US\$'000	30/09/2013 US\$'000	%
- Current income tax	157	-	NM	472	(80)	-690
- Deferred income tax	-	-	NM	42	-	NM
	157	-	NM	514	(80)	-743

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 Third Quarter			The Group Year-To-Date		
	3Q2014	3Q2013		30/09/2014	30/09/2013	
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit after income tax	4,508	2,971	52%	11,625	8,366	39%
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	386	-	NM	386	-	NM
	386	-	NM	386	-	NM
Items that may be reclassified subsequently to profit or loss:						
Net gain on fair value changes on financial asset, available-for-sale	-	572	NM	894	87	933%
Currency translation differences	(391)	1,148	-134%	(504)	(593)	15%
	(391)	1,720	-123%	390	(506)	177%
Other comprehensive (loss)/income for the period	(5)	1,720	-100%	776	(506)	254%
Total comprehensive income for the period	4,503	4,691	-4%	12,401	7,860	58%
Total comprehensive income attributable to:						
Equity holders of the Company	4,246	4,553	-7%	12,246	7,644	60%
Non-controlling interests	257	138	87%	155	216	-28%
	4,503	4,691	-4%	12,401	7,860	58%

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

	The Group		The Company	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	44,466	40,548	450	1,026
Trade and other receivables	201,892	165,909	14,085	16,370
Inventories	82,262	67,925	-	-
Financial assets, at fair value through profit or loss	39	61	-	-
Other current assets	3,326	2,601	1,434	116
	331,985	277,044	15,969	17,512

	The Group		The Company	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Financial assets, at fair value through profit or loss	1,290	1,297	-	-
Loans and receivables	-	-	40,697	41,757
Financial assets, available-for-sale	1,230	5,182	-	-
Investments in associated companies	17,348	6,097	6,626	6,626
Investments in subsidiaries	-	-	52,883	52,883
Property, plant and equipment	33,880	36,009	362	346
Investment properties	7,155	6,392	-	-
Intangible assets	7,179	9,066	558	588
Other assets	2,079	1,834	-	-
Deferred income tax assets	548	555	-	-
	70,709	66,432	101,126	102,200
Total Assets	402,694	343,476	117,095	119,712
LIABILITIES				
Current liabilities				
Trade and other payables	117,098	92,473	5,362	3,088
Current income tax liabilities	3,542	1,478	-	78
Redemption liabilities	-	410	-	-
Borrowings	156,429	124,298	7,778	2,964
	277,069	218,659	13,140	6,130
Non-current liabilities				
Other payable	-	-	4,697	4,683
Borrowings	6,217	14,115	-	7,079
Defined benefit plans liabilities	889	651	-	-
Deferred income tax liabilities	128	89	-	-
	7,234	14,855	4,697	11,762
Total Liabilities	284,303	233,514	17,837	17,892
Net Assets	118,391	109,962	99,258	101,820
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	566	180	180	180
Defined benefit plans reserve	(424)	(424)	-	-
Fair value reserve	-	(894)	-	-
Other reserve	-	(410)	-	-
Currency translation reserve	5,552	6,025	17,589	17,589
Retained earnings	38,201	31,051	9,577	12,139
	115,807	107,440	99,258	101,820
Non-controlling interests	2,584	2,522	-	-
Total Equity	118,391	109,962	99,258	101,820

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

Amount repayable in one year or less, or on demand

As at 30 September 2014		As at 31 December 2013	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
8,827	147,602	4,003	120,295

Amount repayable after one year

As at 30 September 2014		As at 31 December 2013	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
6,217	-	14,115	-

Details of any collateral

- a) A US\$16.0 million (S\$20 million) four years term loan amounting to US\$7.8 million (31 December 2013: US\$10.0 million) taken up by the Company with a bank is secured with the following:
- a first legal mortgage of the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$4.4 million (31 December 2013: US\$4.7 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\$2.9 million (31 December 2013: US\$3.4 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\$0.1 million (31 December 2013: US\$0.05 million) are secured on the Company and Group's motor vehicles acquired under finance lease agreements.

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

	Third Quarter		Year-To-Date	
	3Q2014	3Q2013	30/9/2014	30/9/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before income tax	5,879	3,933	15,201	10,721
Adjustments for:				
Amortisation of computer software license costs	72	50	200	149
Amortisation of distribution rights	433	433	1,294	1,617
Depreciation of property, plant and equipment	641	599	1,971	1,704
Property, plant and equipment written off	-	6	70	6
Gain on disposal of property, plant and equipment	-	-	(1)	-
Gain on sales of an investment property	-	-	-	(822)
Impairment losses on goodwill arising from acquisition of subsidiaries	242	-	602	431
Gain on dilution of interests in an associated company	(107)	-	(126)	-
Gain on sale of financial assets, available-for-sale	-	-	(1,381)	-
Loss on sale of financial assets, at fair value through profit or loss	-	-	-	17
Fair value loss/(gain) on financial assets, at fair value through profit or loss	18	(7)	22	(79)
Provision for severance benefits	67	94	275	287
Reversal of employee share option reserve to income statement	-	-	-	(5)
Dividend income received from financial assets, available-for-sale	-	-	(108)	-
Interest income	(19)	(23)	(96)	(123)
Interest expense	1,218	817	3,263	2,245
Share of results of associated companies	87	204	63	328
Operating cash flow before working capital changes	8,531	6,106	21,249	16,476
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries				
Trade and other receivables	3,933	(14,975)	(36,561)	(48,432)
Inventories	1,534	(12,869)	(14,337)	(14,268)
Other current assets	(231)	(193)	290	(370)
Other assets (non-current)	74	(889)	(246)	(889)
Trade and other payables	10,130	13,560	22,649	42,158
Cash from/(used in) operations	23,971	(9,260)	(6,956)	(5,325)
Income tax paid	(195)	(34)	(1,823)	(1,559)
Net cash provided by/(used in) operating activities	23,776	(9,294)	(8,779)	(6,884)

	Third Quarter		Year-To-Date	
	3Q2014	3Q2013	30/9/2014	30/9/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	(125)	-	(248)	(62)
Payments for property, plant and equipment	(109)	(2,027)	(907)	(10,799)
Proceeds from sale of an investment property	-	-	-	3,480
Proceeds from disposal of property, plant and equipment	-	-	15	-
Proceeds from sale of financial assets, available-for-sale	-	-	6,142	-
Proceeds from sale of financial assets, at fair value through profit or loss	-	-	-	236
Payments for acquisition of a subsidiary, net of cash acquired	-	-	-	(1,827)
Payment for acquisition of additional interests in a subsidiary from non-controlling interest	-	-	-	(296)
Payments for acquisition of additional interests in an associated company	(658)	(374)	(658)	(374)
Payments for acquisition of associated companies	(1,990)	-	(8,816)	-
Payments for financial assets, at fair value through profit or loss	-	-	-	(60)
Payments for financial assets, available-for-sale	-	(1,014)	-	(4,840)
Dividends received from an associated company	-	-	71	-
Dividend received from financial assets, available-for-sale	-	-	108	-
Interest received	6	18	77	210
Net cash used in investing activities	(2,876)	(3,397)	(4,216)	(14,332)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	-	-	-	22
Payment for investment in subsidiaries by non-controlling interests	140	-	171	-
Dividends paid	(2,150)	(1,689)	(4,289)	(3,867)
Dividend paid to non-controlling interest	-	-	(265)	(132)
Proceeds from bank borrowings	166,320	143,244	493,732	370,386
Repayment of bank borrowings	(188,161)	(125,901)	(468,977)	(334,324)
Repayment of finance lease liabilities	(11)	(13)	(39)	(57)
Interest paid	(1,237)	(801)	(3,165)	(2,201)
Net cash (used in)/provided by financing activities	(25,099)	14,840	17,168	29,827
Net (decrease)/increase in cash and cash equivalents held	(4,199)	2,149	4,173	8,611
Cash and cash equivalents at the beginning of the period	49,187	43,335	40,548	37,180
Effect of currency rate changes on cash and cash equivalents	(522)	368	(255)	61
Cash and cash equivalents at the end of the period	44,466	45,852	44,466	45,852

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

Consolidated Statement of Changes in Equity [cont'd]

	← Attributable to equity holders of the Company →												
	Share capital US\$'000	Treasury shares US\$'000	Share option reserve US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000	
Balance at 1 January 2013	72,626	(736)	5	180	(188)	-	-	5,496	25,497	102,880	1,658	104,538	
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(806)	1,608	802	(17)	785	
Serial System Executives Share Option Scheme													
- Exercise of share options	17	-	-	-	-	-	-	-	-	17	-	17	
Balance at 31 March 2013	72,643	(736)	5	180	(188)	-	-	4,690	27,105	103,699	1,641	105,340	
Total comprehensive (loss)/income for the period	-	-	-	-	-	(485)	-	(898)	3,672	2,289	95	2,384	
One-tier tax-exempt final cash dividend for year 2012	-	-	-	-	-	-	-	-	(2,178)	(2,178)	-	(2,178)	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,225	1,225	
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(290)	(290)	
Dividend paid to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	(132)	(132)	
Serial System Executives Share Option Scheme													
- Exercise of share options	5	-	-	-	-	-	-	-	-	5	-	5	
- Reversal of share option reserve to profit or loss	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)	
Balance at 30 June 2013	72,648	(736)	-	180	(188)	(485)	-	3,792	28,599	103,810	2,539	106,349	
Total comprehensive income for the period	-	-	-	-	-	572	-	1,111	2,870	4,553	138	4,691	
One-tier tax-exempt interim cash dividend for year 2013	-	-	-	-	-	-	-	-	(1,689)	(1,689)	-	(1,689)	
Option to acquire non-controlling interest of a subsidiary	-	-	-	-	-	-	(665)	-	-	(665)	-	(665)	
Balance at 30 September 2013	72,648	(736)	-	180	(188)	87	(665)	4,903	29,780	106,009	2,677	108,686	

Statement of Changes in Equity - Company

	Share capital	Treasury shares	Share option reserve	Capital reserve	Currency translation reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014	72,648	(736)	-	180	17,589	12,139	101,820
Total comprehensive income for the period	-	-	-	-	-	312	312
Balance at 31 March 2014	72,648	(736)	-	180	17,589	12,451	102,132
Total comprehensive income for the period	-	-	-	-	-	445	445
One-tier tax-exempt final cash dividend for year 2013	-	-	-	-	-	(2,139)	(2,139)
Balance at 30 June 2014	72,648	(736)	-	180	17,589	10,757	100,438
Total comprehensive income for the period	-	-	-	-	-	970	970
One-tier tax-exempt interim cash dividend for year 2014	-	-	-	-	-	(2,150)	(2,150)
Balance at 30 September 2014	72,648	(736)	-	180	17,589	9,577	99,258
Balance at 1 January 2013	72,626	(736)	5	180	17,589	830	90,494
Total comprehensive income for the period	-	-	-	-	-	625	625
Serial System Executives Share Option Scheme							
- Exercise of share options	17	-	-	-	-	-	17
Balance at 31 March 2013	72,643	(736)	5	180	17,589	1,455	91,136
Total comprehensive income for the period	-	-	-	-	-	15,682	15,682
One-tier tax-exempt final cash dividend for year 2012	-	-	-	-	-	(2,178)	(2,178)
Serial System Executives Share Option Scheme	-	-	-	-	-	-	-
- Exercise of share options	5	-	-	-	-	-	5
- Reversal of share option reserve to profit or loss	-	-	(5)	-	-	-	(5)
Balance at 30 June 2013	72,648	(736)	-	180	17,589	14,959	104,640
Total comprehensive loss for the period	-	-	-	-	-	(136)	(136)
One-tier tax-exempt interim cash dividend for year 2013	-	-	-	-	-	(1,689)	(1,689)
Balance at 30 September 2013	72,648	(736)	-	180	17,589	13,134	102,815

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

There were no ordinary shares issued since the end of the financial period ended 30 June 2014.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial period ended 31 December 2013.

There were no outstanding share options as at 30 September 2014 (31 December 2013: Nil).

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

	30/09/2014	31/12/2013
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

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

Please refer to 1(d)(ii).

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited Third Quarter and Nine Months Financial Statements for the period ended 30 September 2014 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 2013.

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			
	Third Quarter		Year-To-Date	
	2014	2013	30/09/2014	30/09/2013
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.49 cent	0.32 cent	1.28 cents	0.91 cent
On a fully diluted basis (in US\$)	0.49 cent	0.32 cent	1.28 cents	0.91 cent

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 (3Q2013/Year-To-Date 30/09/2013: 895,749,177).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (3Q2013/Year-To-Date 30/09/2013: 895,749,177) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive shares for the financial period ended 30 September 2014.

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

	The Group		The Company	
	30/09/2014	31/12/2013	30/09/2014	30/12/2013
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.22 cents	12.27 cents	11.08 cents	11.37 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

The Group recorded a turnover of US\$768.4 million for the nine months ended 30 September 2014 ("YTD3Q2014"), an increase of 28% compared to the equivalent period in 2013 ("YTD3Q2013"). The 40% increase in net profit after tax ("NPAT") to US\$11.4 million compared to US\$8.2 million in YTD3Q2013 was mainly attributable to increased gross profit from higher sales. Gross profit margin declined 0.4% to 8.6% in YTD3Q2014 due to higher sales of lower-margin products by the Greater China and Singapore subsidiaries. Expenses as a percentage of turnover declined to 7.2% in YTD3Q2014 from 7.9% in YTD3Q2013 as the Group continue to improve, operational efficiency and costs control.

Results for 3Q2014

The Group recorded a turnover of US\$293.1 million for the third quarter ended 30 September 2014 ("3Q2014"), an increase of 32% compared to the equivalent quarter last year ("3Q2013").

The Group's turnover in North Asia (comprising Greater China, South Korea, Taiwan and Japan) grew 37% compared to 3Q2013. Turnover of Greater China increased significantly by 55%, boosted by strong growth in sales to smartphone, consumer electronics, household appliances and automotive customers. Japan, South Korea and Taiwan, however, posted declines in turnover of 11%, 7% and 1%, respectively, as compared to 3Q2013 as a result of stiffer market competition in these regions. North Asia accounted for 85% of the Group's turnover in 3Q2014 as compared to 82% in 3Q2013.

Turnover in South-East Asia and India improved 10% from 3Q2013 mainly due to contribution from new product lines.

The Group's gross profit margin declined to 8.4% in 3Q2014 from 8.8% in 3Q2013 as the Group's Greater China and Singapore subsidiaries recorded higher sales of lower-margin products. Gross profit margin of the Group's South Korea and Taiwan subsidiaries also declined due to increased market competition.

The Group's 3Q2014 NPAT increased 50% or US\$1.4 million to US\$4.3 million as compared to US\$2.9 million for 3Q2013 contributed by a rise in gross profit in tandem with the higher sales.

Other operating income decreased by about US\$0.3 million or 21% as compared to 3Q2013 mainly due to the absence of a net currency translation gain in 3Q2014 (3Q2013: net currency translation gain of US\$0.4 million). The Group recorded a net currency translation loss of US\$0.2 million included in other operating expenses in 3Q2014.

Distribution expenses increased 24% when compared to 3Q2013 mainly due to increased sales activities, resulting in higher direct costs including salaries, higher freight, transportation and related costs. Higher sales commission expense by the Group's Greater China subsidiary as a result of higher sales activities also contributed to the increase in distribution expenses. Administrative expenses decreased 19% when compared to 3Q2013 mainly due to lower office rental expenses following the Group's acquisition of its own office properties in South Korea and China (Shenzhen and Shanghai). Administrative expenses were also comparatively higher in 3Q2013 due to a one-off tax compliance cost incurred by the South Korea subsidiary and a one-off expenses incurred for the Company's 25th anniversary event in the previous corresponding period. Finance expenses increased 49% when compared to 3Q2013 mainly due to higher utilisation of trade facilities by the Group's Hong Kong and Singapore subsidiaries to support the increased sales volume and higher working capital requirements. Other operating expenses increased 27% when compared to 3Q2013 mainly due to higher allowance for inventory obsolescence, higher allowance for impairment losses on trade receivables and goodwill arising from acquisition of subsidiaries, higher salaries and related costs and a net currency translation loss of US\$0.2 million recorded in 3Q2014.

The Group's share of losses in associated companies decreased from US\$204,000 in 3Q2013 to US\$87,000 in 3Q2014. The Group's newly-acquired 20%-owned associated companies in Australia, E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited, contributed profit of US\$246,000 in 3Q2014. This was offset by a US\$333,000 share of loss recorded by the Group's 38.13%-owned associated company, Bull Will Co., Ltd. The higher sales achieved by Bull Will Co., Ltd in this quarter were still not able to cover its high fixed operating expenses.

Total expenses as a percentage of turnover declined to 6.8% in 3Q2014 from 7.6% in 3Q2013 as the Group continues to drive operational and cost efficiencies. The Group's net margin improved to 1.5% this quarter from 1.3% in 3Q2013.

Balance sheet

Trade and other receivables increased by US\$36.0 million mainly due to higher sales by the Group's Greater China and Singapore subsidiaries and longer average credit period granted to customers in Singapore, South Korea and Taiwan. Trade receivables average turnover days for the Group increased from 62 days in FY2013 to 69 days in YTD3Q2014.

Inventories increased US\$14.3 million mainly due to higher purchases by the Group's Greater China, Singapore and South Korea subsidiaries in anticipation of higher sales in the fourth quarter of 2014.

Financial assets, available-for-sale decreased by US\$3.9 million mainly due to the sale of an investment in a Singapore-listed equity security. A gain on sale amounting to US\$1.4 million was recognised in the income statement in 2Q2014. The fair value loss of US\$0.9 million as at 31 December 2013 on this equity security recognised under "Fair value reserve" in equity was reversed in 2Q2014 upon the sale.

Investments in associated companies increased by US\$11.3 million mainly due to the Group's acquisition of a 20%-equity interest in both E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited amounting to US\$7.3 million, and the acquisition of a 49%-equity interest in Achieva Technology Pte Ltd amounting to US\$4.0 million.

Property, plant and equipment decreased by US\$2.1 million mainly due to the transfer of an office unit owned by a China subsidiary amounting to US\$0.9 million to "Investment properties" following the cessation of owner-occupied status during the current period and depreciation on property, plant and equipment of about US\$2.0 million. There were additions in plant and equipment of about US\$0.9 million in this financial period.

Trade and other payables increased by US\$24.9 million due to higher purchases by the Group's subsidiaries and longer average payment days to certain suppliers. Trade payable average payment days increased from 32 days in FY2013 to 34 days in YTD3Q2014.

Borrowings increased by US\$24.2 million mainly due to higher borrowings by the Group's Hong Kong and Singapore subsidiaries to provide additional working capital to support the increased sales volume and higher borrowings due to additional working capital requirements arising from longer average credit period extended to its Singapore, South Korea and Taiwan customers.

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.

Amidst a challenging economic and operating environment, the Group continues to focus on executing the revenue- and margin-accretive three-pronged strategy announced on 27 January 2014 to deepen its value proposition and drive internal efficiencies. The improvements this quarter places the Group on track to achieve its US\$1 billion revenue target by end of this financial year.

In line with this strategy, the Group continues to expand its product lines and customer base, while striving to improve inventory, cost and financial efficiencies, which had led to a steady decrease in expenses as a percentage of turnover in this financial period. While the Group continues to achieve top-line growth, the higher volume of lower-margin sales in Greater China and Singapore could impact gross margins.

In pursuing its three-pronged strategy for its core electronic component distribution business, the Group continues to extend its value proposition to include distribution of finished products. Towards this end, the Group completed the acquisition of 49%-equity interest in the distribution and trading entity of SGX-listed Achieva Limited (“Achieva”) on 30 September 2014. The acquisition adds to the Group’s portfolio the distribution of Intel (semiconductors) and Western Digital (hard disks) while adding new distribution offices in Australia.

Beyond expanding its core distribution of electronic components, the Group believes that its current geographical footprint and supply chain economies of scale offer opportunities to extend synergies from distribution of finished products. In line with this strategy, the Group is in the midst of completing the proposed acquisition of the entire distribution and trading entity of SGX-listed GSH Corporation Limited (“GSH”). The Group intends to leverage on the latter’s presence in Central Asia, Middle East, Cambodia and Bangladesh to enter new markets and offer new products. The Company will update shareholders as and when there are material developments to the proposed acquisition.

The Group, building on its momentum thus far, expects its FY2014 results to exceed that of FY2013. The Group is reasonably confident, barring unforeseen circumstances, that it will achieve its revenue target of US\$1 billion by the end of FY2014.

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?

Yes.

Name of Dividend	Special One-Off Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD cents)	0.25 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

No dividend was declared for the third quarter ended 30 September 2014.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), the Board would like to announce a negative statement on the Interested Person Transactions (“IPTs”) for Year-To-Date 3Q2014 as follows:

Name of Interested Person	Aggregate value of all IPTs during Year-To-Date 3Q2014 (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 Year-To-Date 3Q2014 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 mandate from shareholders has been obtained for IPTs.

BY ORDER OF THE BOARD

Dr. Derek Goh Bak Heng
Executive Chairman/Group CEO
04 November 2014