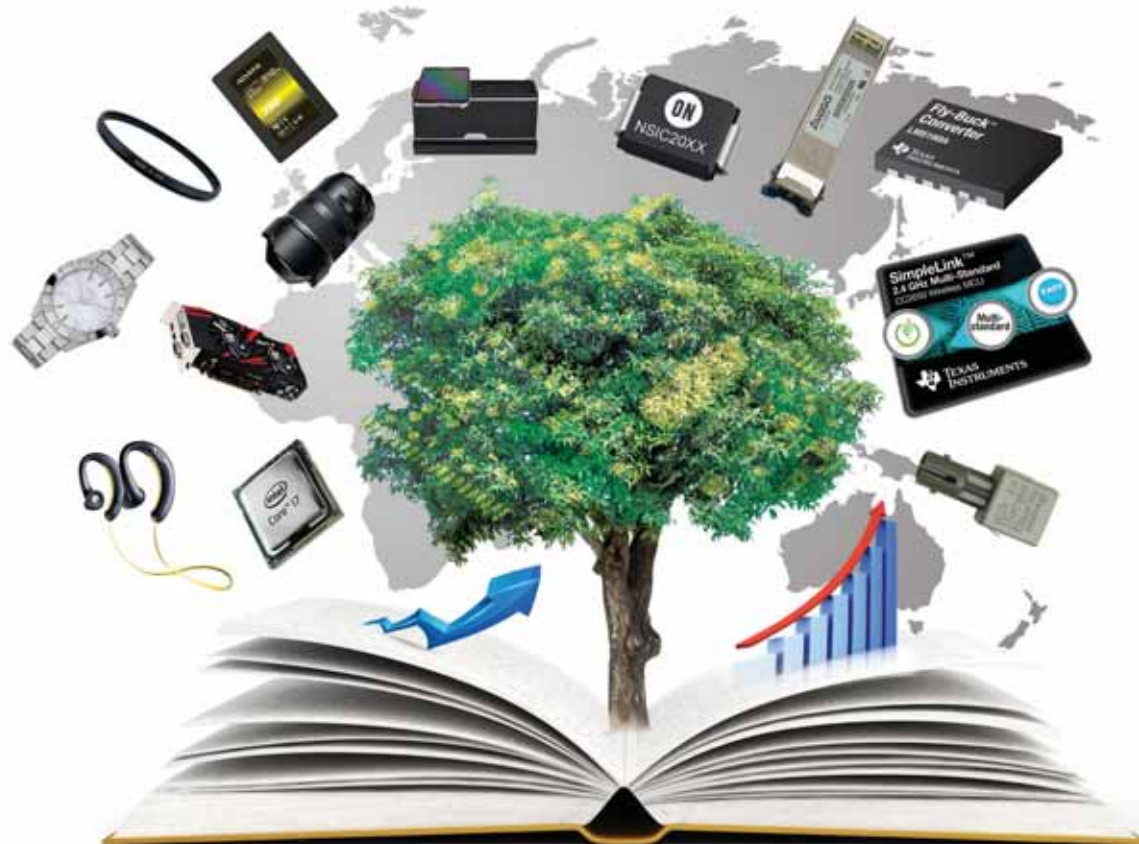




SERIAL
新曄集團

Your Integral Component To Success



A NEW CHAPTER OF GROWTH

SERIAL SYSTEM LTD | ANNUAL REPORT 2014

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

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CORPORATE PROFILE

OUR VISION

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

Established in 1988 and listed on the Main Board of the Singapore Stock Exchange since July 2000, Serial System has developed a synergistic global network that is built on strong partnerships with its suppliers and customers. In 2013, Serial System celebrated its 25th anniversary by crossing 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 6,000, spanning a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunication, electronics manufacturing services, automotive and medical. Its major suppliers include Texas Instruments, ON Semiconductor, Avago Technologies, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors.

With over 1,000 employees in fifty eight offices and ten warehouses in key Asian markets, namely, Singapore, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Malaysia, Philippines, South Korea, Taiwan, Thailand, United Arab Emirates, Vietnam and Australia, Serial System has one of the largest and most extensive distribution network in the region. Being in close proximity to its partners gives Serial

System the ability to align to the goals of its customers and suppliers, understand their needs better to reduce time-to-market and response time, as well as improve inventory management. In meeting their engineering and supply chain needs, Serial System has become their integral component to success.

Serial System also enhances the demand of its suppliers' components and the product development of its customers by adding value to the components through design and other demand-creation activities.

Moving forward, Serial System is entering a new chapter of growth as it extends beyond its core competencies to include the distribution of finished consumer products. Its current finished products portfolio ranges from lifestyle and consumer electronics products to household appliances, and consists of IT accessories, photo accessories, printer accessories, timepieces and items such as CPUs, motherboards, hard-disk drives. Beyond the product portfolio expansion, the extension of Serial System's network allows it to expand into new markets such as Australia, United Arab Emirates, Kazakhstan, Bangladesh and Cambodia.

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

OUR MISSION

To provide a wealth of growth opportunities for our stakeholders.

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.

Towards our community

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

OUR VALUES

Progressiveness

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

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.



HIGHLIGHTS OF THE YEAR



Serial System's New Three-Pronged Strategy

Outlines revenue and margin-accretive three-pronged strategy to:

- Increase revenue via expanding product portfolio
- Improve Internal efficiencies, with focus on financial, cost, inventory and supply chain management and business intelligence
- Deepen penetration in existing markets and widen geographical reach

Deepens Value Proposition

- Penetrates automotive segment via distribution of component modules, through investment in 54.6%-effective equity interest in Serial Automotive Limited
- Expands into surveillance and security solutions through investment in 50.1%- effective equity interest in Serial Vision Limited
- Expands range of products and innovations through appointment as distributor of Fairchild Semiconductor, subsequent to the year end

New Chapter of Growth

- Executes major strategic shift to extend value proposition to finished consumer products (including finished lifestyle and consumer electronics products)
- Completed acquisition of 49%-equity stake in the distribution and trading entity of SGX-listed Achieva Limited and the entire distribution and trading entity of SGX-listed GSH Corporation Limited (since renamed Serial I-Tech group)
- Entered into a conditional sales and purchase agreement to acquire 70%-equity stake in Hydra & Thermal Pte. Ltd., subsequent to the year end
- Entered into a conditional sales and purchase agreement to acquire 100%-equity stake in Swift Value Business Pte.Ltd., subsequent to the year end

Financial Highlights

- Distributed interim dividend of 0.30 Singapore cent per ordinary share in September 2014
- Exceeds FY2014 revenue target of US\$1.0 billion with net profit rising 44% to US\$16.1 million
- FY2014 net margin improved to 1.6% from 1.4% in FY2013
- Proposes a final cash dividend of 0.75 Singapore cent per ordinary share

EXTENSIVE DISTRIBUTION NETWORK



The Group's offices and representations

01. SINGAPORE

02. AUSTRALIA

Offices: 4

Brisbane, Melbourne, Perth, Sydney

03. BANGLADESH

04. CAMBODIA

05. CHINA

Offices: 25

North China : Beijing, Chengdu, Chongqing, Jinan, Qingdao, Shenyang, Tianjin, Xi'an, Zhengzhou

East China : Hangzhou, Hefei, Nanjing, Shanghai, Suzhou, Wuhan, Wuxi

South China : Chang'an, Changsha, Dongguan, Guangzhou, Huizhou, Shenzhen, Xiamen, Zhongshan, Zhuhai

06. HONG KONG

07. INDIA

Offices: 7

Bengaluru, Chennai, Hyderabad, Pune, Mumbai, Nashik, New Delhi

08. INDONESIA

Jakarta

09. JAPAN

Offices: 2

Nagoya, Tokyo

10. KAZAKHSTAN

11. MALAYSIA

Offices: 2

Kuala Lumpur, Penang

12. PHILIPPINES

Manila

13. SOUTH KOREA

Offices: 3

Daegu, Gwangju, Seoul

14. TAIWAN

Offices: 3

Hsinchu, Taichung, Taipei

15. THAILAND

Offices: 2

Bangkok, Chiang Mai

16. UNITED ARAB EMIRATES

Dubai

17. VIETNAM

Offices: 2

Hanoi, Ho Chi Minh

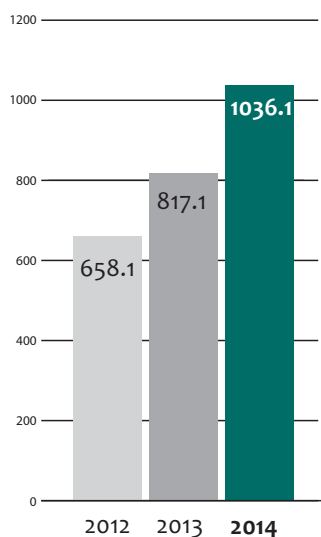
TOTAL OFFICES: 58

PRODUCT LINE CARDS

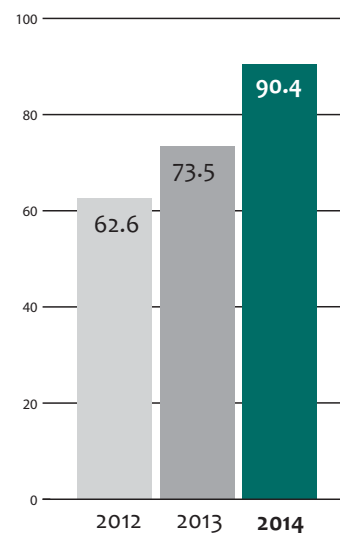


FINANCIAL HIGHLIGHTS

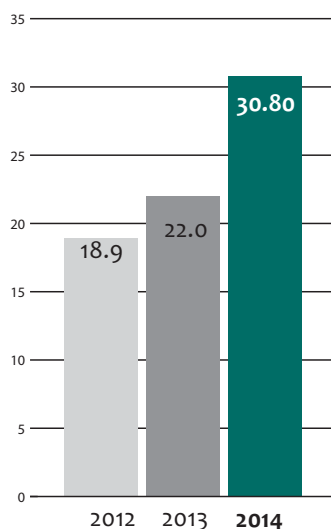
Revenue
(US\$' million)



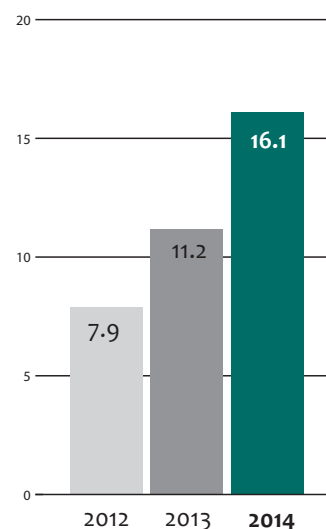
Gross Profit
(US\$' million)



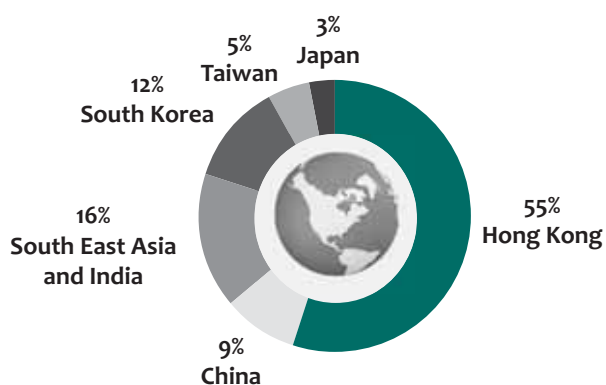
EBITDA
(US\$' million)



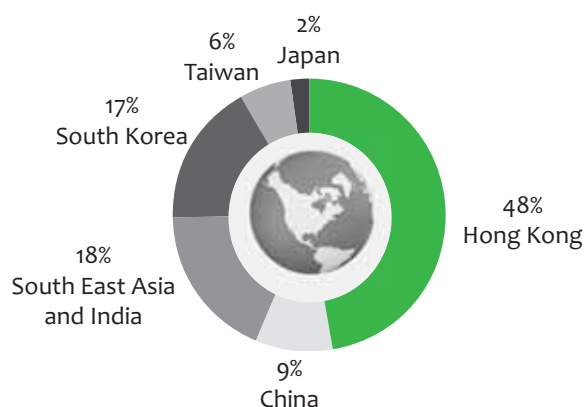
Profit Attributable to Equity Holders
(US\$' million)



Revenue by Market 2014



Revenue by Market 2013



	2014 US\$'000	2013 US\$'000	2012 US\$'000
Capital Employed			
Working Capital	52,192	58,385	64,521
Total Assets	425,204	343,476	267,150
Net Assets	122,234	109,962	104,538
Net Assets per Share (United States cents)	13.64	12.27	11.67
Net Debts	120,150	97,865	56,312
Share Capital			
Issued and Fully Paid (including Treasury Shares)	72,648	72,648	72,626
Number of Shares Issued (thousands)	905,788	905,788	905,508
Number of Treasury Shares (thousands)	(9,946)	(9,946)	(9,946)
Number of Shares Issued excluding Treasury Shares (thousands)	895,842	895,842	895,562
Earnings and Dividend per Share			
Earnings per Share (United States cents) ⁽¹⁾	1.80	1.25	0.88
Dividend per Share (Singapore cent)	1.05	0.79	0.52
Dividend Yield (%) ⁽²⁾	8.0	6.3	5.0
Ratios			
Current Ratio	1.18	1.27	1.44
AR Turnover (days)	67	62	61
AP Turnover (days)	33	32	33
Inventory Turnover (days)	32	30	41
Cash Conversion Cycle (days)	66	60	69
Net Gearing Ratio	0.98	0.89	0.54

⁽¹⁾ Earnings per share is calculated based on profit after tax on weighted average of 895,841,914 shares in issue for 2014, 895,773,065 shares in issue for 2013 and 899,491,136 shares in issue for 2012.

⁽²⁾ 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



Dato' Sri Dr. Goh Bak Heng ^{BBM}
Executive Chairman & Group CEO

Having crossed the US\$1.0 billion revenue milestone and building upon our strong core competencies, the Group is entering a new stage of growth to extend our network to the next level

Dear Shareholders,

The three-pronged strategy has set in place a strong foundation and a clear blueprint for our growth in the coming years as we enter a new stage of growth, having crossed the US\$1.0 billion revenue milestone.

The financial year ended 31 December 2014 ("FY2014") is highly significant for two reasons – we crossed the US\$1.0 billion revenue milestone with an improvement in margins, and executed corporate developments leading to our strategic shift to venture beyond the distribution of electronic components to include finished consumer products. Both underscore our deep commitment to enhance shareholder value in line with our strategic roadmap unveiled in January 2014.

Business Review

Despite broader concerns of the global macro-economic environment and the slower economic growth in China, the electronic distribution industry is expected to continue growing. This growth is coming from continued demand for smartphones as well as a proliferation of wireless applications in so many facets of our lives. The so-called "Internet of Things" means that more and more sensors are embedded in cars, homes, and wearable devices.

Amidst growth driven by these lifestyle trends, chipmakers are turning to more established distributors with a strong network to reach out to manufacturers across Asia. Our footprint across 58 points of presence and more than 6,000 customers in 17 countries is attractive to such foundries. Underscoring this, we announced on 9 February 2015 that we have been appointed by Fairchild Semiconductor as distributor for all its products and solutions in Hong Kong, China, Southeast Asia and India.

As outlined in our strategic roadmap, the increase in product lines and customer base to achieve top-line growth is accompanied by efforts to improve

inventory, cost and financial efficiencies to capture the economies of scale to enhance shareholder value. The financial performance before you, demonstrates the results of these intense efforts.

Financial Performance

For FY2014, we exceeded our target to achieve revenue of US\$1.04 billion with a 27% growth rate compared to FY2013. More significantly, net profit attributable to shareholders grew even faster, at 44%, to US\$16.1 million compared to US\$11.2 million a year earlier. This lifted our margin to 1.6% compared to 1.4% last year – not a small achievement considering the higher turnover and intense competition.

We have a healthy balance sheet. Our cash position remains healthy at US\$58.3 million as at 31 December 2014, marking a 44% increase in the preceding year.

Fully diluted earnings per share for FY2014 rose to 1.80 U.S. cents in FY2014 compared to 1.25 U.S. cents in FY2013 while net asset value per share increased to 13.64 U.S. cents as at 31 December 2014 from 12.27 U.S. cents as at 31 December 2013.

New Chapter of Growth- Extending Our Network To The Next Level

FY2014 marks a major strategic shift for Serial System as we laid the foundation to start distributing finished consumer products. Our existing network for our electronic components business, vendor and customer relationships, supply chain and processes are relatively mature. We believe that this network and processes can now support an extension beyond our core competencies to include distribution of finished consumer products.

Hence, during the year under review, we completed the acquisition of the entire distribution and trading entity of SGX-listed GSH Corporation Limited (since renamed "Serial I-Tech group") and a 49%-equity stake in Achieva Technology

Pte. Ltd. (“Achieva Technology”) the distribution and trading entity of SGX-listed Achieva Limited. Through the former we now add to our product portfolio finished lifestyle and consumer electronics from the likes of Apple and IT accessories, photo accessories and timepieces and through the latter we add items such as CPUs, motherboards, hard-disk drives.

Beyond the product portfolio expansion, Serial I-Tech group allows us to expand to new markets such as United Arab Emirates, Kazakhstan, Cambodia and Bangladesh. Additionally, Achieva Technology will add a new presence in Australia and deepen our penetration into Malaysia and Singapore.

Subsequent to the year-end, we have also entered into two conditional sale and purchase agreements to acquire 70% of the issued and paid-up share capital of Hydra & Thermal Pte. Ltd. and the entire issued and paid-up share capital of Swift Value Business Pte. Ltd. These agreements will add consumer electronic products and household appliances as well as printer accessories such as ink cartridges and toners, respectively, to our range of finished products.

In line with our strategy, these acquisitions have clear synergies with our electronic components distribution as we continue to move up the value chain to expand our distribution and product offerings.

Other Corporate Developments

The global auto sector is experiencing strong growth driven by major trends among major carmakers to embed more sensors and electronics in new models to improve driving experience. Recognising these trends, we have deepened our penetration into the automotive market through the investment in a 54.6%-effective equity interest in Serial Automotive Limited and the incorporation of a wholly-owned subsidiary, Serial Automotive (Shanghai) Co. Ltd. in China. The former, a total solution design house

specializing in automotive applications, seeks to maximize our Bill of Material to automotive customers while the latter will widen our distribution reach in China.

Extending on our strategy to partner with specialized design house to develop total reference solutions – comprising of chipsets and other electronic components including software – which offers higher margins, we also invested in a 50.1%- effective equity interest in Serial Vision Limited, expanding our business in the surveillance and security solutions.

During the financial year, we acquired a 20%-equity stake in SPL Holdings (Australia) Pty Ltd, an Australia-based laundry group servicing hotels, resorts, care centres, hospitals, and restaurants in Melbourne, Sydney, Canberra, Brisbane and regional areas of Victoria and New South Wales. This business, with high gross and net margins, provides additional income streams for the Group and enhances shareholders’ value over the long term.

Accolade

It is also with great honour for Serial System to have secured “The Most Transparent Company Award 2014” in the technology category at the 15th Securities Investors Association Singapore (“SIAS”) Investors’ Choice Awards. This award recognises listed companies that have demonstrated exemplary corporate governance and transparency practices throughout the year, which we embody.

Dividend

In line with our consistency to pay dividends in appreciation of shareholders’ continued support, I am pleased to inform you that the directors have proposed a final cash dividend of 0.75 Singapore cent per ordinary share in addition to an interim dividend of 0.30 Singapore cent per ordinary share distributed in September 2014. The combined pay-out of 1.05 Singapore

cents is the largest distribution in recent years, exceeding even FY2013 when we announced a one-off special dividend to commemorate our 25th anniversary (total distribution 0.79 Singapore cent) and FY2010 when we distributed 0.95 Singapore cent.

Outlook

The three-pronged strategy has set in place a strong foundation and a clear blueprint for our growth in the coming years as we enter a new stage of growth, having crossed the US\$1.0 billion revenue milestone.

Going forward, we remain focused on the integration of the supply chain and operations of the recent acquisitions to improve revenue and economies of scale. Concurrently, we continue to pursue organic growth of our core electronic components business while exploring opportunities in mergers and acquisitions to enhance shareholders’ value in the long run.

We are confident, with our continued efforts to build upon this growth momentum, to deliver a better performance for the year ahead.

Appreciation

I wish to take this opportunity to express my heartfelt gratitude to my fellow Directors for their invaluable guidance and support and to members of the Serial System family at all levels for their dedication, drive and contributions during this eventful and significant year.

I would also like to express my sincere appreciation to our valued customers, suppliers, bankers, business partners, and shareholders for their continued support.

With your faith and support, we look forward to another exciting year for Serial System.

Dato’ Sri Dr. Derek Goh Bak Heng BBM
March 2015

Operations & Financial Review

Background

The Group expanded its business activity at a healthy pace in the financial year ended 31 December 2014 (“FY2014”) despite global market uncertainty and slower economic growth in China. This reflected strong growth of the electronic distribution industry, driven by lifestyle trends – continued demand for smartphones as well as proliferation of wireless applications. This has in turn led to chipmakers’ preference for established distributors with a strong network, such as Serial System, to reach out to manufacturers across Asia. Our extensive geographical presence in Asia allows us to capitalise on such preferences and presents us with a competitive edge in this market.

As we continue to execute our revenue and margin-accretive three-pronged strategy, which has already shown results, we are also moving up the value chain and venture beyond the distribution of components to include finished consumer products.

Financial Performance

The Group recorded a turnover of US\$1.04 billion for FY2014, a 27% increase which lifted us past the S\$1 billion mark for the first time.

By geography, the North Asia region, which accounted for 84% of the Group’s turnover in FY2014, recorded a 30% higher sales compared to FY2013. Stronger

sales from smartphones, household appliances, consumer electronics and automotive customers, lifted revenue from Hong Kong and China by 32% and 18%, respectively. Taiwan reported a growth of 5% as new customers lifted contribution from existing product lines, mitigating the 7% decline from the South Korea market as a result of tough market competition there. South-East Asia and India revenue rose 12% mainly due to contribution from new products.

Gross Margins

The Group’s gross profit margin declined to 8.7% in FY2014 from 9.0% in FY2013 due to higher sales of lower-margin products in China and South-East Asia as well as lower margins from the Group’s South Korea and Taiwan subsidiaries which faced intense competition.

Expenses and Net Profits

Distribution expenses increased by 18% due to increases in staff costs and freight and transportation costs to support increased sales. Administrative expenses rose 2% mainly due to higher bank charges arising from higher utilisation of trade finance facilities and higher insurance and staff-related expenses.

The 44% increase in finance expenses was mainly due to higher utilisation of trade facilities by the Group’s Hong Kong and Singapore subsidiaries to finance increased sales and higher working capital requirements.

The 20% increase in other operating expenses was a result of higher staff salaries and related costs as well as depreciation charges from new office buildings in China and South Korea, higher allowance for impairment losses on trade receivables and higher fair value loss on derivative financial instruments.

Nevertheless, despite higher expenses, total expenses as a percentage of turnover declined to 7.4% in FY2014 from 8.0% in FY2013, a result of the Group’s efforts to improve operational and cost efficiencies.

The Group recorded net profit after tax (“NPAT”) of US\$16.1 million for FY2014, a notable increase of 44% compared to US\$11.2 million for FY2013, mainly due to increased gross profit from higher sales and continued cost and inventory management improvements.

Amidst higher turnover and intense competition, NPAT margin in FY2014 increased to 1.6% in FY2014 from 1.4% in FY2013, underscoring the Group’s continued efforts to execute its three-pronged strategy.

Electronic Components Distribution

Electronic components distribution segment remains the Group’s core business, contributing approximately 99.5% to the Group’s total revenue in FY2014. Segment operating profit for the Group’s electronic components distribution business was at US\$23.1 million compared to US\$16.6 million in FY2013.



Principal Suppliers

The Group continues to be a top electronic components distributor in the Asia Pacific region representing leading suppliers around the globe with well-established names, such as Texas Instruments, ON Semiconductor, Avago Technologies, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors.

Subsequent to the year end, the Group's wholly owned subsidiary, Serial Microelectronics Pte Ltd was appointed by Fairchild Semiconductor, a leading global supplier of high performance power semiconductor solutions, as distributor for all Fairchild products and solutions.

Finished Consumer Products Distribution

During the year, the Group took a major decision to extend its distribution business to include finished goods, building on its strong network and processes in handling electronics components for over 25 years. Towards this end, we completed the acquisition of the entire distribution and trading entity of SGX-listed GSH Corporation Limited (since renamed "Serial I-Tech group") and a 49%-equity stake in Achieva Technology Pte. Ltd. ("Achieva Technology"), the distribution and trading entity of SGX-listed Achieva Limited. Subsequent to the year end, the Group entered into two conditional sales and purchase agreements to acquire 70% of the issued and paid-up share capital of Hydra & Thermal Pte. Ltd. as well as the entire issued and paid-up share capital of Swift Value Business Pte. Ltd.

For FY2014, the Group's share of loss in Achieva Technology was US\$0.2 million. The loss was mainly due to currency translation losses and lean profit margin. The Group intends to integrate the supply chain and operations of both Achieva Technology and Serial I-Tech group, which will involve cutting costs



and reducing the overlap of resources such as warehousing and administration to improve revenue and economies of scale.

Other Businesses

SPL Holdings (Australia) Pty Ltd, a newly acquired 20%-owned associated company in the Australia-based laundry servicing business which adopts cutting-edge technology and efficient processes, contributed US\$0.6 million profit in FY2014.

The Group's share of loss in Bull Will Co., Ltd, a 29.01%-owned associated company listed on the Over-The-Counter Securities Exchange in Taiwan, was US\$0.6 million in FY2014 as compared to US\$0.4 million in FY2013. The loss, despite achieving higher sales in FY2014, was mainly due to high fixed operating expenses.

Serial Multivision Pte. Ltd., a wholly owned subsidiary in the outdoor advertising media and hospitality solutions business, recorded higher advertising income of US\$1.7 million compared to US\$1.5 million in FY2013. Its hospitality solutions business recorded revenue of US\$0.8 million compared to US\$1.3 million in FY2013. Serial Multivision incurred a loss of US\$0.3 million for the year under review as compared to a loss of US\$0.1 million recorded in FY2013. The loss was mainly attributable to lower sales and high fixed expenses for the hospitality solutions business.

Contract Sterilization Services Pte Ltd is a wholly owned subsidiary engaged in the assembly, sterilization and distribution of heart-lung packs for use in cardiopulmonary bypass procedures and other medical component accessories. Contract Sterilization Services recorded an increase in revenue of US\$0.4 million to US\$3.9 million in FY2014 compared to US\$3.5 million in FY2013 mainly due to increase in sales to existing customers. It recorded a net profit of US\$0.6 million for the year under review compared to US\$0.6 million in FY2013 mainly due to lower gross profit earned due to increased production costs.



Financial Position

Current Assets

Trade and other receivables increased by US\$18.8 million mainly due to higher sales by the Hong Kong, China and Singapore subsidiaries, contributed by newly acquired Serial I-Tech group and longer average credit period granted to customers in Taiwan and South Korea. Trade receivables average turnover days increased by five days to 67 days in FY2014 from 62 days in FY2013.

Higher purchases by the Hong Kong, Singapore and South Korea subsidiaries led to increase of US\$30.7 million in inventories due to increase in their average monthly sales. Newly-acquired Serial I-Tech group contributed US\$6.4 million increase to inventories in FY2014.

There was also a reclassification of financial assets, at fair value through profit or loss held by a Singapore subsidiary, amounting to US\$1.2 million, from non-current to current assets in FY2014.



Non-current Assets

Financial assets, available-for-sale, decreased by US\$3.9 million mainly due to the sale of an investment in a Singapore



Exchange-listed equity security, which the Group recognised a gain on sale of US\$1.4 million. There was a reversal of fair value loss of US\$0.9 million classified under “Fair value reserve” as at 31 December 2013 in FY2014 upon the sale of this equity investment.

Non-current loan and receivable of US\$1 million comprised an interest bearing loan due from a 45% associated company, Globaltronics International Pte. Ltd.

The Company’s investment in associated companies increased by US\$11.3 million mainly due to the acquisition of a 20%-equity stake in SPL Holdings (Australia) Pty Ltd and 49%-equity stake in Achieva Technology Pte. Ltd.

Property, plant and equipment increased by about US\$1.9 million mainly due to the prepayment of US\$4.8 million made on the acquisition of a new office unit in Beijing, China, currently under construction, and additions (mainly office renovations, computer hardware and motor vehicles) of about US\$1.2 million. This was negated by the reclassification of an office unit following cessation of owner-occupied status in FY2014, depreciation provided in FY2014 as well as currency translation loss.

Current & Non-current Liabilities

Trade and other payables increased by US\$27.9 million due to higher purchases by the Group’s subsidiaries and longer average payment days to certain

suppliers. The increase attributable to Serial I-Tech group amounted to about US\$2.6 million. Trade payable average payment days increased slightly to 33 days in FY2014 from 32 days in FY2013.

Borrowings increased by US\$40.0 million mainly due to higher borrowings by the Group’s Hong Kong and Singapore subsidiaries to provide working capital to support higher business volume for these subsidiaries in FY2014 and longer average credit period extended to its Singapore, South Korea and Taiwan customers. Increased borrowings attributable to the newly-acquired Serial I-Tech group amounted to about US\$10.6 million.

Share Capital

As at the end of FY2014, the total number of issued and fully paid ordinary shares (excluding treasury shares) remained unchanged from last year at 895,841,914 on a share capital of US\$71.9 million.

Earnings and Net Assets Per Share

Fully diluted earnings per share for FY2014 rose to 1.80 US cents in FY2014 as compared to 1.25 US cent in FY2013.

Based on the issued share capital base of 895,841,914 shares as at the end of FY2014, the Group’s net assets backing per share improved to 13.64 US cents from 12.27 US cents last year.

OTHER BUSINESSES

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

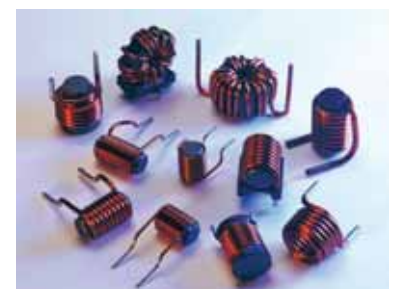
Bull Will Co., Ltd, a Taiwan company listed on the Over-The-Counter Securities Exchange in Taiwan became an associated company when Serial System acquired a 34.3% interest in 2007. Serial System's interest in Bull Will has since decreased to 29.01%.

Bull Will, which started as a passive electronic components distributor, has over the years transformed itself to one with capabilities in research and development, design and manufacturing of a full range of magnetic components for electronic products.

Bull Will's component products are broad-based, including sensors, over-current protection devices, control systems, and discrete components. These components are widely used in power supplies, LCD monitors, smartphones, notebooks, servers, air-conditioners, automotives, solar inverters, etc.



Automotive Magnetics



Choke



Hybrid Series (BW Patent)



Wireless Antenna Choke

Bull Will's vertical integration, production capacity, and technical know-how enable it to quickly adapt to customers' requirements, and achieve the best price, quality, and delivery.

Bull Will aims to be the leading value-added 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 now operates three manufacturing plants in China, supported by more than 2,100 staff.



One of Bull Will's Three Manufacturing Plants in Huizhou, China



Grand Park Orchard @ Knightsbridge LED fully leased to Samsung



Northpoint Shopping Center

Serial Multivision Pte. Ltd.

Serial Multivision Pte. Ltd., a wholly owned subsidiary of the Group, has two core business divisions: Outdoor Advertising Media and Hospitality Solutions.

The Outdoor Advertising Media business consists of large format outdoor LED and billboard advertising displays. Our key LED display, one of the largest outdoor commercial LED display in Asia, is at Grand Park Orchard @ Knightbridge (GPO LED). GPO LED has proven itself to be a key advertising display in Singapore. Samsung is currently taking up the advertising display exclusively. Serial Multivision has two more LED advertising locations at Northpoint Shopping Center.

The Hospitality Solutions business brings immense value to premise operators through technology to deliver a distinguished experience to customers and visitors while also improving the productivity of employees. The suite of technology solutions offered by Serial Multivision works in a seamless manner under a core venue management system. This system includes Intelligence Room Infotainment Solution, Digital Media Content Management system and a host of complimenting software modules such as eMOS (Electronic Meal Ordering System). Our key soft-based solution product, which is the next-generation meal ordering system is co-developed by real nurses, dietitians and kitchen and operational staff that transforms the traditional meal ordering process into a fully integrated system. eMOS delivers leading-edge applications for food service management, hospital kitchen operations, nutrition and dietetics office, hospital paperless mobile menus, clinical nutritional care, automated food allergy checking, safety nets for special dietetics requirement and much more. For seamless end-to-end workflow, eMOS also provides customized HL7 interfaces with real-time information to support patient's nutritional care and meal order delivery. Our clients include Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, St Andrews Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, with a list of other hospital deployments in the pipeline.



iPad Touch for Nurse/Patient at Khoo Teck Puat Hospital



Touch Medical Pad at Khoo Teck Puat Hospital



Digital Signage System and Touch Screen at Sunway Pyramid Penang



Contract Sterilization Services Pte Ltd

Contract Sterilization Services Pte Ltd, a wholly owned subsidiary of the Group, is principally engaged in the assembly and distribution of medical devices in the medical industry.

Contract Sterilization Services offers a full range of standard and customized perfusion tubing packs. These products are marketed all over the Asia Pacific region and are the choice for many leading hospitals. The company utilises the best components from the United States and Europe and customizes majority of its products in accordance with its customers' stringent demands.

Contract Sterilization Services is ISO 13485 certified and has been awarded the CE marking for its range of perfusion products. The company's reputation for quality and innovative designs is a result of consistent attention to

materials, machining and manufacturing techniques. Contract Sterilization Services' engineers and technicians work closely with customers and clinical consultants to provide the best solutions to complex problems and applications. It implements the principals of total quality management from initial contact with clinical professional, until the delivery of sterile finished products that meet customers' stringent requirements.

Contract Sterilization Services is currently strategically located near the Medtech Hub@Tulang which will house world-class medical companies in Singapore. The Medtech Hub is one of the initiatives by the government to actively promote Singapore as Asia's medical hub. The company is set to harness this strategic position in commitment to meet the stringent demands of the medical industry.

Products Range



Customized Heart Lung Pack - use in Cardiac Bypass Surgery



Angio Pack - use in Interventional Radiology



Sterile Procedural Pack



Blood Cardioplegia Set

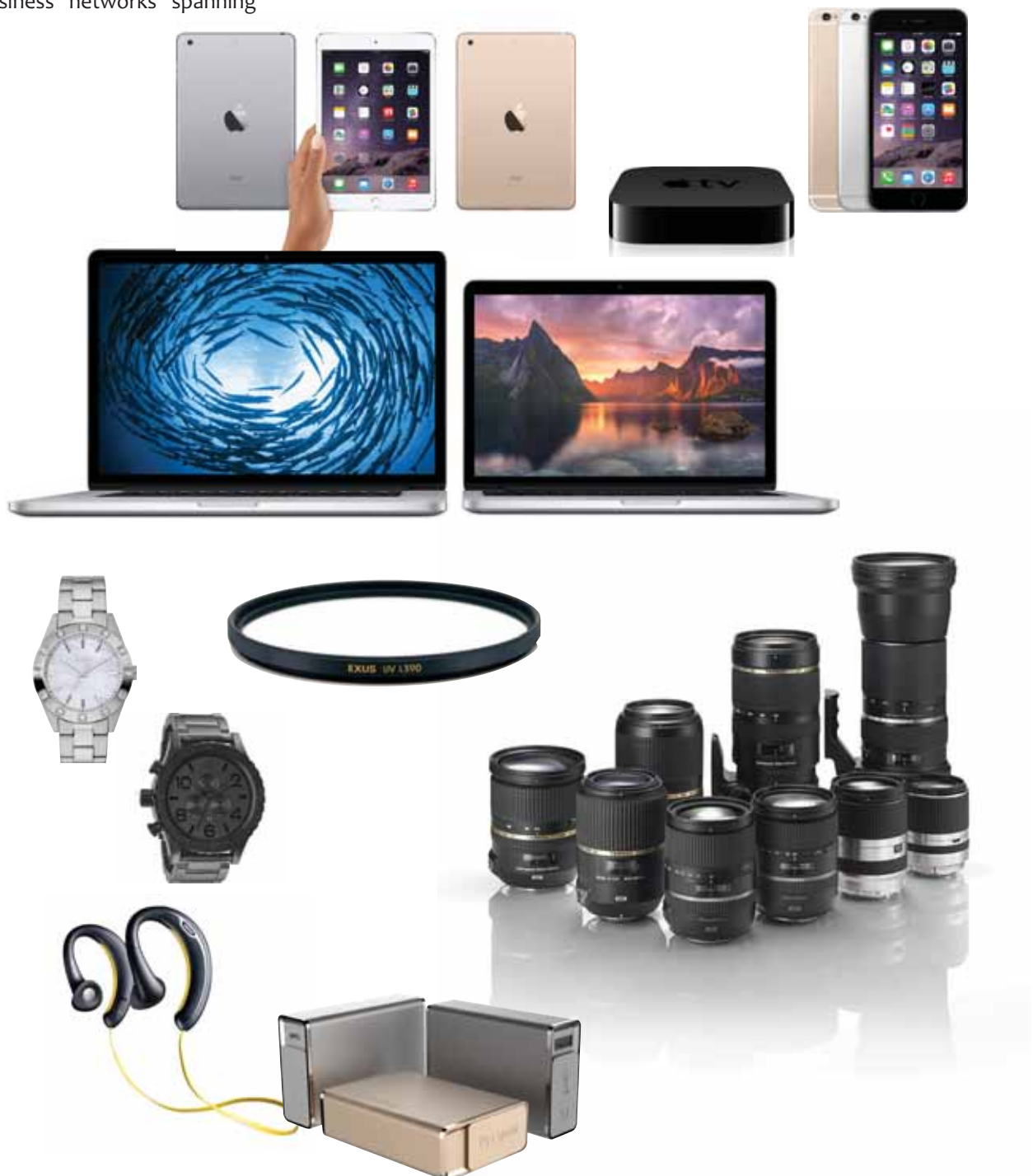
Serial I-Tech (Far East) Pte Ltd

Serial I-Tech (Far East) Pte Ltd, a wholly owned subsidiary of the Group, was previously the trading and distribution entity of GSH Corporation Limited. It is an established distributor of information technology (IT), mobile, photographic and timepiece products.

Serial I-Tech group has extensive and strong business networks spanning

across emerging markets in Vietnam, United Arab Emirates, Kazakhstan, Cambodia and Bangladesh. Headquartered in Singapore, it distributes a wide range of globally renowned brands including Apple, Jabra, Tamron, Fujifilm, Marumi, Titan, Nixon and Fossil.

Serial I-Tech group has 11 offices in 6 countries and is supported by over 130 staff. It is set to leverage on its strengths in marketing and its diversified portfolio to build up its core capabilities, trading and distribution, in the emerging markets.



Achieva Technology Pte. Ltd.

Achieva Technology Pte. Ltd., a 49%-owned associated company of the Group, is the trading and distribution entity of SGX-listed Achieva Limited and is principally engaged in the business of distribution and marketing of information technology (IT), computer peripherals, parts, software and related products.

Achieva Technology distributes and markets an extensive range of IT and digital lifestyle products, computer peripherals, parts and software including data storage devices such as hard



disk drives, opto-magnetic removable disk drives, modems, graphics and sound cards, monitors and CPU. It counts global brands such as Western Digital, Intel, Power Colour, Adata and Roccat as its suppliers and has presence in three markets including Singapore, Malaysia and Australia.

Achieva Technology has repeatedly been recognised by its principals for its commitment to its partners and had been awarded “Outstanding Business Partner”, “Top Authorised Distributor” and “Strategic Partner” in the IT category.

Achieva Technology aims to position itself as the preferred distribution partner of choice in the IT peripherals and lifestyle segments delivering exceptional value to its partners in its operating markets.



SPL Holdings (Australia) Pty Ltd

The Group has an investment of 20% equity interest in SPL Holdings (Australia) Pty Ltd, based in Australia. SPL group specialises in providing laundry services to hotels, resorts, care centres, hospitals and restaurants in Melbourne, Sydney, Canberra, Brisbane and regional areas of Victoria and New South Wales.

SPL group provides quality laundry services with its cutting edge technology and efficient processes ensuring linens are washed, ironed and folded in record time. It runs a 7-day service that delivers fresh linen, including sheets, pillowcases, bath robes, towels, tablecloths, napkins, tea towels, dry cleaning of uniforms, guests clothing and work wear, to its customers.

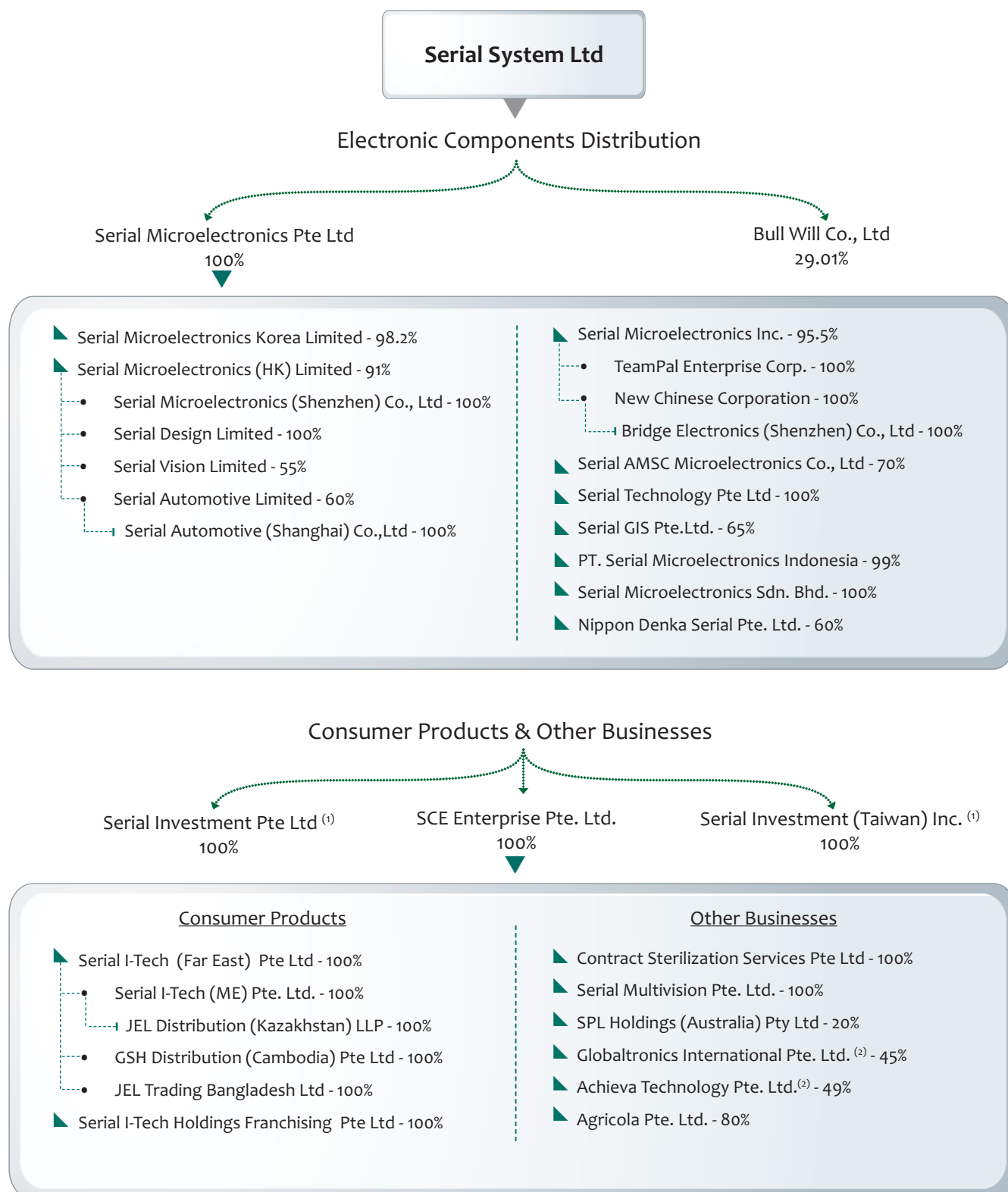


SPL group is strategically located in the Capital cities of Australia which include Melbourne, Sydney, Canberra and Brisbane. It also has a good coverage in regional Victoria (Warnambool, Colac and Sale) and regional New South Wales (Albury, Wagga Wagga, Port Macquarie, Forster and Nelson Bay). SPL group's major customers include ACCOR hotel group, Hilton, Meriton group in Brisbane and many other international and local hotel chains. It continually upgrades its equipment and quality standards to maintain its competitive edge amidst technology innovation and environmental requirements. SPL group is also continually exploring growth opportunities within Australia.



GROUP STRUCTURE

As at 24 March 2015



⁽¹⁾ Investment holding and trading, and rental of properties

⁽²⁾ Electronic components distribution

FINANCIAL CALENDAR & CORPORATE INFORMATION

2014 1st Quarter & 2nd Quarter

19 February 2014

Announcement of Fourth Quarter and Financial Year 2013 Results

09 April 2014

Release of Annual Report 2013

26 April 2014

- Annual General Meeting 2014

- Announcement of First Quarter 2014 Results

19 May 2014

Payment of 2013 Final Cash Dividend

2014 3rd Quarter & 4th Quarter

11 August 2014

Announcement of Second Quarter and Half Year 2014 Results

08 September 2014

Payment of 2014 Interim Cash Dividend

04 November 2014

Announcement of Third Quarter and Nine Months 2014 Results

2015 1st Quarter & 2nd Quarter

13 February 2015

Announcement of Fourth Quarter and Financial Year 2014 Results

13 April 2015

Release of Annual Report 2014

29 April 2015

Annual General Meeting 2015

02 June 2015

Payment of 2014 Final Cash Dividend (Subject to Shareholders' approval at Annual General Meeting 2015)

Board of Directors

Dato' Sri Dr. Derek Goh Bak Heng ^{BBM}
(Executive Chairman & Group CEO)

Mr. Peter Ho I Chin

Mr. Tan Lye Heng Paul

Mr. Ravindran s/o Ramasamy

Mr. Lee Teck Leng Robson

Mr. Goi Kok Neng Ben

Audit Committee

Mr. Tan Lye Heng Paul (Chairman)

Mr. Ravindran s/o Ramasamy

Mr. Lee Teck Leng Robson

Nominating Committee

Mr. Lee Teck Leng Robson (Chairman)

Mr. Tan Lye Heng Paul

Mr. Ravindran s/o Ramasamy

Dato' Sri Dr. Derek Goh Bak Heng ^{BBM}

Remuneration Committee

Mr. Ravindran s/o Ramasamy
(Chairman)

Mr. Tan Lye Heng Paul

Mr. Lee Teck Leng Robson

Dato' Sri Dr. Derek Goh Bak Heng ^{BBM}

Serial System Employee Share Option Scheme 2014

Mr. Ravindran s/o Ramasamy
(Chairman)

Mr. Tan Lye Heng Paul

Mr. Lee Teck Leng Robson

Dato' Sri Dr. Derek Goh Bak Heng ^{BBM}

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
63 Cantonment Road
Singapore 089758

Auditors

Moore Stephens LLP
Public Accountants and
Chartered Accountants

10 Anson Road #29-15

International Plaza

Singapore 079903

Audit Partner :

Mr. Christopher Bruce Johnson
(appointed in Year 2012)

Principal Bankers

Australia and New Zealand Banking
Group Limited
Bank of China (Hong Kong) Limited
BNP Paribas

China CITIC Bank International

China Construction Bank (Asia)

China Development Industrial Bank

CIMB Bank Berhad

Citibank, N.A.

CTBC Bank Co., Ltd

DBS Bank Ltd

Hang Seng Bank Limited

Malayan Banking Berhad

RHB Bank Berhad

Shinhan Bank

Sumitomo Mitsui Banking Corporation

Taipei Fubon Bank

The Hongkong and Shanghai Banking

Corporation Limited

Tokyo-Mitsubishi UFJ

United Overseas Bank Limited

Corporate Social Responsibility

Giving back to society has been deeply imbued in Serial System's corporate culture and we continue to believe strongly and fulfill our duties as a responsible corporate citizen.

In Year 2014 alone, Serial System contributed a total of S\$676,000 (US\$523,000) to a wide variety of programmes and organizations in Singapore. Our CSR efforts have a broad reach, with a focus on contributing to the elderly, the poor and needy, medical, education, youth development, art programmes and culture and heritage.



Visit to Tai Pei Old Folks Home

Contributions to the Poor and Needy

For the past 20 years, we have always celebrated each Lunar New Year at Tai Pei Old Folks Home, distributing "goody" bags, red packets and bringing festive cheer to the elderly with traditional lion dance performances.



In Year 2014, we donated a total of S\$578,000 (US\$446,000) to various charitable foundations / programs to aid the poor and needy such as the five Community Development Councils ("CDCs"), People's Association Community Centers/ Clubs Building Fund and Singapore Children's Society.

As part of our three-year bursary programme, we pledged, on 1 November 2013 in conjunction with our 25th Anniversary, to donate S\$150,000 together with Zhi Zhen Tan Dao Xue Hui ("Zhi Zhen Tan"), a Taoist charity organization founded by Dr. Derek Goh (with Serial System contributing S\$100,000) each to five CDCs. CDC will match the donations, dollar-for-dollar, for the three-year (Year 2014 to Year 2016) bursary programme amounting to S\$4.5 million (with Serial System contributing S\$1.5 million in total) to encourage active living and lifelong learning after retirement for the pioneer generation and to nurture and groom our youths to become future leaders of our country.

Contributions to the Medical and Education Programs

This year 2014, Serial System contributed S\$50,000 (US\$39,000) towards various charitable foundations/ funds / schools to support various medical and education programs such as National Kidney Foundation, Ren Ci Hospital, Sian Chay Medical Institution, Breast Cancer Foundation, Nanyang Polytechnic Graduate Scholarship & Bursary Fund and Inmates' Families Support Fund. The S\$10,000 cash donation to Nanyang Polytechnic Graduate Scholarship & Bursary Fund will be matched 1.5 times by the Ministry of Education.

Other Contributions

Serial System has also contributed in excess of S\$48,000 (US\$38,000) to various organisations and programmes, both locally and internationally, in support of community programmes for the youth, elderly and needy during Year 2014.

BOARD OF DIRECTORS



Dato' Sri 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 Chairman and 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 on 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.

As at 24 March 2015, Dr. Goh holds 347,838,698 shares (38.83%) in Serial System Ltd. Dr. Goh is a substantial shareholder of Serial System Ltd.



Peter Ho I Chin

Executive Director

Mr. Peter Ho I Chin joined the Board of Directors on 17 August 2009. He is currently the Executive Chairman and Group CEO of Bull Will Co., Ltd, a 29.01% owned associated company of Serial System Ltd. As Executive Chairman and Group CEO of Bull Will Co., Ltd, Mr. Ho assists the board in developing business strategies and charting the future direction for the group.

Mr. Ho graduated from the Tung-Hai University in Taiwan with a Bachelor of Accountancy degree. He has over 30 years of experience in the semiconductor and technology fields, having held senior level positions in various multinational corporations.

As at 24 March 2015, Mr. Ho holds 500,000 shares (0.06%) in Serial System Ltd.



Tan Lye Heng Paul

Non-Executive & Independent Director

Mr. Tan Lye Heng Paul joined the Board of Directors on 16 June 2011. He is currently the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Tan is also a Non-Executive and Independent Director of SGX-listed China Sunshine Chemical Holdings Ltd and Sin Ghee Huat Corporation Ltd.

Mr. Tan holds a 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 24 March 2015, Mr. Tan holds 197,000 shares (0.02%) 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.

Apart from Serial System Ltd, Mr. Ravindran is also a Non-Executive and Independent Director of SGX-listed Best World International Ltd.

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



Lee Teck Leng Robson

Non-Executive & Independent Director

Mr. Lee Teck Leng Robson joined the Board of Directors on 30 December 2002. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Lee is also a Non-Executive and Independent Director of several SGX-listed companies, such as Best World International Ltd, Matex International Limited, Sim Lian Group Limited, Sheng Siong Group Ltd and OKH Global Ltd and Hong Kong Stock Exchange-listed Man Wah Holdings Limited.

Mr. Lee graduated from the National University of Singapore with a Second Class Upper Honours degree in law. He is a trustee of the land on which both Hwa Chong Institution and Hwa Chong International are situated and further holds the position of Executive Committee member in the Board of Governors of Hwa Chong Institution. He is also the Director and Secretary to the Board of Directors of Singapore Chinese High School. Mr. Lee is currently a partner in Gibson, Dunn & Crutcher LLP, focusing on mergers & acquisitions and capital markets transactions.



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 a Non-Executive Director of SGX-listed Yamada Green Resources Limited.

Mr. Goi is currently the Head of Corporate Development at SGX-listed Xpress Holdings Ltd, a provider of print management services. Prior to joining Xpress Holdings Ltd, 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, from November 2009 to August 2013, and General Manager of Singapore-based Honjji Foods (2005) Pte Ltd from 2005 to 2009. Mr. Goi started his career with global frozen foods manufacturer, TYJ Group in 1999 in various aspects of the business – namely sales, marketing and operations.

MANAGEMENT TEAM

SERIAL SYSTEM LTD



Derek Goh
Group Chief Executive Officer

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

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

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.

Sean holds a Bachelor of Engineering degree with Honours from the Nanyang Technological University.



Sidney Thong
Vice President
Corporate IT &
Central Functions

Sidney Thong re-joined Serial System since May 2009 as the Senior Director for Corporate IT. He was appointed Vice President of Corporate IT and Central Functions in July 2014.

Sidney is in-charge of charting the IT roadmap for the Group, managing all core IT functions and regional support team, as well as integrating new businesses of the Group. He is also leading the initiative to set up central functions within the Group to raise efficiency and to leverage on the strengths of collaborated cross functional teams region-wide.

Sidney is a Certified Project Management Professional and Certified SAP Consultant, with extensive project management experiences gained with SAP Asia. He holds a Bachelor of Electrical Engineering degree from the University of Illinois in the United States.

SERIAL MICROELECTRONICS PTE LTD



Adrian Chu
Group Chief Operating Officer

Adrian Chu joined Serial Microelectronics Pte Ltd in June 2011 as its Group Chief Operating Officer.

Adrian is responsible for charting the business roadmap, developing strategic plans, optimizing assets / inventories and implementing programs to ensure the attainment of corporate goals for the growth and profitability of the Group's electronic components distribution business.

Adrian has over 29 years of experience in the electronic and semiconductor industry. Prior to joining the Group, he was the Senior Vice President, Asia Pacific Sales & Marketing and General Manager for the Standard Products Business Group in NASDAQ-listed Fairchild Semiconductor, and was Vice President of NASDAQ-listed NXP Semiconductors.

Adrian holds a Bachelor of Business Administration degree from the Royal Melbourne University in Australia. He also graduated from Singapore Polytechnic in Electronics and Communications and Singapore Institute of Management in Management Studies.



Ng Teck Cheng
Senior Vice President
Operations & Asset
Management

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.

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.



William Low
Vice President
Japan & Taiwan

William Low joined Serial Microelectronics Pte Ltd in August 2013 as its Vice President.

William oversees the Group's electronic components distribution business in Japan and Taiwan.

William has over 31 years of experience in the electronic and semiconductor industry and had held senior level positions at Excelpoint Systems and Dovatron International Inc. prior to joining the Group.

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 MTMI from the MTM Association, Sweden.



Chow Tak Liang
Vice President
South Asia Pacific

TL Chow joined Serial Microelectronics Pte Ltd in October 2012 as its Vice President.

TL oversees the Group's electronic components distribution business in South East Asia and India.

TL has over 22 years of experience in the electronic and semiconductor industry and had held senior positions at NXP Semiconductors and Philips Semiconductors prior to joining the Group.

TL holds a Bachelor of Engineering Degree in Electrical and Electronic Engineering and a Postgraduate Diploma in Marketing from the University of Strathclyde in Scotland, United Kingdom.

COUNTRY HEADS



Kim Sang Yeol
President
Serial Microelectronics Korea Limited
South Korea

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 31 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

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 Innowave 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.



Jesse Jeng
President
Serial Microelectronics Inc.
Taiwan

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 28 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.



Peter Ho
Group Chief Executive Officer
Bull Will Co., Ltd
Taiwan

Peter Ho was appointed Group Chief Executive Officer of Bull Will Co., Ltd in March 2011.

As Group Chief Executive Officer, Peter leads the management team of Bull Will in executing strategies to achieve the goals set by its board of directors.

CORPORATE GOVERNANCE REPORT

Both Board of Directors (the “Board”) and Management are committed to high standards of corporate governance and have adopted practices contained in the Best Practices Guide issued by 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 Chief Executive Officer (“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 ⁽¹⁾	26 October 1998	26 October 1998	Executive/ Non-independent	Executive Chairman & Group CEO	-	Member	Member
Peter Ho I Chin ⁽²⁾	17 August 2009	27 April 2013	Executive/ Non-independent	Member	-	-	-
Tan Lye Heng Paul	16 June 2011	26 April 2014	Non-Executive/ Lead Independent	Member	Chairman	Member	Member

1. Board Matters (continued)

The Board's conduct of its affairs (continued)

Principle 1: Effective Board to lead and control the Company (continued)

The composition of the current Board and Board Committees is as shown below: (continued)

Table 1: Board and Board Committees: (continued)

Name of Director	Date of appointment	Date of last re-election	Main Board		Audit Committee	Nominating Committee	Remuneration Committee
			Status	Position	Position	Position	Position
Ravindran s/o Ramasamy	14 August 2001	27 April 2013	Non-Executive/Independent	Member	Member	Member	Chairman
Lee Teck Leng Robson	30 December 2002	26 April 2014	Non-Executive/Independent	Member	Member	Chairman	Member
Goi Kok Neng Ben ⁽³⁾	27 April 2013	26 April 2014	Non-Executive/Non-Independent	Member	-	-	-

⁽¹⁾Appointed Group Managing Director on 1 March 2001 and is not subjected to retirement by rotation pursuant to Serial System Ltd's Articles of Association

⁽²⁾Executive Chairman and Group CEO of Bull Will Co., Ltd, a 29.01% owned associated company of Serial System Ltd

⁽³⁾Son of Goi Seng Hui, a substantial shareholder of Serial System Ltd

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:

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	6	4	1	2
Number of meetings attended:				
Derek Goh Bak Heng	6	NA	1	2
Peter Ho I Chin	5	NA	NA	NA
Tan Lye Heng Paul	6	4	1	2
Ravindran s/o Ramasamy	6	4	1	2
Lee Teck Leng Robson	6	4	1	2
Goi Kok Neng Ben	6	NA	NA	NA

NA – Not Applicable

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\$3.8 million)
- Interested person transactions for an amount equal to or more than S\$100,000 (equivalent to US\$76,000)
- Declaration of dividends by Serial System Ltd
- Appointment of Directors and Chief Executive Officer 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 1.6: 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.

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.

There were no incoming directors during the financial year under review.

2. Board composition and guidance

Principle 2: Independent element on the Board

Guideline 2.1: Independent element on the Board

Currently, the Board comprises two executive directors, one non-executive director and three 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 of Corporate Governance issued by the Corporate Governance Committee in determining if a director is independent. Lee Teck Leng Robson, an independent director, was previously a partner at Shook Lin & Bok LLP ("SLB") during FY2014. SLB had during FY2014 provided legal advisory services to the Group. The aggregate value of professional fees paid to SLB by the Group in FY2014, in respect of work undertaken in FY2013 and FY2014, was approximately S\$143,000 (equivalent to US\$112,000). Mr. Lee was however not the partner in charge of the relevant matters nor had he in any way acted in a professional capacity in relation to the legal advisory services that had been provided by SLB to the Group.

The NC (excluding Lee Teck Leng Robson) has reviewed and confirmed that, notwithstanding the foregoing, Lee Teck Leng Robson remains an independent director. The conduct of the relevant legal advisory services was not undertaken by Mr. Lee, and the fees paid to SLB over a period of two financial years were entirely in accordance with the prevailing market rates for such professional legal services that had been vigorously negotiated and agreed independently by the Management with the concurrence of the Board (without the participation of Lee Teck Leng Robson). Mr. Lee has since resigned from SLB as of the date of this report.

The NC has also reviewed and confirmed that Tan Lye Heng Paul and Ravindran s/o Ramasamy 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 and Lee Teck Leng Robson have both served as independent director of the Company for more than nine years. The Board has determined that both directors remain 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, their independence. The Board also reviews the performance of each of the two independent directors and considers that each of these directors 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 their performance and continued independence.

2. Board composition and guidance (continued)

Principle 2: Independent element on the Board (continued)

Moreover, the Board has appointed three new directors in the past six years, namely Peter Ho I Chin in August 2009, a new Audit Committee Chairman, Tan Lye Heng Paul in June 2011, and Goi Kok Neng Ben in April 2013. To ensure continuity of management and governance, the Board verily believes that the continued presence of Ravindran s/o Ramasamy and Lee Teck Leng Robson on the Board will provide the requisite stability and ballast in the mix of new and old directors who are collectively charting the corporate directions and discharging the governance watch on the Group. The Board holds the view that continuity and stability of the Board is important and considers it is not currently in the interests of the Company and shareholders to require directors who have served for nine years or longer to retire. The Board nevertheless 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.

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

Lee Teck Leng Robson 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 (with Ravindran s/o Ramasamy abstaining in respect of his re-nomination) recommended to the Board that Ravindran s/o Ramasamy and Peter Ho I Chin who retire pursuant to Article 89 of Serial System Ltd's Articles of Association, be nominated for re-appointment at the forthcoming AGM on 29 April 2015.

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 2014 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 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, and that only Lee Teck Leng Robson holds more than three other directorships on unrelated listed companies, 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 financial 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.

For the financial year under review, no new director was appointed to the Board.

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 22 to 23 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 29 April 2015 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 Group 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, Lee Teck Leng Robson, 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 two meetings in Year 2014 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 advice 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 financial year under review, the RC did not require the service of an external professional consultant.

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 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)

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 financial 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 2014 is appropriate and that the independent 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 financial 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 directors 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 directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the executive directors 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 to the directors for Year 2014 are as follows:

Executive Directors	Directors' Fees ⁽¹⁾ (%)	Salary ⁽²⁾ and AWS ⁽³⁾ (%)	Incentive Bonus (%)	Other Benefits (%)	Total Remuneration (S\$)
Derek Goh Bak Heng	2.0	32.5	64.7	0.8	1,915,891
Peter Ho I Chin ⁽⁴⁾	100.0	-	-	-	39,000
Non-Executive & Independent Directors					
Tan Lye Heng Paul	100.0	-	-	-	42,000
Ravindran s/o Ramasamy	100.0	-	-	-	42,000
Lee Teck Leng Robson	100.0	-	-	-	42,000
Non-Executive Director					
Goi Kok Neng Ben	100.0	-	-	-	39,000

⁽¹⁾ Accrued for Year 2014

⁽²⁾ Includes employer's CPF contribution

⁽³⁾ Annual wage supplement of one-month salary

⁽⁴⁾ Remunerated in Bull Will Co., Ltd

Note: The remuneration disclosed in this report does not include share option expense. No share options were granted to directors in Year 2014.

Guideline 9.3: Remuneration of top 5 key management personnel

The Board is aware that the Code of Corporate Governance 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 2014 is S\$2,316,000 and the remuneration bands for Year 2014 are presented as follows:

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

⁽¹⁾ Includes executives of overseas subsidiaries

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

9. Disclosure on remuneration (continued)

Principle 9: Disclosure on remuneration (continued)

Guideline 9.4: Employee related to directors/ CEO

Saved as disclosed in guideline 9.3 above, no employee of the Company was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year under review.

Guideline 9.5: Employee share scheme

For the financial 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 financial year under review, the CEO and the 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 an in-house internal auditor oversees and ensures 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 in the "Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual" section on page 149 of this Annual Report.

11. Risk Management and Internal Controls (continued)

Principle 11: Risk management and internal controls (continued)

On an annual basis, the internal auditor prepares the internal audit plan taking into consideration the risks identified which is approved by the AC. During the financial year, the AC reviewed the reports submitted by the internal auditor 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 CEO and the 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 in the 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 2014 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 auditor. Having considered the Company's business operations as well as its existing risk management systems and internal control, 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 Lee Teck Leng Robson. 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.

12. Audit Committee (continued)

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

The AC has reviewed the financial statements with the Management and external auditors and is of the view that the Group's financial statements for Year 2014 are fairly presented in conformity with the relevant Singapore Financial Reporting Standards 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 four meetings in Year 2014 and the attendance by the members is tabulated in Table 2 – “Attendance at Board and Board Committee Meetings” above.

Guideline 12.5: External and internal auditors

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

The auditors of the Company's subsidiaries and associated companies are disclosed in Note 19 and Note 18 to the financial statements in this annual report. The Company confirms that Listing Rule 712 and Rule 715 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 auditor on changes to accounting standards, SGX-ST 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 an in-house internal auditor (“IA”) who reports directly to the chairman of the AC, for the financial year under review. The IA has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

13. Internal Audit (continued)

Principle 13: Internal audit (continued)

Guideline 13.3 & 13.4: Internal audit function

The Company's internal audit function is independent of the activities it audits. The IA 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 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. 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, work 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 2014 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. These notices are also published in the Business Times and posted onto the SGXNET. 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 Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend its general meetings.

The Company will consider amending its Articles of Association, if the need arises, to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in its general meetings as proxies.

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 interim 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 interim and full-year results, and related presentation slides and press releases are also made available on SGXNET and the Company's website.

15. Communication with shareholders (continued)

Principle 15: Communication with shareholders (continued)

All shareholders receive the Company's annual report and notice of general meetings which, amongst others, contains 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 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.

Guideline 15.5: Dividend policy

The Articles of Association of the Company provide a specific guideline for the Company's dividend policy. The Company shall pay an annual dividend equivalent to at least 25% of its net profit after tax, based on the Company's audited consolidated financial statements for the relevant financial year, of which dividends paid in cash shall constitute at least 50% of the annual dividend payment, after taking into account, inter alia, 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 Articles of Association 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

Voting at general meetings is by show of hands unless a poll is demanded. Voting by show of hands enables the Company and shareholders to deal with the business of the meeting expeditiously as the result of the vote is instantly available.

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 142 and 143 of this Annual Report.

During the financial year under review, an interested person transaction amounting to US\$13,574,000, being total consideration payable by the Company to GSH Corporation Limited for the acquisition of entire distribution and trading entity of GSH Corporation Limited, was duly approved by shareholders at the Company's extraordinary general meeting on 30 December 2014. Goi Kok Neng Ben, a non-executive director of the Company, is the son of Goi Seng Hui, a substantial shareholder of GSH Corporation Limited, and the sibling of Goi Kok Ming Kenneth, an executive director of GSH Corporation Limited. Accordingly, the said acquisition constitutes an interested person transaction for the purposes of Chapter 9 of the Listing Manual of SGX-ST.

Compliance with The Code of Corporate Governance

The Board is satisfied that for the financial year ended 31 December 2014, the Group has complied with the spirit of the principal corporate governance recommendations set out in The Code of Corporate Governance.

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DIRECTORS' REPORT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are:

Derek Goh Bak Heng
Peter Ho I Chin
Tan Lye Heng Paul
Ravindran s/o Ramasamy
Lee Teck Leng Robson
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 report.

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, the interests of the directors holding office at the beginning and 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		
	At 21.1.2015	At 31.12.2014	At 1.1.2014
The Company			
(Number of ordinary shares)			
Derek Goh Bak Heng	347,838,698	347,838,698	333,897,698
Peter Ho I Chin	500,000	500,000	500,000
Tan Lye Heng Paul	197,000	197,000	100,000

- (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' REPORT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

Directors' interests in shares or debentures (continued)

- (c) Dr. 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 31.12.2014	At 1.1.2014
Agricola Pte. Ltd. (Number of ordinary shares)	40,000	40,000
Serial Microelectronics (HK) Limited (Number of ordinary shares of HK\$1 each)	27,300,000	27,300,000
Serial Microelectronics Inc. (Number of ordinary shares of NT\$10 each)	5,348,250	5,348,250
Serial Microelectronics Korea Limited (Number of common stocks of KRW 5,000 each)	19,640	19,640
Serial AMSC Microelectronics Co., Ltd (Number of ordinary shares of JPY 50,000 each)	4,200	4,200
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)	2,865,000	2,865,000
New Chinese Corporation (Number of ordinary share of US\$1 each)	0.955	0.955
Bridge Electronics (Shenzhen) Co., Ltd (Capital contribution in US\$)	143,250	143,250
Nippon Denka Serial Pte. Ltd. (Number of ordinary shares)	60,000	60,000
Serial GIS Pte. Ltd. (Number of ordinary shares)	325,000	-
Serial Automotive Limited (Number of ordinary shares of HK\$1 each)	5,460	-
Serial Vision Limited (Number of ordinary shares of HK\$1 each)	5,005	-
Serial Automotive (Shanghai) Co., Ltd (Capital contribution in RMB)	546,000	-
Serial Multivision (Thailand) Company Limited (Number of ordinary shares of THB100 each)	-	3,185

DIRECTORS' REPORT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report.

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' Reports for the respective financial years.

There were no share options granted pursuant to the 2014 Scheme during the financial year ended 31 December 2014.

During the financial year ended 31 December 2013, 280,000 ordinary shares of the Company were allotted and issued by virtue of the exercise of share options.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Share options (continued)

(b) Outstanding share options

There are no share options outstanding at the end of the financial year ended 31 December 2014.

(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 report, the directors report that:

- (i) the members of the Committee administering the 2014 Scheme are Ravindran s/o Ramasamy (Chairman), Tan Lye Heng Paul, Lee Teck Leng Robson 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
Lee Teck Leng Robson

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. 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 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; and
- evaluates the objectivity and independence of the external auditors annually and nominates external auditors for appointment or re-appointment.

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.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

Audit Committee (continued)

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, Public Accountants and Chartered Accountants, 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 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

Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment as independent auditors.

On behalf of the Board of Directors

DEREK GOH BAK HENG

Director

TAN LYE HENG PAUL

Director

24 March 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 50 to 148 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2014 and of the results of the business, 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.

On behalf of the Board of Directors

DEREK GOH BAK HENG
Director

TAN LYE HENG PAUL
Director

24 March 2015

INDEPENDENT AUDITORS' REPORT

To The Members of Serial System Ltd

For the financial year ended 31 December 2014

We have audited the accompanying financial statements of Serial System Ltd (the “Company”) and its subsidiaries (the “Group”), as set out on pages 50 to 148, which comprise the balance sheets of the Group and of the Company as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

Moore Stephens LLP

Public Accountants and Chartered Accountants

Singapore
24 March 2015

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2014 US\$'000	2013 US\$'000
Sales	5	1,036,062	817,051
Cost of sales	6	(945,705)	(743,527)
Gross profit		90,357	73,524
Other income	5	7,468	6,904
Expenses:			
Distribution	6	(43,228)	(36,642)
Administrative	6	(11,055)	(10,837)
Finance	8	(4,586)	(3,185)
Other	6	(17,867)	(14,943)
Total expenses		(76,736)	(65,607)
		21,089	14,821
Share of result of associated companies (net of income tax)	18	(232)	(424)
Profit before income tax	6	20,857	14,397
Income tax expense	9	(4,708)	(3,002)
Profit for the year		16,149	11,395
Profit attributable to:			
Equity holders of the Company		16,085	11,206
Non-controlling interests	34	64	189
		16,149	11,395
Earnings per share attributable to equity holders of the Company:			
Basic	10	1.80 cents	1.25 cents
Diluted	10	1.80 cents	1.25 cents

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2014 US\$'000	2013 US\$'000
Profit for the year		16,149	11,395
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plans' actuarial gain/(losses)	28	57	(236)
Share of an associated company's other comprehensive income	18	835	-
		892	(236)
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes on financial asset, available-for-sale	17	(763)	(894)
Fair value changes on disposal of financial asset, available-for-sale reclassified to profit or loss	31	1,657	-
Net changes in revaluation reserve	31	59	-
Currency translation differences	32	(1,737)	554
		(784)	(340)
Other comprehensive income/(loss) for the financial year, net of tax		108	(576)
Total comprehensive income for the financial year		16,257	10,819
Total comprehensive income attributable to:			
Equity holders of the Company		16,188	10,605
Non-controlling interests	34	69	214
		16,257	10,819

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

As at 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

		The Group		The Company	
	Note	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	58,297	40,548	2,420	1,026
Trade and other receivables	12	184,661	165,909	15,278	16,370
Inventories	13	98,599	67,925	-	-
Financial assets, at fair value through profit or loss	14	1,259	61	-	-
Other current assets	15	4,968	2,601	67	116
		347,784	277,044	17,765	17,512
Non-current assets					
Financial assets, at fair value through profit or loss	14	13	1,297	-	-
Loans and receivables	16	1,000	-	40,625	41,757
Financial assets, available-for-sale	17	1,324	5,182	-	-
Investments in associated companies	18	17,373	6,097	6,682	6,626
Investments in subsidiaries	19	-	-	53,558	52,883
Property, plant and equipment	20	37,862	36,009	336	346
Investment properties	21	7,660	6,392	-	-
Intangible assets	22	9,472	9,066	521	588
Other assets	23	1,966	1,834	-	-
Deferred income tax assets	29	750	555	-	-
		77,420	66,432	101,722	102,200
Total assets		425,204	343,476	119,487	119,712
LIABILITIES					
Current liabilities					
Trade and other payables	24	120,351	92,473	5,221	3,088
Current income tax liabilities	9	3,344	1,478	186	78
Redemption liability	25	-	410	-	-
Borrowings	26	171,897	124,298	6,783	2,964
		295,592	218,659	12,190	6,130
Non-current liabilities					
Other payable	24	-	-	4,524	4,683
Borrowings	26	6,550	14,115	-	7,079
Defined benefit plans liabilities	28	656	651	-	-
Deferred income tax liabilities	29	172	89	-	-
		7,378	14,855	4,524	11,762
Total liabilities		302,970	233,514	16,714	17,892
NET ASSETS		122,234	109,962	102,773	101,820
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	72,648	72,648	72,648	72,648
Treasury shares	30	(736)	(736)	(736)	(736)
Capital reserve	31	1,015	180	180	180
Defined benefit plans reserve	31	(367)	(424)	-	-
Fair value reserve	31	-	(894)	-	-
Revaluation reserve	31	59	-	-	-
Other reserve	31	(715)	(410)	-	-
Currency translation reserve	32	4,283	6,025	17,589	17,589
Retained earnings	33	42,847	31,051	13,092	12,139
		119,034	107,440	102,773	101,820
Non-controlling interests	34	3,200	2,522	-	-
TOTAL EQUITY		122,234	109,962	102,773	101,820

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

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 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	US\$'000	US\$'000	
Balance at 1 January 2014													
	72,648	(736)	180	(424)	(894)	-	(410)	6,025	31,051	107,440	2,522		109,962
Profit for the year													
Other comprehensive income/(loss):													
Defined benefit plans' actuarial gain	-	-	-	-	-	-	-	-	16,085	16,085	64		16,149
Share of an associated company's other comprehensive income	-	-	835	-	-	-	-	-	-	835	-	-	835
Net loss on fair value changes on financial asset, available-for-sale	-	-	-	-	(763)	-	-	-	-	(763)	-	-	(763)
Fair value changes on disposal of financial asset, available-for-sale reclassified to profit or loss	-	-	-	-	1,657	-	-	-	-	1,657	-	-	1,657
Net changes in revaluation reserve	-	-	-	-	-	59	-	-	-	59	-	-	59
Currency translation differences	-	-	-	-	-	-	-	(1,742)	-	(1,742)	5		(1,737)
Other comprehensive income/(loss) for the financial year, net of tax	-	-	835	57	894	59	-	(1,742)	-	103	5		108
Total comprehensive income/(loss) for the financial year	-	-	835	57	894	59	-	(1,742)	16,085	16,188	69		16,257
Contributions by and distributions to owners:													
Movement in option to acquire non-controlling interest of a subsidiary	25	-	-	-	-	-	410	-	-	410	-	-	410
One-tier tax-exempt final cash dividend for year 2013	35	-	-	-	-	-	-	-	(2,139)	(2,139)	-	-	(2,139)
One-tier tax-exempt interim cash dividend for year 2014	35	-	-	-	-	-	-	-	(2,150)	(2,150)	-	-	(2,150)
Total contributions by and distributions to owners		-	-	-	-	-	410	-	(4,289)	(3,879)	-	-	(3,879)
Others:													
Investment in subsidiaries by non-controlling interests	34	-	-	-	-	-	-	-	-	-	172		172
Acquisition of additional interests in a subsidiary from non-controlling interests	34	-	-	-	-	-	(715)	-	-	(715)	695		(20)
Closure of a subsidiary	34	-	-	-	-	-	-	-	-	-	4		4
Dividends paid to non-controlling interest	34	-	-	-	-	-	-	-	-	-	(262)		(262)
Total others		-	-	-	-	-	(715)	-	-	(715)	609		(106)
Balance at 31 December 2014													
	72,648	(736)	1,015	(367)	-	59	(715)	4,283	42,847	119,034	3,200		122,234

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

		Attributable to equity holders of the Company										Total attributable to equity holders of the Company		Non- controlling interests		Total equity	
Note	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					
Profit for the year	-	-	-	-	-	-	-	-	11,206	11,206	189	11,395					
Other comprehensive (loss)/income:																	
Defined benefit plans' actuarial losses	-	-	-	-	(236)	-	-	-	-	(236)	-	(236)					
Net loss on fair value changes on financial asset, available-for-sale	-	-	-	-	-	(894)	-	-	-	(894)	-	(894)					
Currency translation differences	-	-	-	-	-	-	-	529	-	529	25	554					
Other comprehensive (loss)/income for the financial year, net of tax	-	-	-	-	(236)	(894)	-	529	-	(601)	25	(576)					
Total comprehensive (loss)/income for the financial year	-	-	-	-	(236)	(894)	-	529	11,206	10,605	214	10,819					
Contributions by and distributions to owners:																	
Option to acquire non-controlling interest of a subsidiary	25	-	-	-	-	-	(410)	-	-	(410)	-	(410)					
One-tier tax-exempt final cash dividend for year 2012	35	-	-	-	-	-	-	-	(2,178)	(2,178)	-	(2,178)					
One-tier tax-exempt interim cash dividend for year 2013	35	-	-	-	-	-	-	-	(1,689)	(1,689)	-	(1,689)					
One-tier tax-exempt special one-off interim cash dividend for year 2013	35	-	-	-	-	-	-	-	(1,785)	(1,785)	-	(1,785)					
Total contributions by and distributions to owners		-	-	-	-	-	(410)	-	(5,652)	(6,062)	-	(6,062)					
Others:																	
Acquisition of a subsidiary	34	-	-	-	-	-	-	-	-	-	1,225	1,225					
Acquisition of additional interests in subsidiaries from non-controlling interests	34	-	-	-	-	-	-	-	-	-	(300)	(300)					
Closure of subsidiaries	34	-	-	-	-	-	-	-	-	-	(143)	(143)					
Dividends paid to non-controlling interest	34	-	-	-	-	-	-	-	-	-	(132)	(132)					
Serial System Executives Share Option Scheme																	
- Exercise of share options	30(b)	22	-	-	-	-	-	-	-	22	-	22					
- Reversal of share option reserve	31	-	-	(5)	-	-	-	-	-	(5)	-	(5)					
Total others		22	-	(5)	-	-	-	-	-	17	650	667					
Balance at 31 December 2013	72,648	(736)	-	180	(424)	(894)	(410)	6,025	31,051	107,440	2,522	109,962					

The accompanying notes form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2014 US\$'000	2013 US\$'000
Cash flows from operating activities			
Profit before income tax		20,857	14,397
Adjustments for:			
Amortisation of computer software license costs		252	200
Amortisation of distribution rights		1,722	2,041
Depreciation of property, plant and equipment		2,613	2,160
Property, plant and equipment written off		70	6
(Gain)/loss on disposal of property, plant and equipment		(1)	10
Gain on disposal of an investment property		-	(822)
Fair value gain on investment properties		(677)	(320)
Impairment losses on goodwill arising from acquisition of subsidiaries		988	401
Impairment loss on other assets (non-current)		-	87
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year		(316)	-
Gain on dilution of interests in an associated company		(258)	-
Gain on disposal of interests in an associated company		(777)	-
Gain on closure of subsidiaries (net)		(5)	(32)
Gain on sale of financial asset, available-for-sale		(1,381)	-
Fair value loss on derivative financial instruments		1,439	56
Loss on sale of financial assets, at fair value through profit or loss		-	48
Fair value loss/(gain) on financial assets, at fair value through profit or loss (net)		31	(124)
Provision for defined benefit plans liabilities		390	348
Dividend income from financial assets, available-for-sale		(108)	(35)
Interest income		(181)	(171)
Interest expense		4,586	3,185
Share of results of associated companies		232	424
Operating cash flow before working capital changes		29,476	21,859
Change in working capital			
Trade and other receivables		(14,120)	(50,745)
Inventories		(24,306)	(10,344)
Other current assets		(2,187)	(649)
Loan and receivable		(1,000)	-
Other assets (non-current)		(126)	(896)
Trade and other payables		23,510	24,867
Cash from/(used in) operations		11,247	(15,908)
Income tax paid	9(b)	(2,634)	(3,451)
Net cash provided by/(used in) operating activities		8,613	(19,359)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

	Note	2014 US\$'000	2013 US\$'000
Cash flows from investing activities			
Payments for intangible assets (computer software license costs)		(280)	(565)
Payments for property, plant and equipment		(5,968)	(11,710)
Proceeds from disposal of an investment property		-	3,480
Proceeds from disposal of property, plant and equipment		15	6
Proceeds from sale of financial asset, available-for-sale		6,142	-
Proceeds from sale of financial assets, at fair value through profit or loss		-	278
Proceeds from disposal of interests in an associated company		1,487	-
Payment for acquisition of subsidiaries, net of cash acquired	19(a)	(1,107)	(1,511)
Payment for acquisition of additional interests in subsidiaries from non-controlling interests	19(b)	(50)	(300)
Payments for acquisition of additional interests in an associated company	18	(658)	(374)
Payments for acquisition of interests in associated companies	18	(10,798)	-
Payments for financial assets, at fair value through profit or loss		-	(500)
Payments for financial assets, available-for-sale		-	(4,842)
Dividends received from an associated company	18	71	-
Dividends received from financial assets, available-for-sale		108	35
Interest received		165	250
Net cash used in investing activities		(10,873)	(15,753)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	22
Payment for investment in a subsidiary by non-controlling interests	34	172	-
Dividends paid	35	(4,289)	(5,652)
Dividends paid to non-controlling interest	34	(262)	(132)
Proceeds from bank borrowings		617,427	510,520
Repayment of bank borrowings		(583,760)	(463,266)
Repayment of other borrowings		(3,792)	-
Repayment of finance lease liabilities		(55)	(68)
Interest paid		(4,456)	(3,120)
Net cash provided by financing activities		20,985	38,304
Net increase in cash and cash equivalents held		18,725	3,192
Cash and cash equivalents at the beginning of the financial year	11	40,548	37,180
Effect of currency translation on cash and cash equivalents		(976)	176
Cash and cash equivalents at the end of the financial year	11	58,297	40,548

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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”) and Taiwan Stock Exchange (“TSE”).

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 19.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) 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 judgment 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 judgment 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 2014, the Group has adopted the following new and revised FRS which are relevant to the Group and mandatory for application:

FRS 27 (revised)	Separate Financial Statements
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The revised FRS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged. The adoption of this revised standard does not have any impact on the Group’s financial performance or financial position.

FRS 28	Investments in Associates and Joint Ventures
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FRS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. FRS 28 (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee.

The adoption of this standard does not have any impact on the Group’s financial performance or financial position.

FRS 110	Consolidated Financial Statements
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FRS 110 supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities. It changes the definition of control and applies it to all investees to determine the scope of consolidation. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns.

The Group has reassessed the control conclusion for its investees at 1 January 2014. As a consequence, the Group has not changed any of its control conclusions in respect of any investments in subsidiaries or associated companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.1 Basis of Preparation (continued)

Adoption of new and revised FRS (continued)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It requires an entity to provide summarised financial information about the assets, liabilities, net results and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity.

The adoption of this standard has no impact on the Group's financial performance or financial position. The Group has incorporated the additional disclosures required by FRS 112 into the financial statements.

Amendments to FRS 36 Recoverable Amount Disclosure for Non-Financial Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

The adoption of this standard has no impact on the Group's financial performance or financial position. The Group has incorporated the additional disclosures required by FRS 36 into the financial statements.

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 that 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 but are considered 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 of 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 changes in equity and consolidated balance sheet. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(b) Acquisition of businesses (continued)

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 balance sheet.

(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

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated financial statements, separately from equity attributable to owners of the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(e) Associated companies (continued)

Investments in associated companies 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' 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 equals or exceeds its interest in the associated company, 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.

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

Investments in associated companies 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 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 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 date of the balance sheet, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency translation 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 balance sheet date are recognised in the consolidated income statement, unless they arise from borrowings in foreign currencies, and other currency instruments designated and qualifying 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 statements 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 was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.3 Currency translation (continued)

(b) Transactions and balances (continued)

Exchange differences on monetary items are recognised in consolidated income statement in the period in which they arise except for:

- (i) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- (ii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to consolidated income statement on repayment of the monetary items.

(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 date of the balance sheet;
- (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 de-recognised, but they are not reclassified to income statement.

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 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 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 sales 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.4 Revenue recognition (continued)

(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, 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 balance sheet 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.

Deferred income tax liabilities are recognised on temporary differences arising on investments in subsidiaries and associated companies, 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 the balance sheet 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 balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and 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 balance sheet 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 balance sheet 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 balance sheet.

(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 balance sheet date.

(b) Recognition and derecognition

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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 is 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.

2. Significant accounting policies (continued)**2.6 Financial assets (continued)****(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.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into currency translation differences resulting from changes in amortised cost of the asset and other changes. The currency translation differences resulting from changes in amortised cost of the asset are recognised in the consolidated income statement and other changes are recognised in the fair value reserve within equity. Changes in fair values of non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

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.

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 at balance sheet 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(e) Impairment (continued)

(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.

2.7 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, 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 balance sheet.

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 de-recognised 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 de-recognition 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 balance sheet. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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2. Significant accounting policies (continued)

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.

(b) Depreciation

Freehold land and construction in progress are 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:

Useful lives (Years)

Leasehold land and buildings	30 - 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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2. Significant accounting policies (continued)

2.12 Investment properties (continued)

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.

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. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as disclosed in Note 2.11 of the financial statements up to the date of change in use.

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 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 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 and associated companies 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 licences 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.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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2. Significant accounting policies (continued)

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 and associated companies

Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries and associated companies are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

2. Significant accounting policies (continued)

2.15 Borrowings (continued)

(a) Borrowings (continued)

Borrowings which are due to be settled within twelve months after the balance sheet 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 balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are presented as non-current borrowings in the balance sheet.

(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 Redemption liability

Redemption liability is recognised at the present value of the redemption amount and accreted through finance charges in consolidated income statement over the contract period up to the financial redemption amounts. Any adjustments to the redemption amount are recognised as finance charges in consolidated income statement. The initial redemption liability is recognised in consolidated statement of changes in equity. Upon cancellation or expiry of options, the redemption liability is adjusted against equity.

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 balance sheet 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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2. Significant accounting policies (continued)

2.19 Fair value estimation (continued)

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

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

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 balance sheet.

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 and Japan, 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 end of the reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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2. Significant accounting policies (continued)

2.22 Employee compensation (continued)

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

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) Remeasurement.

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.

Remeasurement 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. Remeasurement is recognised in retained earnings within equity and is not reclassified to the consolidated income statement in subsequent periods.

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 of 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 balance sheet 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 balance sheet 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. Significant accounting policies (continued)**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 balance sheet 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.

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 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 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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2. Significant accounting policies (continued)

2.26 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.

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.

2.27 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
Amendments to FRS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSS, issued in January 2014		
- FRS 24	Related Party Disclosures	1 July 2014
- FRS 102	Share-based Payment	1 July 2014
- FRS 103	Business Combinations	1 July 2014
- FRS 108	Operating Segments	1 July 2014
Improvements to FRSS, issued in February 2014		
- FRS 40	Investment Property	1 July 2014
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
FRS 109	Financial Instruments	1 January 2018

Amendments to FRS 19 Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employers or third parties are required to be attributed to periods of service either using the plan's contribution formula or on a straight line basis. These amendments are effective from 1 July 2014. 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)

Improvements to FRSs 2014 - FRS 24

Related Party Disclosures

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. The amendment is effective for annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

Improvements to FRSs 2014 - FRS 102

Share-based Payment

The amendment changes the definitions of 'vesting conditions' and 'market condition' and add the definitions of 'performance condition' and 'service condition' to clarify various issues, including: (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering a service; (iii) a performance target may relate to the operations or activities of an entity, or those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide a service during the vesting period, the service condition is not satisfied. The amendment is effective prospectively for which the grant date of the share-based transaction is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

Improvements to FRSs 2014 - FRS 103

Business Combinations

The amendment clarifies that the contingent consideration of an acquirer in a business combination is measured at fair value at each reporting date and changes in fair value are recognised in the consolidated income statement in accordance with FRS 39. This amendment is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

Improvements to FRSs 2014 - FRS 108

Operating Segments

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

Improvements to FRSs 2014 - FRS 40

Investment Property

The amendment clarifies that judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of FRS 103 *Business Combinations*. Reference should be made to FRS 103 to determine whether it is a business combination. Determining whether a specific transaction meets the definition of a business combination as defined in FRS 103 and includes an investment property as defined in this standard requires the separate application of both standards. The amendment is effective for annual periods beginning on or after 1 July 2014. The Group shall apply that amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts this amendment. Consequently, accounting for acquisitions of investment property in prior periods shall not be adjusted. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 27

Equity Method in Separate Financial Statements

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available. The standard is effective for annual periods beginning on or after 1 January 2016. The Group is in the process of assessing the impact on the financial statements.

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

FRS 115 Revenue from Contracts with Customers Contributions

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 Revenue and FRS 11 Construction Contracts, and the related interpretations on revenue recognition; INT FRS 115 Agreements for the Construction of Real Estate; INT FRS 118 Transfers of Assets from Customers; and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services. It is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is in the process of assessing the impact on the financial statements.

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 standard is effective for annual period beginning on or after 1 January 2018. The Group is in the process of assessing the impact on the financial statements.

4. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments 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 the estimates and assumptions will result in changes in the carrying values of goodwill arising from the acquisition of subsidiaries.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the CGUs as at 31 December 2014 is raised by 1.5% (2013: 1.5%), the impairment loss on goodwill would have been increased by approximately US\$1,277,000 (2013: US\$752,000).

As at the balance sheet date, the net carrying amount of goodwill arising from acquisition of subsidiaries amounted to US\$7,670,000 (2013: US\$5,565,000) and the accumulated impairment loss amounted to US\$4,728,000 (2013: US\$3,740,000).

(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 balance sheet date was US\$37,862,000 (2013: US\$36,009,000). 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\$226,000 (2013: US\$184,000).

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4. Critical accounting estimates, assumptions and judgments (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Estimated useful lives of distribution rights

Distribution rights are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these distribution rights to be four years. The carrying amount of the Group's distribution rights at the balance sheet date was US\$1,119,000 (2013: US\$2,844,000). The Group assesses annually the residual values and the useful lives of the distribution rights and if expectations differ from the original estimates due to changes in the economic environment and the business outlook, such differences will impact the amortisation changes in the period in which such estimates are changed.

If amortisation on distribution rights increases/decreases by 10% from management's estimates, the Group's profit after tax will decrease/increase by approximately US\$149,000 (2013: US\$173,000).

(b) Critical judgments 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 balance sheet 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 balance sheet date.

The Group has charged impairment losses on trade and other receivables to the consolidated income statement during the financial year of US\$1,096,000 (2013: US\$510,000). The carrying amount of trade and other receivables as at the balance sheet date was US\$184,661,000 (2013: US\$165,909,000).

(ii) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses and capital allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

As at the balance sheet date, the Group has tax losses and capital allowances which can be carried forward amounting to US\$7,903,000 (2013: US\$7,497,000). These tax losses and capital allowances relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. These subsidiaries have no temporary taxable differences which could partly support the recognition of deferred tax assets. Also, there is no tax planning opportunity available that would further provide a basis for recognition. If the Group was able to recognise all unrecognised deferred tax assets, the Group's profit after tax would have increased by approximately US\$1,075,000 (2013: US\$1,125,000).

(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\$841,000 (2013: US\$1,899,000).

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 totaling US\$51,000 (2013: US\$81,000) have been written off. The carrying amount of inventories as at the balance sheet date was US\$98,599,000 (2013: US\$67,925,000).

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5. Revenue

	The Group	
	2014 US\$'000	2013 US\$'000
Sales of goods	1,036,062	817,051
Other income:		
Advertising income	1,712	1,559
Commission and service income	569	433
Rebate income from suppliers	656	646
Warehouse management and rental income	245	588
Reversal of contingent consideration payable for acquisition of a subsidiary in previous financial year [Note 38(e)(ii)]	316	-
Gain on sale of financial asset, available-for-sale [Note 17(a)]	1,381	-
Fair value gain on financial assets, at fair value through profit or loss (net) (Note 14)	-	124
Gain on closure of subsidiaries (net) [Note 19(f)]	5	32
Gain on disposal of property, plant and equipment	1	-
Gain on disposal of interests in an associated company [Note 18(d)]	777	-
Gain on dilution of interests in an associated company (Note 18)	258	-
Gain on disposal of an investment property (Note 21)	-	822
Fair value gain on investment properties (Note 21)	677	320
Gain on disposal of derivative financial instruments	43	7
Write back of allowance for impairment losses on other receivables	20	-
Dividend income from financial assets, available-for-sale	108	35
Foreign exchange gain (net)	-	1,719
Currency translation reserve realised to income statement	400	66
Interest income from bank balances	181	171
Sundry income	119	382
Total other income	7,468	6,904
	1,043,530	823,955

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6. Profit before income tax

	The Group	
	2014	2013
	US\$'000	US\$'000
This is arrived at after charging:		
Amortisation charges for intangible assets*		
- computer software license costs [Note 22(b)]	252	200
- distribution rights [Note 22(c)]	1,722	2,041
Depreciation of property, plant and equipment* (Note 20)	2,613	2,160
Property, plant and equipment written off*	70	6
Loss on disposal of property, plant and equipment*	-	10
Impairment losses on goodwill arising from acquisition of subsidiaries* [Note 22(a)]	988	401
Impairment losses on trade receivables - third parties* [Note 37(b)]	1,096	510
Impairment loss on other assets (non-current)* [Note 23(c)]	-	87
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	945,705	743,527
- allowance for inventory obsolescence* (Note 13)	841	1,899
- write-off of inventories*	51	81
Fair value loss on derivative financial instruments* [Note 38(e)(ii)]	1,439	56
Fair value loss on financial assets, at fair value through profit or loss (net)* (Note 14)	31	-
Foreign exchange loss (net)*	267	-
Loss on sale of financial assets, at fair value through profit or loss*	-	48
Employee benefits expense (Note 7)	36,145	29,454
Rental expense - operating leases	2,121	1,902
Freight and handling charges	4,954	4,144
Travelling and transportation expenses	3,427	3,088
Sales commission expense	2,133	3,217
Other expenses (included in distribution, administrative and other expenses)	14,000	13,118
Total cost of sales, distribution, administrative and other expenses	1,017,855	805,949

* Included in "other expenses"

7. Employee benefits expense

	The Group	
	2014	2013
	US\$'000	US\$'000
Wages, salaries and bonuses	33,204	27,030
Employer's contribution to defined contribution plans	2,370	1,881
Defined benefit plans (Note 28)	390	348
Other long term benefits	181	195
Total (Note 6)	36,145	29,454

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

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8. Finance expense

	The Group	
	2014	2013
	US\$'000	US\$'000
Interest expense:		
Bank borrowings	1,697	1,022
Trust receipts	2,769	2,077
Bills payable	114	80
Finance lease liabilities	6	6
	4,586	3,185

9. Income taxes

(a) Income tax expense

	The Group	
	2014	2013
	US\$'000	US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	527	634
Current income tax – Foreign	3,447	2,084
	3,974	2,718
Deferred income tax (Note 29)	18	37
	3,992	2,755
Under provision in preceding financial years		
Current income tax [Note 9(b)]	674	247
Deferred income tax (Note 29)	42	-
	4,708	3,002

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	
	2014	2013
	US\$'000	US\$'000
Profit before income tax	20,857	14,397
Tax calculated at applicable tax rates	2,843	2,137
Effects of:		
Income not subject to tax	(549)	(583)
Expenses not deductible for tax purposes	1,317	995
Utilisation of previously unrecognised deferred income tax assets	(597)	(225)
Deferred income tax assets not recognised	895	346
Tax effect on share of results of associated companies	40	72
Withholding tax - foreign	43	13
Under provision of current income tax in preceding financial years [Note 9(b)]	674	247
Under provision of deferred income tax in preceding financial years (Note 29)	42	-
Tax expense	4,708	3,002

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9. Income taxes (continued)

(a) Income tax expense (continued)

The income not subject to tax mainly relates to other operating income arising from the fair value gain on investment properties, gain on disposal of interests and dilution of interests in an associated company, and exchange gain from revaluation of non-trade balances.

The expenses not deductible for tax purposes mainly relate to exchange loss arising from revaluation of non-trade balances, 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 a China subsidiary.

The corporate income tax rates for the Group's subsidiaries in Singapore, China, Hong Kong, Indonesia, Japan, Malaysia, South Korea, Taiwan and Thailand, are calculated at the tax rates applicable in the country in which these subsidiaries are assessable for tax, based on existing legislations, interpretations and practices in respect thereof.

The corporate income tax rates for the Group's subsidiaries are as follows:

	2014	2013
Country of residence of the subsidiaries		
Singapore	17.0%	17.0%
China	25.0%	25.0%
Hong Kong	16.5%	16.5%
Indonesia	25.0%	25.0%
Japan	38.0%	38.0%
Malaysia	20.0%	20.0%
South Korea	22.0%	22.0%
Taiwan	17.0%	17.0%
Thailand	15.0%	15.0%

(b) Movement in current income tax liabilities

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	1,478	2,005	78	388
Currency translation differences	(35)	(41)	-	-
Acquisition of a subsidiary [Note 19(a)(i)(c)]	134	-	-	-
Income tax paid	(2,634)	(3,451)	(248)	(587)
Reclassification from prepaid tax assets	(247)	-	-	-
Tax expense on profit for the current financial year	3,974	2,718	243	7
Under provision in preceding financial years [Note 9(a)]	674	247	113	270
End of financial year	3,344	1,478	186	78

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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	
	2014	2013
Net profit attributable to equity holders of the Company (US\$'000)	16,085	11,206
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	895,842	895,773
Basic earnings per share (US\$)	1.80 cents	1.25 cents

(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, being the share options granted and which remain outstanding as at the balance sheet date.

For the share options, a calculation is performed to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to the profit (numerator).

There are no potential dilutive shares during the financial year ended 31 December 2014 and 2013. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for both financial years ended 31 December 2014 and 2013.

11. Cash and cash equivalents

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Cash at bank and on hand	58,210	40,328	2,419	1,025
Short-term bank deposits	87	220	1	1
	58,297	40,548	2,420	1,026

- (a) As at the balance sheet date, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately US\$13,009,000 (2013: US\$4,882,000). 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.

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11. Cash and cash equivalents (continued)

- (b) As at the balance sheet date, short-term bank deposits matured on varying dates within three months to twelve months (2013: one to twelve months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2014	2013	2014	2013
Singapore Dollar	0.10%	0.10%	0.10%	0.10%
New Taiwan Dollar	1.08%	1.35%	-	-
United States Dollar	0.80%	-	-	-
Indian Rupee	-	8.00%	-	-

- (c) As at the balance sheet date, the carrying amounts of cash and cash equivalents approximated their fair values.

12. Trade and other receivables

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Trade receivables:				
Third parties	179,028	162,402	-	-
Subsidiaries	-	-	11,614	12,415
Associated companies	9	18	70	69
	179,037	162,420	11,684	12,484
Less: Allowance for impairment [Note 37(b)]	(2,350)	(2,156)	-	-
Trade receivables (net)	176,687	160,264	11,684	12,484
Other receivables:				
Third parties	8,127	4,347	55	49
Less: Allowance for impairment [Note 37(b)]	(252)	(263)	-	-
	7,875	4,084	55	49
Due from subsidiaries [Note 12(a)]	-	-	3,539	3,357
Due from associated companies (net) [Note 12(b)]	99	1,561	-	480
Other receivables (net)	7,974	5,645	3,594	3,886
Total	184,661	165,909	15,278	16,370

- (a) 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\$2,990,000 (2013: US\$3,019,000) which bears interest at 3.1% (2013: 3.3%) per annum.
- (b) The amounts due from associated companies are non-trade in nature, unsecured, repayable in cash, on demand except for an amount in 2013 of US\$477,000 which incurred interest at 3.2% per annum. This amount has been fully repaid during the financial year.
- (c) As at the balance sheet date, the carrying amounts of trade and other receivables approximated their fair values.

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13. Inventories

	The Group	
	2014 US\$'000	2013 US\$'000
Finished goods	97,549	67,086
Work in progress	305	75
Raw materials	745	764
	98,599	67,925

During the financial year, the Group made allowances for inventory obsolescence amounting to US\$841,000 (2013: US\$1,899,000) (Note 6).

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

	The Group	
	2014 US\$'000	2013 US\$'000
Classified as:		
Current	1,259	61
Non-current	13	1,297
	1,272	1,358
Comprised:		
<i>Listed equity securities</i>		
Singapore	29	61
Taiwan	13	13
	42	74
<i>Convertible notes</i>		
Singapore	755	789
United States	475	495
	1,230	1,284
Designated as:		
Held for trading	42	74
At fair value on initial recognition	1,230	1,284
	1,272	1,358

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14. Financial assets, at fair value through profit or loss (continued)

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

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	1,358	1,099
Additions	-	500
Disposals	-	(326)
Fair value (loss)/gain (net) (Note 6 and Note 5)	(31)	124
Currency translation differences	(55)	(39)
End of financial year	1,272	1,358

During the financial year ended 31 December 2013, the Group acquired an unsecured convertible note with a principal amount of US\$500,000 issued by Ziel Motorsports, Inc., an entity incorporated in the United States of America. The note bears interest at the rate of 3.3% per annum payable on a quarterly basis. The note is convertible in a maximum of two tranches into shares of Ziel Motorsports, Inc., representing a total of 20% of its equity interests. The maturity date of the note is 21 May 2015, after which the note, if not redeemed, will be automatically converted into 20% equity interests in Ziel Motorsports, Inc.

As at the balance sheet date, the Group also has an unsecured convertible note with a principal amount of US\$755,000 (2013: US\$789,000) issued by Asiamine Holding Pte Ltd, an entity incorporated in Singapore. The note bears interest at the rate of 7% per annum payable annually. The note is convertible at a conversion price of 50% of the issue price when the shares of Asiamine Holding Pte Ltd are offered for initial public offering on any stock exchange. The maturity date of the note is in 2015. The Group will redeem this convertible note in due course.

15. Other current assets

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Deposits	591	542	18	30
Prepayments	4,377	2,059	49	86
	4,968	2,601	67	116

(a) As at the balance sheet date, the carrying amounts of other current assets approximated their fair values.

(b) Prepayments are denominated in the following currencies:

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Singapore Dollar	238	93	42	66
United States Dollar	2,744	976	-	-
Hong Kong Dollar	138	120	-	-
New Taiwan Dollar	344	219	-	13
Korean Won	281	492	-	-
Chinese Renminbi	85	89	7	7
Japanese Yen	141	29	-	-
Others	406	41	-	-
	4,377	2,059	49	86

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15. Other current assets (continued)

- (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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loan to an associated company	1,000	-	-	-
Loans to subsidiaries	-	-	40,625	41,757
	1,000	-	40,625	41,757

The loans to subsidiaries and an associated company are interest bearing, unsecured and will be repaid within two to four years (2013: two to five years).

As at the balance sheet date, the weighted average effective interest rate of the loans to subsidiaries and associated company based on prevailing market interest rate is 3.25% (2013: 3.36%) and 3.02% (2013: Nil) per annum respectively.

17. Financial assets, available-for-sale

	The Group	
	2014	2013
	US\$'000	US\$'000
Beginning of financial year	5,182	1,271
Additions	-	4,842
Disposals	(3,104)	-
Fair value loss recognised in other comprehensive income	(763)	(894)
Currency translation differences	9	(37)
End of financial year	1,324	5,182

Financial assets, available-for-sale comprised:

	The Group	
	2014	2013
	US\$'000	US\$'000
Listed equity security		
Singapore [Note 17(a)]	-	3,820
Unlisted equity securities		
Singapore [Note 17(b)]	661	690
South Korea [Note 17(c)]	300	300
China [Note 17(d)]	216	216
Taiwan [Note 17(e)]	147	156
United States [Note 17(f)]	-	-
	1,324	1,362
Total	1,324	5,182

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17. Financial assets, available-for-sale (continued)

- (a) As at 31 December 2013, this comprised 13.58% equity interests in Jubilee Industries Holdings Ltd amounting to S\$4,846,000 (US\$3,820,000). During the financial year, the Group disposed of its entire equity interests in Jubilee Industries Holding Ltd. A gain on disposal of US\$1,381,000 was recognised in the income statement (Note 5).
- (b) This comprised 2.18% (2013: 2.18%) equity interests in Asiamine Holding Pte Ltd amounting to S\$875,000 (US\$661,000) (2013: S\$875,000 (US\$690,000)).
- (c) This comprised 14.29% (2013: 15%) equity interests in Unitron Tech Co., Limited amounting to US\$300,000 (2013: US\$300,000).

In addition, there were equity investments in unlisted corporations amounting to US\$1,055,000 (2013: US\$1,055,000) for which accumulated impairment losses of US\$1,055,000 (2013: US\$1,055,000) had been made. Included in the unlisted corporations were the Group's 7.2% (2013: 7.2%) equity interests in NEX Display Technology Co., Ltd ("NEX") amounting to US\$938,000 for which full impairment loss of US\$938,000 had been made in the financial year ended 31 December 2009.

- (d) This comprised 19% (2013: 19%) equity interests in Serial Design (Shanghai) Limited amounting to RMB1,330,000 (US\$216,000) (2013: RMB1,330,000 (US\$216,000)).
- (e) These comprised 8.4% (2013: 8.4%) equity interests in Kingconn Technology Co., Ltd. amounting to NT\$4,668,000 (US\$147,000) (2013: NT\$4,668,000 (US\$156,000)) and 3.24% (2013: 3.24%) equity interests in Mars Semiconductor Corp., Ltd which is one of the Group's suppliers amounting to US\$149,000 (2013: US\$149,000). Full impairment loss of US\$149,000 had been made for the investment in Mars Semiconductor Corp., Ltd in the financial year ended 31 December 2009.
- (f) These comprised investments of 0.35% (2013: 0.35%) equity interest in Hie Electronics Inc. amounting to US\$174,000 and 450,000 convertible preferred shares in NavAsic Corporation amounting to US\$300,000. Full impairment loss amounting to US\$174,000 and US\$300,000 had been made in the financial year ended 31 December 2009 and 31 December 2011 for the investment in Hie Electronics Inc. and NavAsic Corporation respectively.
- (g) 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.

18. Investments in associated companies

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Quoted equity shares, at cost	7,360	7,412	6,682	6,626
Unquoted equity shares, at cost	10,835	37	-	-
	18,195	7,449	6,682	6,626
Share of post acquisition results and reserves	(180)	(970)	-	-
Currency translation differences	(642)	(382)	-	-
	17,373	6,097	6,682	6,626
Market value of quoted equity shares	21,760	5,600	19,728	5,083

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18. Investments in associated companies (continued)

	The Group	
	2014 US\$'000	2013 US\$'000
Representing:		
Beginning of financial year	6,097	6,196
Acquisition of additional interests in an associated company [Note 18(d)]	658	374
Acquisition of interests in associated companies [Note 18(b) and 18(c)]	10,798	-
Disposal of interests in an associated company [Note 18(d)]	(710)	-
Share of results before income tax	81	(529)
Share of income tax	(313)	105
Share of loss [Note 18(h)]	(232)	(424)
Share of other comprehensive income [Note 18(h)]	835	-
Dividends received, net of tax	(71)	-
Gain on dilution of interests in an associated company [Note 5 and Note 18(d)]	258	-
Currency translation differences	(260)	(49)
End of financial year	17,373	6,097

(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	
				2014 %	2013 %
	Held by the Group and Company				
(1)	Bull Will Co., Ltd	Manufacturing and sale of electronic components with focus on passive components	Taiwan	31.5	43.4
	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	20.0	-
(4)	Achieva Technology Pte. Ltd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Singapore	49.0	-
(5)	JEL Marketing Vietnam JVC Ltd	Dormant and in the process of liquidation	Vietnam	49.0	-

(1) Audited by Tiaoho & Co, Taipei, a member firm of Moore Stephens International Limited.

(2) Audited by Moore Stephens LLP, Singapore.

(3) Reviewed by other firm of auditors, Grant Thornton, Australia.

(4) Audited by other firm of auditors, Ernst & Young LLP, Singapore.

(5) Statutory audit is not required as the entity is dormant.

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18. Investments in associated companies (continued)

- (b) On 20 March 2014, the Group through its wholly owned subsidiary, SCE Enterprise Pte. Ltd., acquired equity interests in Australia incorporated E-Laundry & Dry Cleaning Service Pty Ltd and SPL Investments Pty Ltd, in the following manner:
- (i) subscribed for 555,225 ordinary shares for AUD2,800,000 (US\$2,618,000), representing 20% of the enlarged share capital of E-Laundry & Dry Cleaning Service Pty Ltd; and
 - (ii) subscribed for 55,523 ordinary shares for AUD4,500,000 (US\$4,208,000), representing 20% of the enlarged share capital of SPL Investments Pty Ltd.

On 31 October 2014, pursuant to a restructuring exercise, SCE Enterprise Pte. Ltd. swapped its entire 555,225 ordinary shares in E-laundry & Dry Cleaning Service Pty Ltd and its entire 55,523 ordinary shares in SPL Investments Pty Ltd, for 8,328,420 ordinary shares in SPL Holdings (Australia) Pty Ltd, an entity incorporated in Australia, representing 20% of the share capital of SPL Holdings (Australia) Pty Ltd. After the restructuring exercise, E-laundry & Dry Cleaning Service Pty Ltd and SPL Investments Pty Ltd became wholly owned subsidiaries of SPL Holdings (Australia) Pty Ltd. There is no change in SCE Enterprise Pte. Ltd.'s initial purchase consideration after the restructuring exercise.

SPL Holdings (Australia) Pty Ltd is an investment holding company with subsidiaries and associated companies incorporated in Australia and principally engaged in the provision of industrial laundry services to hotels, resorts, hospitals, care centres and restaurants in Australia.

- (c) On 30 September 2014, the Group, through its wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired an equity interest of 49% in Achieva Technology Pte. Ltd., an entity incorporated in Singapore for a total cash consideration of S\$5,075,000 (US\$3,972,000).

Achieva Technology Pte. Ltd. and its subsidiaries are principally engaged in the distribution and marketing of information technology, computer peripherals, parts, software and related products, operating primarily in Singapore, Malaysia and Australia.

- (d) During the financial year, the Group's effective equity interest in Bull Will Co., Ltd ("Bull Will") decreased from 43.4% to 31.5%, arising from the conversion of convertible bonds into 9,859,020 shares of Bull Will by bondholders, the exercise of 2,574,500 share options by employees of Bull Will and the Group's partial disposal of 1,663,312 Bull Will shares in the open market of the Over-The Counter Securities Exchange in Taiwan for a total cash consideration of NT\$45,419,000 (US\$1,487,000). The decrease was offset by the subscription of a total of 1,437,197 Bull Will shares by the Company and Group at NT\$13.70 (US\$0.46) per share arising from the 5,000,000 new shares issued by Bull Will during the financial year. Gain on disposal of US\$777,000 and gain on dilution of interests of US\$258,000 were recognised in the consolidated income statement (Note 5).

During the previous financial year, the Group's effective equity interest in Bull Will increased from 40.8% to 43.4%, arising from the Group's off-market purchases of 1,246,198 shares at NT\$9.00 (US\$0.30) per share.

- (e) As at 31 December 2014, the Group through its acquisition of a wholly owned Singapore subsidiary, Serial I-Tech (Far East) Pte Ltd, holds a 49% effective equity interests in JEL Marketing Vietnam JVC Ltd, an entity incorporated in Vietnam. JEL Marketing Vietnam JVC Ltd is dormant as at 31 December 2014 and is in the process of liquidation.
- (f) 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 balance sheet date was US\$108,000 (2013: US\$37,000), after the share of the current year's loss of US\$71,000 (2013: share of profit of US\$15,000). The Group has no obligation in respect of these unrecognised losses.
- (g) There are no contingent liabilities relating to the Group's interests in the associated companies.

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SERIAL SYSTEM LTD
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18. Investments in associated companies (continued)

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

	The Group	
	2014 US\$'000	2013 US\$'000
The Group's share of:		
Loss from continuing operations	(232)	(424)
Other comprehensive income (Note 31)	835	-
Total comprehensive income/(loss)	603	(424)
Aggregate carrying amount of the Group's interests in these associated companies	17,373	6,097

19. Investments in subsidiaries

	The Company	
	2014 US\$'000	2013 US\$'000
Equity investments at cost		
Beginning of financial year	54,459	39,454
Addition	-	14,693
Accounting for financial guarantee contracts	675	312
End of financial year	55,134	54,459
Accumulated impairment losses:		
Beginning and end of financial year	(1,576)	(1,576)
Net investment	53,558	52,883

(a) Business combinations

- (i) On 31 December 2014, the Group through its wholly owned subsidiary, SCE Enterprice Pte. Ltd., acquired the entire trading and distribution business of GSH Corporation Limited via the acquisition of a 100% equity interest in Singapore incorporated Serial I-Tech (Far East) Pte. Ltd. and Serial I-Tech Strategic Holdings Franchising Pte. Ltd..

Serial I-Tech (Far East) Pte. Ltd. holds the entire issued and paid-up share capital of Serial I-Tech (ME) Pte. Ltd., a company incorporated in the British Virgin Islands, GSH Distribution (Cambodia) Pte Ltd, a company incorporated in Cambodia, JEL Trading Bangladesh Ltd, a company incorporated in Bangladesh and a 49% equity interest in JEL Marketing Vietnam JVC Ltd, a company incorporated in Vietnam. Serial I-Tech (ME) Pte. Ltd. holds the entire issued and paid-up share capital of JEL Distribution (Kazakhstan) LLP, a company incorporated in Kazakhstan. (collectively known as the "Serial I-Tech group")

The Group acquired Serial I-Tech group to expand into upstream product lines and ranges, expand its customer base, extend the Group businesses to new markets in the United Arab Emirates, Bangladesh, Cambodia and Kazakhstan and expand its revenue in existing markets in Singapore and Vietnam.

The total consideration payable for the acquisition of the Serial I-Tech group amounted to US\$2,995,000. The Group also procures to repay the shareholder loans owing by Serial I-Tech group to GSH Corporation Limited amounting to US\$10,579,000. As at 31 December 2014, US\$6,787,000 remained outstanding [Note 26(a)(viii) and Note 39].

As the acquisitions represent business acquisitions, they have been accounted for in accordance with FRS103 Business Combinations.

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(i) (continued)

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:

	The Group
	2014
	US\$'000
(a) Purchase consideration	
Cash paid/payable	2,995
Contingent consideration	-
Consideration transferred for the business	<u>2,995</u>
(b) Effect on cash flow of the Group	
Cash paid/payable (as above)	2,995
Less: Cash and cash equivalents acquired	<u>(1,888)</u>
Cash outflow on acquisition	<u>1,107</u>
(c) Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,888
Inventories	6,368
Trade and other receivables	5,591
Other current assets	478
Property, plant and equipment (Note 20)	144
Deferred income tax assets (Note 29)	140
Other non-current assets	<u>6</u>
Total assets	<u>14,615</u>
Trade and other payables	(13,206)
Borrowings	(1,518)
Current income tax liabilities [Note 9(b)]	<u>(134)</u>
Total liabilities	<u>(14,858)</u>
Total identifiable net liabilities	(243)
Add: Goodwill [Note 19(a)(i)(f) and Note 22(a)]	<u>3,238</u>
Consideration transferred for the business	<u>2,995</u>

(d) Acquisition related costs

Acquisition related costs of US\$32,000 during the financial year were included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(e) Acquired receivables

The trade and other receivables acquired in this transaction with a fair value of US\$5,591,000 had a gross contractual amount of US\$5,676,000. At the acquisition date, US\$189,000 of the contractual cash flows pertaining to the trade receivables are not expected to be collected [Note 37(b)].

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SERIAL SYSTEM LTD
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19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(i) (continued)

(f) Goodwill

The goodwill of US\$3,238,000 arising from the acquisition is attributable to the entire trading and distribution business acquired from GSH Corporation Limited, including its supplier and customer contracts. The potential value and synergies to be generated from these transferred assets could not be separately recognised from goodwill as they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. As such, the goodwill does not meet the criteria for recognition as an intangible asset presented under FRS 38 Intangible Assets and consequently is classified as goodwill acquired in a business combination under FRS 103 Business Combinations.

The goodwill arising from the acquisition is not expected to be deductible for tax purposes.

(g) Revenue and profit contribution

The acquired businesses were completed on 31 December 2014 and as such did not contribute revenue and net loss to the consolidated income statement for the financial year.

Had the acquired businesses been consolidated from 1 January 2014, consolidated revenue and consolidated profit for the financial year ended 31 December 2014 would have been US\$1,098,938,000 and US\$14,891,000 respectively.

- (ii) On 1 February 2013, the Group's wholly owned subsidiary, Serial Microelectronics Pte Ltd, entered into a sale and purchase agreement with AMSC Co., Ltd., an entity incorporated in Japan, whereby AMSC Co., Ltd. transferred its business of distribution of semiconductor and related products to a newly created entity, Serial AMSC Microelectronics Co., Ltd. Pursuant to the sale and purchase agreement, Serial Microelectronics Pte Ltd purchased 3,600 of the issued and outstanding shares of Serial AMSC Microelectronics Co., Ltd., representing 60% of the equity interests of Serial AMSC Microelectronics Co., Ltd. The Group completed the acquisition on 15 May 2013. As the acquisition represented a business acquisition, it had 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:

	The Group 2013 US\$'000
(a) Purchase consideration	
Cash paid	1,511
Contingent consideration	-
Consideration transferred for the business	1,511
(b) Effect on cash flow of the Group	
Cash paid (as above)	1,511
Less: Cash and cash equivalents acquired	-
Cash outflow on acquisition	1,511

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For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(ii) (continued)

(c) Identifiable assets acquired and liabilities assumed

	The Group 2013 US\$'000
Inventories	3,081
Other receivables	51
Property, plant and equipment (Note 20)	199
Intangible assets [Note 22(b)]	21
Total assets	3,352
Other payables	(1,400)
Total liabilities	(1,400)
Total identifiable net assets	1,952
Less: Non-controlling interest [Note 19(a)(ii)(f)]	(1,225)
Add: Goodwill [Note 19(a)(ii)(g)]	784
Consideration transferred for the business	1,511

(d) Acquisition related costs

Acquisition related costs of US\$22,000 during the financial year ended 31 December 2013 were included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(e) Acquired receivables

The fair value of acquired other receivables was US\$51,000. The gross contractual amount for other receivables due was US\$51,000 and expected to be collectible.

(f) Non-controlling interests

The Group had chosen to recognise the 40% non-controlling interest at the non-controlling interest's proportionate share of Serial AMSC Microelectronics Co., Ltd's net identifiable assets.

(g) Goodwill

The goodwill of US\$784,000 arose from the acquisition was attributable to certain business lines transferred from AMSC Co., Ltd, included its supplier and customer contracts. The potential value and synergies to be generated from these transferred assets could not be separately recognised from goodwill as they were not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. As such, the goodwill did not meet the criteria for recognition as an intangible asset presented under FRS 38 Intangible Assets and consequently was classified as goodwill acquired in a business combination under FRS 103 Business Combinations.

The goodwill arose from the acquisition was not expected to be deductible for tax purposes.

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SERIAL SYSTEM LTD
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19. Investments in subsidiaries (continued)

(a) Business combinations (continued)

(ii) (continued)

(h) Revenue and profit contribution

The acquired business contributed revenue and net loss of US\$16,431,000 and US\$1,418,000 respectively to the consolidated income statement for the financial year ended 31 December 2013.

As the business combination involved a newly incorporated entity, Serial AMSC Microelectronics Co., Ltd, where transactions were only effected from the date of completion of acquisition on 15 May 2013, there would be no change to the consolidated revenue and net profit for the financial year ended 31 December 2013 had it been effected at 1 January 2013.

(b) Additional interests in subsidiaries

- (i) On 5 December 2014, the Group through its wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 35% equity interest in Serial Multivision Pte. Ltd. via the purchase of an additional 175,000 shares at S\$65,000 (US\$50,000). Serial Multivision Pte Ltd became a wholly owned subsidiary of the Group upon the completion of the acquisition. The Group recognised decreases in other reserve and non-controlling interests of US\$715,000 and US\$695,000 respectively.
- (ii) On 13 June 2013, the Group through its wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 10% equity interests in Serial AMSC Microelectronics Co., Ltd via the exercise of a call option to purchase additional 600 ordinary shares at JPY 50,000 (US\$494) per share. The Group's effective equity interests in Serial AMSC Microelectronics Co., Ltd increased from 60% to 70% upon the exercise of the call option.
- (iii) On 4 October 2013, the Group through its wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 1.2% equity interest in Serial Microelectronics Inc. via the purchase of an additional 68,250 shares at par value of NT\$10 (US\$0.35) per share. The Group's effective equity interests in Serial Microelectronics Inc. and its subsidiaries increased from 94.3% to 95.5% upon the completion of the acquisition.

(c) Additional investment in subsidiaries

On 19 August 2013, the Group's 95.5% owned subsidiary, New Chinese Corporation, increased the registered share capital of its wholly owned subsidiary, Bridge Electronics (Shenzhen) Co., Ltd from US\$90,000 to US\$150,000. The Group's effective equity interests in Bridge Electronics (Shenzhen) Co., Ltd remained at 95.5% upon the increase in share capital.

(d) Incorporation of subsidiaries

- (i) On 4 April 2014, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited, invested 60% and 55% equity interests in Serial Automotive Limited and Serial Vision Limited, respectively. The companies are newly incorporated in Hong Kong. The issued and paid up capital of Serial Automotive Limited is HK\$10,000 (US\$1,282), comprising 10,000 ordinary shares, of which Serial Microelectronics (HK) Limited's 60% contribution amounted to HK\$6,000 (US\$769). The issued and paid up capital of Serial Vision Limited is HK\$10,000 (US\$1,282), comprising 10,000 ordinary shares, of which Serial Microelectronics (HK) Limited's 55% contribution amounted to HK\$5,500 (US\$705). The Group's effective equity interests in Serial Automotive Limited and Serial Vision Limited is at 54.6% and 50.1% respectively.
- (ii) On 6 June 2014, the Group's wholly owned subsidiary, Serial Microelectronics Pte Ltd, invested 65% equity interest in Serial GIS Pte Ltd, a newly incorporated Singapore company. The issued and paid up capital of Serial GIS Pte Ltd is S\$500,000 (US\$400,000), comprising 500,000 ordinary shares, of which Serial Microelectronics Pte Ltd's 65% contribution amounted to S\$325,000 (US\$260,000).

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(d) Incorporation of subsidiaries (continued)

- (iii) On 28 June 2014, the Group's 54.6% owned subsidiary, Serial Automotive Limited incorporated a wholly-owned subsidiary, Serial Automotive (Shanghai) Co., Ltd. in the People's Republic of China with a registered capital of RMB1,000,000 (US\$163,000).
- (iv) On 5 November 2013, the Group's wholly owned subsidiary, Serial Microelectronics Pte Ltd, invested 60% equity interest in Nippon Denka Serial Pte Ltd, a newly incorporated Singapore company. The issued and paid up capital of Nippon Denka Serial Pte Ltd is S\$100,000 (US\$79,000), comprising 100,000 ordinary shares, of which Serial Microelectronics Pte Ltd's 60% contribution amounted to S\$60,000 (US\$47,000).

(e) Other acquisitions of subsidiaries

On 4 November 2011, the Group through its 82.5% owned subsidiary, Serial Microelectronics Inc. acquired an equity interest of 100% in TeamPal Enterprise Corp. an entity incorporated in Taiwan for a total cash consideration of NT\$58,539,000 (US\$2,016,000). Included in the consideration is an amount of NT\$9,000,000 (US\$301,000) which will be payable subject to TeamPal Enterprise Corp. achieving one of the financial guarantees pursuant to the terms in the sale and purchase agreement. The fair value of the contingent consideration as at the acquisition date was US\$301,000 and the terms of the financial guarantees are as follows:

- (i) TeamPal Enterprise Corp. achieving revenue and gross profit margin of not less than US\$10,000,000 and 8% respectively for the financial year ending 31 December 2012; or
- (ii) TeamPal Enterprise Corp. achieving total revenue of not less than US\$20,000,000 for financial years ending 31 December 2012 and 31 December 2013 and gross profit margin of not less than 8% for each of the financial year; or
- (iii) TeamPal Enterprise Corp. achieving total revenue of not less than US\$30,000,000 for financial years ending 31 December 2012, 31 December 2013 and 31 December 2014 and gross profit margin of not less than 8% for each of the financial year.

As at 31 December 2014, the Group reversed the contingent consideration of US\$301,000 to consolidated income statement as TeamPal Enterprise Corp. did not meet the terms stated in the sale and purchase agreement (Note 24).

(f) Closure of subsidiaries

- (i) During the financial year, the Group liquidated its 49% owned subsidiary, Serial Multivision (Thailand) Company Limited. A net gain of US\$5,000 was recognised in the consolidated income statement (Note 5).

Although the Group through its 65% owned Singapore subsidiary, Serial Multivision Pte Ltd (wholly owned subsidiary in 2014), did not own more than half of the equity interests of this entity, and consequently it did not control more than half of the voting power of these shares, it has the power to appoint and remove the majority of the board of directors of Serial Multivision (Thailand) Company Limited and control of the entity was by the board. Consequently, Serial Multivision (Thailand) Company Limited was controlled and classified as a subsidiary of the Group and was consolidated in the financial statements for the financial year ended 31 December 2013.

- (ii) During the financial year ended 31 December 2013, the Group liquidated its 72.7% owned subsidiary, Bona Technology Inc., and 98.2% owned subsidiary, Taein System Inc. A net gain of US\$32,000 was recognised in the consolidated income statement.

- (g) During the financial year ended 31 December 2013, the Company capitalised a loan of US\$14,693,000 due from a wholly owned subsidiary, SCE Enterprise Pte. Ltd., to its cost of investment.

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(h) Details of subsidiaries

			Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
Name of subsidiaries			Principal activities	2014 %	2013 %
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
(4)	Serial Investment (Taiwan) Inc.	Investment holding and rental of investment properties	Taiwan	100.0	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	98.2	98.2
(4)	Serial Microelectronics Inc.	Distribution of electronic and electrical components	Taiwan	95.5	95.5
(1)	Serial Technology Pte Ltd	Distribution of electronic and electrical components	Singapore	100.0	100.0
(7)	Serial AMSC Microelectronics Co., Ltd	Distribution of electronic and electrical components	Japan	70.0	70.0
(10)	PT. Serial Microelectronics Indonesia	Dormant	Indonesia	99.0	99.0
(8)	Serial Microelectronics Sdn. Bhd.	Distribution of electronic and electrical components	Malaysia	100.0	100.0
(1)	Nippon Denka Serial Pte. Ltd.	Dormant	Singapore	60.0	60.0
(1)	Serial GIS Pte Ltd	Wholesale and sub-assembly of electrical signals and controls products	Singapore	65.0	-

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SERIAL SYSTEM LTD
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19. Investments in subsidiaries (continued)

(h) Details of subsidiaries (continued)

		Country of incorporation and place of business	Percentage of effective equity interest held by the Group		
Name of subsidiaries	Principal activities		2014 %	2013 %	
Held by SCE Enterprise Pte. Ltd.					
(1)	Agricola Pte. Ltd.	Dormant	Singapore	80.0	80.0
(1)	Serial Multivision Pte. Ltd.	Outdoor advertising media and hospitality solutions	Singapore	100.0	65.0
(1)	Contract Sterilization Services Pte Ltd	Ethylene oxide sterilization and assembly and distribution of medical devices	Singapore	100.0	100.0
(1)	Serial I-Tech (Far East) Pte. Ltd. (Previously known as GSH Corporation (Far East) Pte. Ltd.)	Trading and distribution of fast-moving consumer goods, IT, photographic and timepiece products	Singapore	100.0	-
(1)	Serial I-Tech Strategic Holdings Franchising Pte. Ltd. (Previously known as Global Strategic Holdings Franchising Pte. Ltd.)	Investment and intellectual property holding	Singapore	100.0	-
Held by Serial Microelectronics (HK) Limited					
(2)	Serial Design Limited	Distribution of electronic and electrical components	Hong Kong	91.0	91.0
(5)	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	-
(2)	Serial Vision Limited	Distribution of electronic and electrical components	Hong Kong	50.1	-
Held by Serial Automotive Limited					
(5)	Serial Automotive (Shanghai) Co., Ltd.	Distribution of electronic component modules focusing on automotive customers	China	54.6	-

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

19. Investments in subsidiaries (continued)

(h) Details of subsidiaries (continued)

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2014 %	2013 %
	Held by Serial Microelectronics Inc.				
(4)	TeamPal Enterprise Corp.	Distribution of electronic and electrical components	Taiwan	95.5	95.5
(4)	New Chinese Corporation	Investment holding company	Samoa	95.5	95.5
	Held by New Chinese Corporation				
(4)	Bridge Electronics (Shenzhen) Co., Ltd	Distribution of electronic and electrical components	China	95.5	95.5
	Held by Serial Multivision Pte. Ltd.				
(6)	Serial Multivision (Thailand) Company Limited	Liquidated	Thailand	-	31.9
	Held by Serial I-Tech (Far East) Pte. Ltd.				
(9)	Serial I-Tech (ME) Pte. Ltd.	Trading and distribution of fast-moving consumer goods, consumer electronics, IT and photographic products	British Virgin Islands	100.0	-
(9)	GSH Distribution (Cambodia) Pte Ltd	Trading and distribution of fast-moving consumer goods, consumer electronics, IT and photographic products	Cambodia	100.0	-
(10)	JEL Trading (Bangladesh) Ltd	Dormant	Bangladesh	100.0	-
	Held by Serial I-Tech (ME) Pte. Ltd.				
(9)	JEL Distribution (Kazakhstan) LLP	Trading and distribution of fast-moving consumer goods, IT, photographic and timepiece products	Kazakhstan	100.0	-

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by Moore Stephens, Hong Kong.

(3) Audited by Samhwa & Co., a member firm of Moore Stephens International Limited.

(4) Audited by Tiaoho & Co, Taipei, a member firm of Moore Stephens International Limited.

(5) Audited by Beijing Xinghua Shenzhen, a member firm of Moore Stephens International Limited.

(6) Audited by Moore Stephens Dia Seri Ltd, a member firm of Moore Stephens International Limited.

(7) Audited by Seishin & Co., a member firm of Moore Stephens International Limited.

(8) Audited by another firm of auditors. This company is not considered a significant subsidiary pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(9) Statutory audit is not required by law in their countries of incorporation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(10) Statutory audit is not required as the subsidiary is dormant.

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SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

20. Property, plant and equipment

The Group	Leasehold land	Leasehold buildings	Freehold land	Freehold buildings	Renovations and fittings	Office equipment	Other equipment	Motor vehicles	Computers	Construction in-progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2014											
Cost											
At 1 January 2014	1,670	20,319	1,933	7,163	4,502	1,267	4,580	954	2,397	-	46,393
Additions	-	-	-	-	336	68	77	254	322	4,807	6,028
Acquisition of subsidiaries [Note 19(a)(i)(c)]	-	-	-	-	3	21	-	56	4	-	144
Transfer to an investment property [Note 21(d)]	-	(903)	-	-	-	-	-	-	-	-	(903)
Reclassifications	-	-	-	-	-	(63)	-	-	-	-	-
Disposals/write-off	-	-	-	-	(257)	(58)	(4)	(72)	(141)	-	(660)
Currency translation differences	(70)	(217)	(77)	(354)	(57)	(11)	(181)	(9)	(9)	-	(988)
At 31 December 2014	1,600	19,199	1,856	6,809	4,527	1,224	4,472	1,183	2,573	4,807	50,014
Accumulated depreciation											
At 1 January 2014	291	962	-	133	2,403	758	2,091	521	2,064	-	10,384
Depreciation charges (Note 6)	31	552	-	116	596	140	582	154	227	-	2,613
Disposals/write-off	-	-	-	-	(204)	(58)	(4)	(58)	(145)	-	(576)
Transfer to an investment property [Note 21(d)]	-	(36)	-	-	-	-	-	-	-	-	(36)
Reclassifications	-	-	-	-	-	(11)	-	-	-	-	-
Currency translation differences	(14)	(31)	-	(11)	(49)	(6)	(106)	(4)	(8)	-	(233)
At 31 December 2014	308	1,447	-	238	2,746	823	2,563	613	2,138	-	12,152
Net book value											
At 31 December 2014	1,292	17,752	1,856	6,571	1,781	401	1,909	570	435	4,807	37,862

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SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

20. Property, plant and equipment (continued)

The Group	Leasehold land US\$'000	Leasehold buildings US\$'000	Freehold land US\$'000	Freehold buildings US\$'000	Renovations US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Other equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Construction in-progress US\$'000	Total US\$'000
2013												
Cost												
At 1 January 2013	1,733	5,315	-	3,668	2,901	1,260	942	5,546	935	2,227	11,341	35,868
Additions	-	3,525	1,933	3,589	1,648	365	390	44	-	216	-	11,710
Acquisition of a subsidiary [Note 19(a)(ii)(c)]	-	-	-	-	86	104	9	-	-	-	-	199
Reclassification of construction-in-progress	-	11,341	-	-	-	-	-	-	-	-	(11,341)	-
Disposals/write-off	-	-	-	-	(80)	(110)	(75)	(803)	-	(61)	-	(1,129)
Currency translation differences	(63)	138	-	(94)	(53)	(11)	1	(207)	19	15	-	(255)
At 31 December 2013	1,670	20,319	1,933	7,163	4,502	1,608	1,267	4,580	954	2,397	-	46,393
Accumulated depreciation												
At 1 January 2013	270	493	-	70	2,206	1,178	717	2,394	321	1,840	-	9,489
Depreciation charges (Note 6)	31	488	-	64	295	95	113	605	192	277	-	2,160
Disposals/write-off	-	-	-	-	(65)	(109)	(73)	(802)	-	(58)	-	(1,107)
Currency translation differences	(10)	(19)	-	(1)	(33)	(3)	1	(106)	8	5	-	(158)
At 31 December 2013	291	962	-	133	2,403	1,161	758	2,091	521	2,064	-	10,384
Net book value												
At 31 December 2013	1,379	19,357	1,933	7,030	2,099	447	509	2,489	433	333	-	36,009

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

20. Property, plant and equipment (continued)

	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
The Company							
2014							
Cost							
At 1 January 2014	390	536	208	51	382	844	2,411
Additions	-	-	1	4	21	94	120
At 31 December 2014	390	536	209	55	403	938	2,531
Accumulated depreciation							
At 1 January 2014	385	529	199	42	171	739	2,065
Depreciation charges	3	4	5	4	38	76	130
At 31 December 2014	388	533	204	46	209	815	2,195
Net book value							
At 31 December 2014	2	3	5	9	194	123	336
	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
The Company							
2013							
Cost							
At 1 January 2013	415	530	202	44	382	771	2,344
Additions	-	6	6	7	-	73	92
Disposals/write-off	(25)	-	-	-	-	-	(25)
At 31 December 2013	390	536	208	51	382	844	2,411
Accumulated depreciation							
At 1 January 2013	389	521	195	40	133	664	1,942
Depreciation charges	9	8	4	2	38	75	136
Disposals/write-off	(13)	-	-	-	-	-	(13)
At 31 December 2013	385	529	199	42	171	739	2,065
Net book value							
At 31 December 2013	5	7	9	9	211	105	346

- (a) During the financial year, the Group acquired a motor vehicle amounting to US\$84,000, of which US\$60,000 was under a finance lease agreement taken up during the financial year (2013: Nil).

At the balance sheet date, the carrying amount of motor vehicles held under finance lease agreements for the Group and the Company amounted to US\$248,000 (2013: US\$209,000) and US\$175,000 (2013: US\$209,000) respectively [Note 26(a)(vii)].

- (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\$5,293,000 (2013: US\$5,649,000).

The leasehold land and building is held as security for bank borrowings of the Group and the Company amounting to US\$6,779,000 (2013: US\$9,992,000) as disclosed in Note 26(a)(i). See Note 21(a) for the portion of the leasehold land and building included as investment properties.

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

20. Property, plant and equipment (continued)

- (c) The Group's freehold building at Ruei Hu Street, Neihu, Taipei, Taiwan, used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$3,248,000 (2013: US\$3,479,000). The freehold building is held as security for the Group's bank borrowings of US\$4,124,000 (2013: US\$4,664,000) as disclosed in Note 26(a)(ii). See Note 21(c) for the portion of the freehold building included as investment properties.
- (d) During the financial year, the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd entered into a sale and purchase agreement to acquire for its own use, leasehold building comprising 2 units of office premises at Bo Ya C-Center land lot number A-5, Bo Ya Business Center, Beijing, China for a consideration of RMB 29,600,000 (US\$4,807,000). As at 31 December 2014, the leasehold building is still under development and the Group has yet to obtain property owner certificates. Consequently, the leasehold building was classified as construction-in-progress and was not depreciated as it was not ready for use.
- (e) During the financial year ended 31 December 2013, the Group's 98.2% owned subsidiary, Serial Microelectronics Korea Limited acquired for its own use, freehold land and building comprising 17 units of office premises at Samwhan Hipex, Sampyung-dang, Bundang-gu, Seongnam City, Gyeonggi-do, Seoul, South Korea, for a consideration of KRW 5,826,960,000 (US\$5,522,000). The freehold land and building with a net carrying value amounting to US\$5,179,000 (2013: US\$5,484,000) is held as security for the Group's bank borrowings of US\$2,547,000 (2013: US\$3,411,000) as disclosed in Note 26(a)(iii).
- (f) During the financial year ended 31 December 2013, the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd acquired for its own use, leasehold building comprising 3 units of office premises at Lane 299, West Jiangchang Road, Shanghai, China, for a consideration of RMB 21,671,000 (US\$3,525,000).
- (g) During the financial year ended 31 December 2013, the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd obtained property ownership certificates in January 2013 for its leasehold building comprising 11 units of office premises at Shenzhen Futian Free Trade Zone, Shenzhen Fortune Plaza B, China and reclassified the office premises from construction-in-progress to leasehold building.

On 31 March 2014, Serial Microelectronics (Shenzhen) Co., Ltd ceased owner-occupation of 1 of its 11 units of office premises in Shenzhen, China amounting to RMB5,331,000 (US\$867,000), and transferred this office premise unit from leasehold building in property, plant and equipment to investment property [Note 21(d)].

21. Investment properties

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	6,392	8,920	-	2,658
Transfer from property, plant and equipment [Note 21(d)]	926	-	-	-
Sales proceeds from disposals [Note 21(b)]	-	(3,480)	-	(3,480)
Gain on disposals (net) [Note 21(b) and Note 5]	-	822	-	822
	7,318	6,262	-	-
Fair value gain (Note 5)	677	320	-	-
Currency translation differences	(335)	(190)	-	-
End of financial year	7,660	6,392	-	-

- (a) The Group's leasehold land and building at 8 Ubi View, Serial System Building, Singapore, included as investment properties with total fair values of US\$2,515,000 (2013: US\$2,449,000) is held as security for bank borrowings of the Group and the Company amounting to US\$6,779,000 (2013: US\$9,992,000), as disclosed in Note 26(a)(i). See Note 20(b) for the portion of the leasehold land and building included as property, plant and equipment.

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21. Investment properties (continued)

- (b) During the financial year ended 31 December 2013, the Group and the Company disposed of its freehold factory unit with a fair value of US\$2,658,000 at 11 Jalan Mesin, #06-00 Standard Industrial Building, Singapore to a third party at a gain on disposal of US\$822,000.
- (c) The Group's freehold building at Ruei Hu Street, Neihu, Taipei, Taiwan which is leased to an associated company, Bull Will Co., Ltd, with fair value of US\$4,219,000 (2013: US\$3,943,000) is held as security for the Group's borrowings of US\$4,124,000 (2013: US\$4,664,000) as disclosed in Note 26(a)(ii).
- (d) On 31 March 2014, the Group's 91% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd ceased owner-occupation of 1 of its 11 units of office premises at Shenzhen Futian Free Trade Zone, Shenzhen Fortune Plaza B, China, with a carrying value amounting to RMB 5,331,000 (US\$867,000), and transferred this office premise unit from leasehold building in property, plant and equipment to investment property [Note 20(g)]. The difference of RMB 363,000 (US\$59,000) between the carrying value and the fair value as at the date of transfer is accounted for as a revaluation gain and recorded in revaluation reserve within equity (Note 31). There was no material change in fair value between the date of transfer and as at the balance sheet date.
- (e) 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.
- (f) As at the balance sheet 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	
	2014 US\$'000	2013 US\$'000
Rental income	245	425
Direct operating expenses on investment properties that generated rental income	(28)	(37)
Property tax and direct operating expenses on an investment property that did not generate rental income	(7)	-

22. Intangible assets

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Goodwill arising from acquisition of subsidiaries	7,670	5,565	-	-
Computer software license costs	683	657	521	588
Distribution rights	1,119	2,844	-	-
	9,472	9,066	521	588

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SERIAL SYSTEM LTD
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22. Intangible assets (continued)

(a) Goodwill arising from acquisition of subsidiaries

	The Group	
	2014 US\$'000	2013 US\$'000
Cost		
Beginning of financial year	9,305	9,635
Acquisition of a subsidiary [Note 19(a)(i)(c)]	3,238	784
Closure of subsidiaries	-	(1,009)
Net recovery of investment from former non-controlling interests	(11)	(30)
Currency translation differences	(134)	(75)
End of financial year	12,398	9,305
Accumulated impairment loss		
Beginning of financial year	3,740	4,348
Closure of subsidiaries	-	(1,009)
Impairment losses (Note 6)	988	401
End of financial year	4,728	3,740
Net book value	7,670	5,565

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segment.

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

The Group	Electronic components distribution		Consumer products	Other businesses		Total	
	2014	2013	2014	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Singapore	-	-	3,238	1,560	1,560	4,798	1,560
Hong Kong	1,292	1,292	-	-	-	1,292	1,292
South Korea	1,580	1,580	-	-	-	1,580	1,580
Taiwan	-	424	-	-	-	-	424
Japan	-	709	-	-	-	-	709
	2,872	4,005	3,238	1,560	1,560	7,670	5,565

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 and other business in which the CGU operated.

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SERIAL SYSTEM LTD
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22. 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		Taiwan		Japan	
	2014	2013	2014	2013	2014	2013	2014	2013
Gross margin ¹	8.5%	8.6%	9.8%	10.5%	7.6%	8.8%	12.0%	12.7%
Growth rate ²	3.1%	3.1%	2.6%	3.1%	2.2%	2.4%	2.0%	3.0%
Discount rate ³	5.2%	6.3%	5.6%	6.4%	5.1%	6.8%	4.3%	5.6%

Consumer products

	Singapore
	2014

Gross margin ¹	4.2%
Growth rate ²	2.0%
Discount rate ³	4.6%

Other businesses

	Singapore	
	2014	2013
Gross margin ¹	54.3%	54.0%
Growth rate ²	5.6%	5.1%
Discount rate ³	4.6%	4.9%

¹ Budgeted gross margin based on Management's best estimates.

² Weighted average growth rate used to extrapolate cash flows beyond the budget period.

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\$988,000 (2013: US\$401,000) were provided during the financial year. The impairment charges arose mainly from CGU's in Japan and Taiwan (2013: Taiwan) 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.

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SERIAL SYSTEM LTD
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22. Intangible assets (continued)

(b) Computer software license costs

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	657	273	588	218
Additions	280	565	143	533
Acquisition of a subsidiary [Note 19(a)(ii)(c)]	-	21	-	-
Amortisation (Note 6)	(252)	(200)	(210)	(163)
Currency translation differences	(2)	(2)	-	-
End of financial year	683	657	521	588
Cost	2,378	2,210	2,128	1,985
Accumulated amortisation	(1,695)	(1,553)	(1,607)	(1,397)
Net book value	683	657	521	588

(c) Distribution rights

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	2,844	4,887
Amortisation (Note 6)	(1,722)	(2,041)
Currency translation differences	(3)	(2)
End of financial year	1,119	2,844
Cost	11,177	11,177
Accumulated amortisation	(10,058)	(8,333)
Net book value	1,119	2,844

23. Other assets

	The Group	
	2014 US\$'000	2013 US\$'000
Other investment [Note 23(b)]	1,138	1,181
Club memberships [Note 23(c)]	142	148
Deposits [Note 23(d)]	686	505
	1,966	1,834

(a) As at the balance sheet date, the carrying amounts of other assets approximated their fair values.

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

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SERIAL SYSTEM LTD
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23. Other assets (continued)

- (c) The club memberships are denominated in Korean Won. During the financial year ended 31 December 2013, impairment losses of US\$87,000 had been made to certain club memberships of the Group to reflect their fair values (Note 6).
- (d) 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 balance sheet 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".

24. Trade and other payables

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Current				
Trade payables:				
Third parties	95,129	76,288	-	-
Associated companies	28	36	-	-
	95,157	76,324	-	-
Other payables and accrued operating expenses	23,712	15,790	2,306	1,923
Derivative financial instruments [Note 24(b)]	1,439	56	-	-
Due to subsidiaries [Note 24(c)]	-	-	2,360	936
Due to an associated company [Note 24(c)]	43	2	43	2
Contingent consideration payable [Note 19(e)]	-	301	-	-
Financial guarantee contracts	-	-	512	227
	120,351	92,473	5,221	3,088
Non-current				
Due to a subsidiary [Note 24(d)]	-	-	4,524	4,683

- (a) As at the balance sheet date, the carrying amounts of trade and other payables approximated their fair values.
- (b) The Group used foreign exchange forward contracts to manage exposures to currency risks arising from inter-company long-term loans denominated in Chinese Renminbi, Singapore Dollar, Malaysia Ringgit and Japanese Yen.

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

	The Group			
	2014		2013	
	Contract notional amount US\$'000	Fair value liability US\$'000	Contract notional amount US\$'000	Fair value liability US\$'000
Foreign exchange forward contracts	61,000	1,439	2,500	56

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SERIAL SYSTEM LTD
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24. Trade and other payables (continued)

(b) (continued)

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

	2014		2013
	Buy United States Dollar	Sell United States Dollar	Sell United States Dollar
Against Chinese Renminbi		5.98 to 6.27	-
Against Singapore Dollar	-	1.29	-
Against Malaysian Ringgit	3.5020	-	-
Against Japanese Yen	-	114.81	101.45 to 103.85

The foreign exchange forward contracts are recognised initially at their fair values and remeasured to fair values using "Mark-to-Market" as at the balance sheet date.

These foreign exchange forward contracts have maturity dates within fifteen months (2013: two months) from the balance sheet date.

- (c) The amounts due to subsidiaries and an associated company are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand.
- (d) The amount due to a subsidiary is non-trade in nature, bears interest at 3.46% (2013: 3.36%) per annum and is repayable in 2018.
- (e) During the financial year ended 31 December 2013, an out-of-court settlement was reached between Serial Multivision Pte. Ltd., a 65% owned subsidiary (wholly owned subsidiary in 2014), and AG World Pte Ltd in relation to an agreement between Serial Multivision Pte. Ltd. and AG World Pte Ltd relating to certain installation, operation and maintenance works of an advertising media wall located at Grand Park Orchard. A final cash payment of S\$104,000 (US\$82,000) was made by Serial Multivision Pte. Ltd. to AG World Pte Ltd.

25. Redemption liability

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	410	-
Acquisition through business combination	-	706
Changes in fair value of redemption liability	(410)	-
Exercise of option	-	(296)
End of financial year	-	410

The redemption liability is recognised at the present value of the redemption amount, calculated based on estimated net assets of the subsidiary and discounted to its present value. During the financial year, the Group recognised changes in the fair value to the redemption liability amounting to US\$410,000 (2013: Nil).

During the financial year ended 31 December 2013, as part of the acquisition through a business combination as disclosed in Note 19(a)(ii), the Group has exercised part of its option to purchase 10% of the ordinary shares of the subsidiary, Serial AMSC Microelectronics Co., Ltd held by the non-controlling interest in accordance to the terms of the sale and purchase agreement.

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26. Borrowings

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Current				
Bank borrowings [Note 26(a)(i),(ii),(iii) and (iv)]	43,591	36,256	6,779	2,917
Trust receipts [Note 26(a)(v)]	119,748	84,051	-	-
Bills payable [Note 26(a)(vi)]	1,756	3,944	-	-
Finance lease liabilities [Note 26(a)(vii) and Note 27]	15	47	4	47
Other borrowing [Note 26(a)(viii)]	6,787	-	-	-
	171,897	124,298	6,783	2,964
Non-current				
Bank borrowings [Note 26(a)(i),(ii),(iii) and (iv)]	6,514	14,111	-	7,075
Finance lease liabilities [Note 26(a)(vii) and Note 27]	36	4	-	4
	6,550	14,115	-	7,079
Total borrowings	178,447	138,413	6,783	10,043

(a) Security granted/corporate guarantees granted

- (i) A four-year term loan of S\$20,000,000 (US\$15,765,000) was drawn down by the Company during the financial year ended 31 December 2011. As at the balance sheet date, the balance of the term loan amounting to US\$6,779,000 (2013: US\$9,992,000) included in current borrowings of US\$6,779,000 (2013: US\$2,917,000) and non-current borrowings of Nil (2013: US\$7,075,000) of the Group and the Company are 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 20(b) and Note 21(a)];
 - 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 balance sheet date, bank borrowings amounting to US\$4,124,000 (2013: US\$4,664,000), which are included in current borrowings of US\$265,000 (2013: US\$281,000) and non-current borrowings of US\$3,859,000 (2013: US\$4,383,000), was due by a wholly owned subsidiary, Serial Investment (Taiwan) Inc. to partially finance the acquisition of a freehold building of the Group. The bank borrowings were secured by a first legal mortgage of the freehold building [Note 20(c) and Note 21(c)].
- (iii) As at the balance sheet date, bank borrowings amounting to US\$2,547,000 (2013: US\$3,411,000), which are included in current borrowings of US\$727,000 (2013: US\$758,000) and non-current borrowings of US\$1,820,000 (2013: US\$2,653,000), was due by a 98.2% owned subsidiary, Serial Microelectronics Korea Limited to partially finance the acquisition of a freehold land and building. The bank borrowings are secured by a first legal mortgage of the freehold land and building [Note 20(e)].
- (iv) Other than disclosed in Note 26(a)(i), (ii) and (iii) above, current bank borrowings amounting to US\$33,928,000 (2013: US\$25,956,000) and non-current bank borrowings of US\$835,000 (2013: Nil) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. The remaining current borrowings of US\$1,892,000 (2013: US\$6,344,000) are not secured by any assets or corporate guarantees.

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26. Borrowings (continued)

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

- (v) Trust receipts of US\$116,705,000 (2013: US\$83,153,000) for three subsidiaries are obtained with the corporate guarantee of the Company. The remaining trust receipts of US\$3,043,000 (2013: US\$898,000) are not secured by any assets or corporate guarantees.
- (vi) Bills payable of US\$1,756,000 (2013: US\$3,944,000) for a subsidiary are obtained with the corporate guarantee of the Company.
- (vii) As at the balance sheet date, finance lease liabilities amounting to US\$51,000 (2013: US\$51,000) of the Group and US\$4,000 (2013: US\$51,000) of the Company are secured on motor vehicles, which have been acquired under finance lease arrangements of the Group and of the Company [Note 20(a)].
- (viii) Other borrowing of US\$6,787,000 included in current borrowings (2013: Nil), is due to the previous shareholder of Serial I-Tech Group and not secured with any corporate guarantee of the Company [Note 19(a)(i)].

(b) Maturity of borrowings

The maturity of the borrowings is as follows:

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Within one year	171,897	124,298	6,783	2,964
Between one and five years	4,014	11,177	-	7,079
Over five years	2,536	2,938	-	-

(c) Interest rate risk

The weighted average effective interest rates of the borrowings as at the balance sheet date were as follows:

The Group	Singapore Dollar	United States Dollar	Hong Kong Dollar	New Taiwan Dollar	Korean Won	Japanese Yen
2014						
Bank borrowings	2.79%	2.59%	3.16%	2.05%	3.97%	0.69%
Trust receipts	-	2.73%	-	2.27%	-	-
Bills payable	-	2.08%	-	-	-	-
Finance lease liabilities	2.99%	-	-	-	-	-
2013						
Bank borrowings	2.87%	2.21%	3.35%	2.06%	3.97%	0.88%
Trust receipts	-	2.79%	-	2.40%	-	-
Bills payable	-	2.25%	-	-	-	-
Finance lease liabilities	4.33%	-	-	-	-	-
The Company					2014 Singapore Dollar	2013 Singapore Dollar
Bank borrowing					2.93%	2.94%
Finance lease liability					4.33%	4.33%

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26. Borrowings (continued)

(d) Carrying amounts and fair values

As at the balance sheet date, the carrying amounts of current borrowings approximated their fair values.

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

	Carrying amount		Fair value	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
The Group				
Bank borrowing and, finance lease liabilities	6,550	14,115	6,334	13,594
The Company				
Bank borrowing and finance lease liability	-	7,079	-	6,806

The fair values were determined from discounted cash flows analyses, discounted at the borrowing rates which the directors expected to be available to the Group and the Company at the balance sheet date.

27. Finance lease liabilities

The Group has finance leases for property, plant and equipment (motor vehicles). 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	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Minimum lease payments due				
Within one year	16	53	4	53
Between one and five years	42	4	-	4
	58	57	4	57
Less: Future finance charges	(7)	(6)	-	(6)
Present value of finance lease liabilities	51	51	4	51

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

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Within one year (Note 26)	15	47	4	47
Between one and five years (Note 26)	36	4	-	4
	51	51	4	51

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28. Defined benefit plans liabilities

All companies in Korea with five or more employees must provide 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 an insurance policy ("plan assets").

(a) The amounts recognised in the balance sheet are determined as follows:

	The Group	
	2014	2013
	US\$'000	US\$'000
Present value of defined benefit obligations	1,919	1,717
Fair value of plan assets	(1,263)	(1,066)
	656	651

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

	The Group	
	2014	2013
	US\$'000	US\$'000
Beginning of financial year	1,717	1,266
Interest costs – charged to consolidated income statement	60	38
Current service costs – charged to consolidated income statement	372	341
Remeasurement losses/(gain) arising from changes in:		
- demographic assumptions	(293)	331
- financial assumptions	219	(100)
Benefits paid	(83)	(171)
Currency translation differences	(73)	12
End of financial year	1,919	1,717

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

	The Group	
	2014	2013
	US\$'000	US\$'000
Beginning of financial year	1,066	908
Interest income – credited to consolidated income statement	42	31
Remeasurement losses – return on plan assets	(17)	(5)
Contribution by the Group	302	292
Benefits paid	(83)	(171)
Currency translation differences	(47)	11
End of financial year	1,263	1,066

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28. Defined benefit plans liabilities (continued)

- (d) Independent actuarial valuation of the employee severance benefits was performed and the principal actuarial assumptions used in the actuarial valuation are as follows:

	The Group	
	2014	2013
Discount rate: South Korea plan	2.6%	3.6%
Expected return on plan assets: South Korea plan	3.1%	3.6%
Future salary increases	5.0%	5.0%
Post retirement mortality for pensioners at age 65:		
South Korea plan/post-employment medical plan		
male	Korean CSO 80M	
female	Korean CSO 80F	

Other assumptions include the following:

- all employees are assumed to retire at their normal retirement age;
 - a proportion of employees have been assumed to leave the Group before attaining normal retirement age. The turnover rates have been assumed to be at the rate of 14% of up to age 29, 11% at age 30-39, 7% at age 40-49 and 0% at age 50 thereafter;
 - the disability decrement has been assumed to equal 10% of mortality rate; and
 - no allowances has been made for the probability of future advanced payments.
- (e) The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit plans liabilities as follows:

	The Group		
	Increase/ (decrease)	2014	2013
	%	US\$'000	US\$'000
Discount rate: South Korea plan	0.25	(64)	(54)
	(0.25)	68	56
Future salary increases	0.25	66	55
	(0.25)	(63)	(53)

The methods and types of assumptions used in preparing the sensitivity analysis during the financial year did not change when compared to the financial year ended 31 December 2013.

- (f) The Group expects to contribute US\$368,000 (2013: US\$361,000) to the defined benefit plans in 2015 (2013: 2014).
- (g) The average duration of the defined benefit obligation as at the balance sheet date is 4.4 years (2013: 4.1 years).

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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 balance sheets as follows:

	The Group	
	2014 US\$'000	2013 US\$'000
Deferred income tax assets		
to be recovered within one year	-	(399)
to be recovered after one year	(750)	(156)
	(750)	(555)
Deferred income tax liabilities		
to be settled within one year	-	-
to be settled after one year	172	89
	172	89
	(578)	(466)

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

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	(466)	(512)
Acquisition of a subsidiary [Note 19(a)(i)(c)]	(140)	-
Tax charge to income statement [Note 9(a)]	18	37
Under provision in preceding financial years [Note 9(a)]	42	-
Currency translation differences	(32)	9
End of financial year	(578)	(466)

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 and the Company had the following unrecognised tax losses and capital allowances as at the balance sheet 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		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Tax losses	4,265	3,706	-	-
Capital allowances	3,638	3,791	-	-
	7,903	7,497	-	-

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29. Deferred income taxes (continued)

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 provisions of the Income Tax Act. Included in the tax losses as at the balance sheet date are US\$35,000 (2013: US\$375,000) arising in China that will expire in one to five years after 31 December 2014. 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 balance sheet 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\$12,560,000 (2013: US\$12,264,000) based on the Group's policy as stated in Note 2.5. The deferred tax liability not recognised is estimated to be US\$1,314,000 (2013: US\$1,276,000).

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:

(a) Deferred income tax assets

	Provisions	
	2014 US\$'000	2013 US\$'000
The Group		
Beginning of financial year	(555)	(608)
Acquisition of a subsidiary	(140)	-
Reclassification to deferred income tax liabilities [Note 29(b)]	(5)	54
Credited to consolidated income statement	(25)	(13)
Currency translation differences	(25)	12
End of financial year	(750)	(555)

(b) Deferred income tax liabilities

	Investment properties US\$'000	Others US\$'000	Total US\$'000
The Group			
2014			
Beginning of financial year	19	70	89
Reclassification from deferred income tax assets [Note 29(a)]	-	5	5
Charged/(credited) to consolidated income statement	86	(43)	43
Under provision in preceding financial year	42	-	42
Currency translation differences	-	(7)	(7)
End of financial year	147	25	172
2013			
Beginning of financial year	19	77	96
Reclassification from deferred income tax assets	-	(54)	(54)
Charged to consolidated income statement	-	50	50
Currency translation differences	-	(3)	(3)
End of financial year	19	70	89

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30. Share capital and treasury shares

The Group and The Company	Issued number of shares		Total share capital	
	Share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
2014				
Beginning and end of financial year	905,788	(9,946)	72,648	(736)
2013				
Beginning of financial year	905,508	(9,946)	72,626	(736)
Exercise of share options pursuant to 2004 Scheme [Note 30(b)]	280	-	22	-
End of financial year	905,788	(9,946)	72,648	(736)

- (a) All issued shares are fully paid and do not have 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.
- (b) There was no share options exercised during the financial year.

During the financial year ended 31 December 2013, the Company issued 280,000 ordinary shares for cash at the respective price per share upon the exercise of share options granted by the Company under the Serial System Executives Share Option Scheme (the "2004 Scheme"):

2013			
	Number of share options		
Date of grant	exercised	Exercise price per share	Total share capital
	'000		US\$'000
8 April 2003	70	S\$0.098 (US\$0.079)	6
8 April 2003	70	S\$0.098 (US\$0.079)	6
8 April 2003	140	S\$0.098 (US\$0.079)	10
	280		22

(c) Share options

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"):

- 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;
- executive directors of the Company;
- non-executive directors of the Company; and
- 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.

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30. Share capital and treasury shares (continued)

(c) Share options (continued)

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.

Details of unissued ordinary shares of the Company under share options under the 2004 Scheme are as follows:

(i) Movements in the number of ordinary shares outstanding under share options are as follows:

	The Group and The Company	
	2014 '000	2013 '000
Beginning of the financial year	-	280
Exercised during the financial year	-	(280)
End of the financial year	-	-

No share options were granted during the financial year ended 31 December 2014 and 31 December 2013.

(ii) Details of share options

Movements in the number of ordinary shares outstanding under share options and their exercise prices are as follows:

The Group and The Company

2013

Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2013	Share options exercised	Balance as at 31.12.2013
		\$	'000	'000	'000
8 April 2003	8 April 2004 to 7 April 2014	S\$0.098 (US\$0.079)	70	(70)	-
8 April 2003	8 April 2005 to 7 April 2014	S\$0.098 (US\$0.079)	70	(70)	-
8 April 2003	8 April 2006 to 7 April 2014	S\$0.098 (US\$0.079)	140	(140)	-
			280	(280)	-

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31. Reserves

The Group	Share option reserve 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
2014						
Beginning of financial year	-	180	(424)	(894)	-	(410)
Addition	-	835	57	(763)	59	(715)
Reversal	-	-	-	1,657	-	410
End of financial year	-	1,015	(367)	-	59	(715)

2013						
Beginning of financial year	5	180	(188)	-	-	-
Addition	-	-	(236)	(894)	-	(410)
Reversal	(5)	-	-	-	-	-
End of financial year	-	180	(424)	(894)	-	(410)

The Company	Share option reserve US\$'000	Capital reserve US\$'000
-------------	-------------------------------------	--------------------------------

2014		
Beginning and end of financial year	-	180
2013		
Beginning of financial year	5	180
Reversal	(5)	-
End of financial year	-	180

(a) Share option reserve

Share option reserve represents the equity-settled share options granted to employees [Note 30(c)]. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(b) Capital reserve

Capital reserve represents share of capital reserve of an associated company during the financial year and the Company's repurchased of its ordinary shares in the open market in prior financial years.

(c) 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.

(d) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(e) 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.

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32. Currency translation reserve

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	6,025	5,496	17,589	17,589
Net currency translation differences arising from net investments in foreign subsidiaries and an associated company	(1,737)	554	-	-
Non-controlling interests (Note 34)	(5)	(25)	-	-
	(1,742)	529	-	-
End of financial year	4,283	6,025	17,589	17,589

33. Retained earnings

- (a) Included in the Group's retained earnings of US\$42,847,000 (2013: US\$31,051,000) as at the balance sheet date are legal reserves amounting to US\$112,000 (2013: US\$116,000) 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	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	12,139	830
Total profit	5,242	16,961
Dividends paid (Note 35)	(4,289)	(5,652)
End of financial year	13,092	12,139

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

34. Non-controlling interests

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	2,522	1,658
Share of results of subsidiaries	64	189
Share of currency translation reserve (Note 32)	5	25
	69	214
Investment in subsidiaries by non-controlling interests [Note 34(a), (b) and (c)]	172	-
Acquisition of a subsidiary [Note 34(d)]	-	1,225
Acquisition of additional interests in subsidiaries from non-controlling interests [Note 34(e), (f) and (g)]	695	(300)
Closure of subsidiaries	4	(143)
Dividends paid to non-controlling interest	(262)	(132)
End of financial year	3,200	2,522

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34. Non-controlling interests (continued)

- (a) On 5 November 2013, the non-controlling interest of Nippon Denka Serial Pte Ltd, subscribed for 40,000 ordinary shares at S\$1 (US\$0.79) per share.
- (b) On 4 April 2014, the non-controlling interest of Serial Automotive Limited and Serial Vision Limited subscribed for 4,000 ordinary shares at HK\$1 (US\$0.13) and 4,500 ordinary shares at HK\$1 (US\$0.13) per share in the issued and paid up capital of Serial Automotive Limited and Serial Vision Limited, respectively.
- (c) On 6 June 2014, the non-controlling interest of Serial GIS Pte. Ltd. subscribed for 175,000 ordinary shares at S\$1 (US\$0.80) per share.
- (d) On 1 February 2013, the non-controlling interest of Serial AMSC Microelectronic Co., Ltd subscribed to 2,400 ordinary shares at JPY 50,000 (US\$510) per share in the issued and paid up capital of Serial AMSC Microelectronics Co., Ltd.
- (e) On 5 December 2014, the Group increased its equity interests in Serial Multivision Pte Ltd from 65% to 100% via the purchase of an additional 175,000 shares at S\$65,000 (US\$50,000).
- (f) On 13 June 2013, the Group increased its equity interests in Serial AMSC Microelectronics Co., Ltd from 60% to 70% pursuant to the exercise of a call option to purchase of an additional 600 ordinary shares at Japanese Yen 50,000 (US\$494) per share.
- (g) On 4 October 2013, the Group increased its investment in Serial Microelectronics Inc. from 94.3% to 95.5% via the purchase of an additional 68,250 shares of SMTW at NT\$10 (US\$0.35) per share.

35. Dividends

	The Group and The Company	
	2014 US\$'000	2013 US\$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of S\$0.30 cent (US\$0.24 cent) per share paid in respect of the financial year ended 31 December 2013	2,139	-
One-tier tax-exempt interim cash dividend of S\$0.30 cent (US\$0.24 cent) per share paid in respect of the financial year ended 31 December 2014	2,150	-
One-tier tax-exempt final cash dividend of S\$0.30 cent (US\$0.24 cent) per share paid in respect of the financial year ended 31 December 2012	-	2,178
One-tier tax-exempt interim cash dividend of S\$0.24 cent (US\$0.19 cent) per share paid in respect of the financial year ended 31 December 2013	-	1,689
One-tier tax-exempt special one-off interim cash dividend of S\$0.25 cent (US\$0.20 cent) per share paid in respect of the financial year ended 31 December 2013	-	1,785
Total [Note 33(b)]	4,289	5,652

At the forthcoming Annual General Meeting on 29 April 2015, a one-tier tax-exempt final cash dividend of S\$0.75 cent (US\$0.57 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 2015, subject to shareholders' approval at the forthcoming Annual General Meeting on 29 April 2015.

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36. Commitments

(a) Guarantees

	The Group		The Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Unsecured guarantees provided by the Company for/to:				
- banking facilities of subsidiaries	-	-	372,622	201,517
- suppliers of subsidiaries	-	-	10,749	8,798
- suppliers of an associated company	-	-	3,158	-
Unsecured bank guarantees for suppliers of subsidiaries	6,524	620	-	-
	6,524	620	386,529	210,315

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

The Group leases various offices, advertising media spaces 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 as at the balance sheet date but not recognised as liabilities, are analysed as follows:

	The Group	
	2014	2013
	US\$'000	US\$'000
Within one year	1,392	2,012
Between one and five years	322	1,076
More than five years	41	-
	1,755	3,088

(c) Operating lease commitments - where a Group/Company is a lessor

The Group leases out certain investment properties to an associated company and non-related parties under non-cancellable operating leases. The Group also entered into advertising income contracts with non-related parties through the leasing of its outdoor media advertising equipment. 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 balance sheet date but not recognised as receivables, are analysed as follows:

	The Group	
	2014	2013
	US\$'000	US\$'000
Within one year	2,149	1,363
Between one and five years	1,012	-
	3,161	1,363

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36. Commitments (continued)

(d) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	The Group	
	2014 US\$'000	2013 US\$'000
Purchase of property, plant and equipment and intangible assets (computer software license costs)	84	132

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 Board of Directors of the Company provides guidelines for overall risk management. Management team of the Group 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\$), Japanese Yen (JPY), Malaysian Ringgit (MYR) and Australian Dollar (AUD). 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:

The Group	United States Dollar	Singapore Dollar	Korean Won	Hong Kong Dollar	Chinese Renminbi	New Taiwan Dollar	Japanese Yen	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2014									
Financial assets:									
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	35,342	5,505	1,756	718	13,225	1,579	2,284	484	60,893
Trade and other receivables	130,526	2,742	7,459	287	32,489	3,359	6,908	891	184,661
Other financial assets	1,003	347	308	179	5	55	265	115	2,277
	166,871	8,594	9,523	1,184	45,719	4,993	9,457	1,490	247,831
Financial liabilities:									
Borrowings	(140,411)	(10,531)	(2,547)	(4,172)	-	(10,487)	(10,299)	-	(178,447)
Trade and other payables	(89,547)	(6,558)	(4,040)	(8,124)	(6,636)	(2,516)	(2,457)	(473)	(120,351)
	(229,958)	(17,089)	(6,587)	(12,296)	(6,636)	(13,003)	(12,756)	(473)	(298,798)
Net financial (liabilities)/assets	(63,087)	(8,495)	2,936	(11,112)	39,083	(8,010)	(3,299)	1,017	(50,967)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	30,138	(2,585)	(2,636)	11,168	(412)	8,143	3,992	16	47,824
Currency exposure	(32,949)	(11,080)	300	56	38,671	133	693	1,033	(3,143)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure is as follows: (continued)

	United States		Singapore		Korean		Hong Kong		Chinese		New Taiwan		Japanese Yen		Others		Total	
	Dollar	US\$'000	Dollar	US\$'000	Won	US\$'000	Dollar	US\$'000	Renminbi	US\$'000	Dollar	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group																		
2013																		
Financial assets:																		
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	22,090		7,643		6,821		498		5,098		1,575		2,899		464		47,088	
Trade and other receivables	117,635		1,810		5,739		485		29,426		3,126		7,665		23		165,909	
Other financial assets	260		322		359		-		7		37		37		25		1,047	
	139,985		9,775		12,919		983		34,531		4,738		10,601		512		214,044	
Financial liabilities:																		
Borrowings	(94,000)		(11,383)		(3,411)		(7,665)		-		(10,245)		(11,709)		-		(138,413)	
Trade and other payables	(78,567)		(3,328)		(624)		(3,402)		(2,525)		(2,188)		(1,805)		(34)		(92,473)	
	(172,567)		(14,711)		(4,035)		(11,067)		(2,525)		(12,433)		(13,514)		(34)		(230,886)	
Net financial (liabilities)/assets	(32,582)		(4,936)		8,884		(10,084)		32,006		(7,695)		(2,913)		478		(16,842)	
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	16,396		(5,887)		(8,584)		10,082		(307)		7,721		1,645		(21)		21,045	
Currency exposure	(16,186)		(10,823)		300		(2)		31,699		26		(1,268)		457		4,203	

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For the financial year ended 31 December 2014

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

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	Hong Kong Dollar US\$'000	New Taiwan Dollar US\$'000	Total US\$'000
2014					
Financial assets:					
Cash and cash equivalents	722	1,495	-	203	2,420
Trade and other receivables	14,252	1,026	-	-	15,278
Other financial assets	-	18	-	-	18
Loans and receivables	33,452	6,241	932	-	40,625
	48,426	8,780	932	203	58,341
Financial liabilities:					
Borrowings	-	(6,783)	-	-	(6,783)
Trade and other payables	(622)	(9,050)	-	(73)	(9,745)
	(622)	(15,833)	-	(73)	(16,528)
Net financial assets/(liabilities)	47,804	(7,053)	932	130	41,813
Less: Net financial assets denominated in the Company's functional currency	(47,804)	-	-	-	(47,804)
Currency exposure	-	(7,053)	932	130	(5,991)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure is as follows: (continued)

The Company	United States Dollar US\$'000	Singapore Dollar US\$'000	Hong Kong Dollar US\$'000	New Taiwan Dollar US\$'000	Others US\$'000	Total US\$'000
2013						
Financial assets:						
Cash and cash equivalents	223	709	-	93	1	1,026
Trade and other receivables	15,006	1,364	-	-	-	16,370
Loans and receivables	27,943	12,882	932	-	-	41,757
Other financial assets	-	30	-	-	-	30
	43,172	14,985	932	93	1	59,183
Financial liabilities:						
Borrowings	-	(10,043)	-	-	-	(10,043)
Trade and other payables	(263)	(7,466)	-	(42)	-	(7,771)
	(263)	(17,509)	-	(42)	-	(17,814)
Net financial assets/(liabilities)	42,909	(2,524)	932	51	1	41,369
Less: Net financial assets denominated in the Company's functional currency	(42,909)	-	-	-	-	(42,909)
Currency exposure	-	(2,524)	932	51	1	(1,540)

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the Singapore Dollar, Korean Won, Hong Kong Dollar, Chinese Renminbi, New Taiwan Dollar and Japanese Yen strengthen/weaken against the United States Dollar by the following percentages:

	The Group	
	2014	2013
Singapore Dollar	5%	5%
Korean Won	5%	1%
Hong Kong Dollar	1%	1%
Chinese Renminbi	5%	5%
New Taiwan Dollar	5%	1%
Japanese Yen	10%	8%

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:

	2014		2013	
	Profit after income tax	Equity	Profit after income tax	Equity
	Increase/(Decrease)			
The Group	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar against United States Dollar				
- strengthened	(478)	129	(460)	294
- weakened	478	(129)	460	(294)
Korean Won against United States Dollar				
- strengthened	13	132	3	86
- weakened	(13)	(132)	(3)	(86)
Hong Kong Dollar against United States Dollar				
- strengthened	(a)	(112)	(a)	(101)
- weakened	(a)	112	(a)	101

(a) Not meaningful to disclose as the figures are less than US\$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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) →			
	2014		2013	
The Group	US\$'000	US\$'000	US\$'000	US\$'000
Chinese Renminbi against United States Dollar				
- strengthened	1,670	21	1,347	15
- weakened	(1,670)	(21)	(1,347)	(15)
New Taiwan Dollar against United States Dollar				
- strengthened	6	(407)	(a)	(77)
- weakened	(6)	407	(a)	77
Japanese Yen against United States Dollar				
- strengthened	60	(399)	2	(618)
- weakened	(60)	399	(2)	618

	Profit after income tax	
	← Increase/(Decrease) →	
	2014	2013
The Company	US\$'000	US\$'000
Singapore Dollar against United States Dollar		
- strengthened	(293)	(105)
- weakened	293	105
Hong Kong Dollar against United States Dollar		
- strengthened	8	8
- weakened	(8)	(8)
New Taiwan Dollar against United States Dollar		
- strengthened	5	(a)
- weakened	(5)	(a)

(a) Not meaningful to disclose as the figures are less than US\$1,000

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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 balance sheet as financial assets, at fair value through profit or loss and financial assets, available-for-sale. Financial assets, at fair value through profit or loss are listed in Singapore and Taiwan and financial asset, available-for-sale is listed in Singapore. These investments are not hedged.

If prices for equity securities listed in Singapore and Taiwan increase/decrease by 5% (2013: 5%), with all other variables including tax rate being held constant, the profit after income tax will increase/(decrease) by:

	Profit after income tax	
	2014 US\$'000	2013 US\$'000
The Group		
Financial assets, at fair value through profit or loss		
Listed in:		
Singapore	1	3
Taiwan	1	1
	2	4
	Equity	
	2014	2013
	US\$'000	US\$'000
Financial asset, available-for-sale		
Listed in:		
Singapore	-	162

(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. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of 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% (2013: 1%) with all other variables including the tax rate being held constant, the profit after income tax will decrease/increase by approximately US\$1,393,000 (2013: US\$986,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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)

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 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									
2014									
Assets:									
Cash and cash equivalents	-	-	-	-	1	86	-	58,210	58,297
Trade and other receivables	-	-	-	-	-	-	-	184,661	184,661
Financial assets, at fair value through profit or loss	-	-	-	-	1,230	-	-	42	1,272
Financial assets, available-for-sale	-	-	-	-	-	-	-	1,324	1,324
Other financial assets	-	-	1,000	-	-	-	-	1,277	2,277
Total financial assets	-	-	1,000	-	1,231	86	-	245,514	247,831
Liabilities:									
Borrowings	153,289	2,565	3,893	2,536	13,939	369	1,856	-	178,447
Trade and other payables	-	-	-	-	-	-	-	120,351	120,351
Total financial liabilities	153,289	2,565	3,893	2,536	13,939	369	1,856	120,351	298,798

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

**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	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								US\$'000	US\$'000
2013									
Assets:									
Cash and cash equivalents	-	-	-	-	210	10	-	40,328	40,548
Trade and other receivables	-	-	-	-	-	-	-	165,909	165,909
Financial assets, at fair value through profit or loss	-	-	-	-	495	-	789	74	1,358
Financial assets, available-for-sale	-	-	-	-	-	-	-	5,182	5,182
Other financial assets	-	-	-	-	-	-	-	1,047	1,047
Total financial assets	-	-	-	-	705	10	789	212,540	214,044
Liabilities:									
Borrowings	107,871	141	4,966	2,938	10,904	1,861	9,732	-	138,413
Trade and other payables	-	-	-	-	-	-	-	92,473	92,473
Total financial liabilities	107,871	141	4,966	2,938	10,904	1,861	9,732	92,473	230,886

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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		Total
	Less than 6 months	6 to 12 months	1 to 5 years		Less than 6 months	6 to 12 months	1 to 5 years				
	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000	US\$'000		US\$'000	US\$'000	
	-	-	-		1	-	-		2,419	2,420	
	-	2,489	-		-	-	-		12,789	15,278	
	-	2,585	38,040		-	-	-		-	40,625	
	-	-	-		-	-	-		18	18	
	-	5,074	38,040		1	-	-		15,226	58,341	
	-	-	-		6,783	-	-		-	6,783	
1,048	-	-	4,524		-	-	-		4,173	9,745	
1,048	-	-	4,524		6,783	-	-		4,173	16,528	

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

**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		Total
	Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000		Less than 6 months US\$'000	6 to 12 months US\$'000	1 to 5 years US\$'000	US\$'000	US\$'000	
The Company										
2013										
Assets:										
Cash and cash equivalents	-	-	-		1	-	-	1,025	1,026	
Trade and other receivables	-	3,019	-		-	-	-	13,351	16,370	
Loans and receivables	-	3,717	38,040		-	-	-	-	41,757	
Other financial assets	-	-	-		-	-	-	30	30	
Total financial assets	-	6,736	38,040		1	-	-	14,406	59,183	
Liabilities:										
Borrowings	-	-	-		1,482	1,482	7,079	-	10,043	
Trade and other payables	-	-	4,683		-	-	-	3,088	7,771	
Total financial liabilities	-	-	4,683		1,482	1,482	7,079	3,088	17,814	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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 high 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 balance sheet date, the Group's trade receivables comprised three debtors (2013: six debtors) that individually represented 3.0% to 7.4% (2013: 3.4% to 15.0%) 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 balance sheet, except as follows:

- (i) Corporate guarantees provided by the Company to banks/financial institutions on subsidiaries' borrowings as at the balance sheet date amounting to US\$372,622,000 (2013: US\$201,517,000); and
- (ii) Trade receivables of the Group as at the balance sheet date amounting to US\$12,120,000 (2013: US\$7,162,000) which are collateralised by certain assets of the customers.
- (iii) The Group purchased credit insurance to reduce credit risk from extension of credit to majority of its customers in the electronic components distribution business.

The credit risk for trade receivables is as follows:

	The Group	
	2014 US\$'000	2013 US\$'000
By geographical areas		
Singapore	8,403	5,728
China	38,260	37,392
Hong Kong	80,985	73,630
South Korea	15,380	14,037
Japan	8,134	8,081
Taiwan	7,062	5,575
Thailand	4,224	5,148
Malaysia	1,924	3,577
Philippines	2,484	2,465
Vietnam	3,994	462
Others	5,837	4,169
	176,687	160,264

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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 balance sheet date:

	The Group	
	2014 US\$'000	2013 US\$'000
Not past due and not impaired	153,115	136,641
Past due but not impaired [#]	23,572	23,623
	176,687	160,264
Impaired trade receivables - collectively assessed	235	377
Less: Allowance for impairment	(235)	(377)
	-	-
Impaired trade and other receivables		
- individually assessed	2,115	1,779
Less: Allowance for impairment	(2,115)	(1,779)
	-	-
Trade receivables, net	176,687	160,264

[#] Aging of trade receivables that are past due but not impaired is as follows:

	The Group	
	2014 US\$'000	2013 US\$'000
Past due:		
Not more than three months	20,363	21,068
Three to six months	1,461	925
Over six months	1,748	1,630
	23,572	23,623

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets that are past due and/or impaired (continued)

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

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	2,156	2,449
Acquisition of a subsidiary [Note 19(a)(i)(e)]	189	-
Allowances made (Note 6)	1,096	510
Closure of subsidiaries	-	(29)
Impairment written off	(1,093)	(780)
Currency translation differences	2	6
End of financial year (Note 12)	2,350	2,156

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

	The Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	263	273
Currency translation differences	(11)	(10)
End of financial year (Note 12)	252	263

The impaired trade and other receivables are overdue amounts owing from customers which remained unpaid as at the balance sheet date. Accordingly there are significant uncertainties on the recovery of the amounts due from these customers.

(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 US\$'000	Contractual cash flow US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000
The Group					
2014					
Trade and other payables	120,351	120,351	120,351	-	-
Borrowings	178,447	180,687	171,654	6,249	2,784
	298,798	301,038	292,005	6,249	2,784
2013					
Trade and other payables	92,473	92,473	92,473	-	-
Borrowings	138,413	140,932	123,055	14,582	3,295
	230,886	233,405	215,528	14,582	3,295

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(c) Liquidity risk (continued)

The Company	Carrying amount US\$'000	Contractual cash flow US\$'000	Cash flow	
			Less than 1 year US\$'000	1 to 5 years US\$'000
2014				
Trade and other payables	9,745	10,378	5,380	4,998
Borrowings	6,783	6,903	6,903	-
Financial guarantee contracts	386,529	386,529	386,529	-
	403,057	403,810	398,812	4,998
2013				
Trade and other payables	7,771	8,565	3,248	5,317
Borrowings	10,043	10,503	3,300	7,203
Financial guarantee contracts	210,315	210,315	210,315	-
	228,129	229,383	216,863	12,520

Liquidity risk is managed while maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

As at the balance sheet date, the Group had at its disposal cash and cash equivalents amounting to US\$58,297,000 (2013: US\$40,548,000). In addition, the Group has available unutilised short term facilities of approximately US\$192,158,000 (2013: US\$67,757,000).

The amount included for financial guarantee contracts is the maximum amount 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 balance sheet date, the Company considers 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.

(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 2013, is to maintain a net gearing ratio not exceeding 150% for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

37. Financial risk management (continued)

(d) Capital risk (continued)

The net gearing ratio calculated as net debts divided by total equity is as follows:

	The Group		The Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Total borrowings	178,447	138,413	6,783	10,043
Less: Cash and cash equivalents	(58,297)	(40,548)	(2,420)	(1,026)
Net debts	120,150	97,865	4,363	9,017
Total equity	122,234	109,962	102,773	101,820
Net gearing ratio	98.3%	89.0%	4.2%	8.9%

As disclosed in Note 33(a), certain overseas subsidiaries of the Group are required to contribute to and maintain a non-distributable reserves fund whose utilisation is subject to approval by the relevant authorities. The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2014 and 31 December 2013.

38. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categories 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.

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SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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 balance sheet 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
The Group				
2014				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	42	-	-	42
Convertible notes	-	1,230	-	1,230
Total financial assets	42	1,230	-	1,272
Non-financial assets				
Investment properties				
Leasehold land and buildings	-	3,441	-	3,441
Freehold buildings	-	4,219	-	4,219
Total non-financial assets	-	7,660	-	7,660
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	-	(40)	(1,399)	(1,439)
Total financial liabilities	-	(40)	(1,399)	(1,439)
2013				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	74	-	-	74
Convertible notes	-	1,284	-	1,284
Financial assets, available-for-sale:				
Quoted securities	3,820	-	-	3,820
Total financial assets	3,894	1,284	-	5,178
Non-financial assets				
Investment properties				
Leasehold land and buildings	-	2,449	-	2,449
Freehold buildings	-	3,943	-	3,943
Total non-financial assets	-	6,392	-	6,392
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	-	(56)	-	(56)
Contingent consideration payable	-	-	(301)	(301)
Total financial liabilities	-	(56)	(301)	(357)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(ii) Leasehold land and buildings, and freehold buildings

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 that are not traded in an active market are determined using forward market exchange rates as at the balance sheet date, with the resulting values discounted back to present value.

There was no transfer between Level 1 and Level 2 during the financial year ended 31 December 2014 and 31 December 2013.

(e) Level 3 fair value measurements

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

Contingent consideration payable

The information in relation to the contingent consideration liability arising from the business acquisition is disclosed in Note 19(e).

The fair value of the contingent consideration was determined by considering the expected payment, discounted to present value using the risk-adjusted discount rate of 7%. The expected payment is determined by considering possible scenarios of forecasted annual revenue growth rate, the amount to be paid under each scenario and the probability of each scenario. If the Group adjusted the annual revenue growth rate by decreasing 3%, with all the other variables held constant, the carrying amount of the contingent consideration payables would decrease by US\$301,000.

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For the financial year ended 31 December 2014

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38. Fair value of assets and liabilities (continued)

(e) Level 3 fair value measurements (continued)

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

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 balance sheet date, with the resulting value discounted back to present value.

The discounted rate used to compute the fair values of currency forward contracts is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 2.89% to 3.65%. If the Group adjusted the cost of borrowings by increasing and decreasing 1%, with all other variables held constant, the carrying amount of the foreign exchange forward contracts would increase/decrease by US\$10,000.

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

The following table presents the changes in Level 3 instruments:

	Contingent consideration payable US\$'000	Foreign exchange forward contracts US\$'000
The Group		
2014		
Beginning of financial year	301	-
Fair value loss during the year (Note 6)	-	1,439
Reversal during the year (Note 5)	(316)	-
Currency translation differences	15	-
End of financial year	-	1,439
2013		
Beginning and end of financial year	301	-

(iii) Valuation policies and procedures

The Chief Financial Officer 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 Chief Financial Officer'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 the 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 Chief Financial Officer reports to the Audit Committee for significant valuation issues.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

	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
The Group					
2014					
Assets					
Investment in an associated company	21,760	-	-	21,760	6,611
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	-	-	6,295	6,295	6,514
Finance lease liabilities	-	-	39	39	36
	-	-	6,334	6,334	6,550
2013					
Assets					
Investment in an associated company	5,600	-	-	5,600	6,097
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	-	-	13,590	13,590	14,111
Finance lease liability	-	-	4	4	4
	-	-	13,594	13,594	14,115
The Company					
2014					
Assets					
Investment in an associated company	19,728	-	-	19,728	6,682
2013					
Assets					
Investment in an associated company	5,083	-	-	5,083	6,626
Financial liabilities					
Borrowings (non-current)					
Bank borrowings	-	-	6,802	6,802	7,075
Finance lease liability	-	-	4	4	4
	-	-	6,806	6,806	7,079

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For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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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 types borrowing or leasing arrangements at the balance sheet date.
- (ii) The carrying amounts of other financial assets and liabilities recognised as at 31 December 2014 and 31 December 2013, with maturity of less than one year approximate their fair values due to their short term maturities.

(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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Financial assets				
Financial assets, available-for-sale	1,324	1,362	(i)	(i)

- (i) 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 were also no recent observable arm's length transactions in the shares.

39. Related party transactions

A related party is a person or entity that 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.

During the financial year under review, an interested person transaction amounting to US\$13,574,000, being total consideration payable by the Company to GSH Corporation Limited for the acquisition of entire distribution and trading entity of GSH Corporation Limited, was duly approved by shareholders at the Company's extraordinary general meeting on 30 December 2014. Goi Kok Neng Ben, a non-executive director of the Company, is the son of Goi Seng Hui, a substantial shareholder of GSH Corporation Limited, and the sibling of Goi Kok Ming Kenneth, an executive director of GSH Corporation Limited. Accordingly, the said acquisition constitutes an interested person transaction for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited [Note 19 (a)(i)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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39. Related party transactions (continued)

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:

(a) Sales and purchases of goods and services

	The Group	
	2014 US\$'000	2013 US\$'000
With associated companies:		
Sales of goods to associated companies	279	106
Purchases of goods from associated companies	102	2,392
Interest received from an associated company	36	18
Rental received from an associated company	133	134
Fee received from an associated company	51	-
With key management personnel:		
Rental expense paid to a director of the Company	16	17
Fees paid to firms of which certain directors of the Company are members, directors or shareholders	112	131

Outstanding balances as at the balance sheet date arising from sales/purchases of goods and services, are set out in Note 12 and Note 24 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 2014 and 31 December 2013. There were no outstanding share options granted to the directors of the Company at 31 December 2014 and 31 December 2013.

(c) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2014 US\$'000	2013 US\$'000
Salaries and other short-term employees' benefits	4,287	3,289
Post employment benefits contribution to defined contribution plans	76	72
	4,363	3,361

Included in the above are remuneration (including salaries, bonuses, directors' fees and other emoluments) paid to Directors of the Company. Fees payable to Directors of the Company amounted to US\$192,000 (2013: US\$184,000).

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 2014

SERIAL SYSTEM LTD
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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's reportable segments are as follows:-

- Electronic components distribution
- Consumer products
- Other businesses

Other businesses include investment holding and trading, rental of investment properties, outdoor advertising media and hospitality solutions, ethylene oxide sterilization and assembly and distribution of medical devices.

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, 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, redemption liability, defined benefit plans liabilities and borrowings which can be attributable to the specific segments. 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 and distribution rights.

The Group has equity interests in the following associated companies as at the balance sheet date:

- 31.5% (2013: 43.4%) equity interests in Bull Will Co., Ltd, an entity together with subsidiaries involve in the manufacturing and sale of electronic components with focus on passive components and operating primarily in Taiwan and China.
- 45.0% (2013: 45.0%) equity interests in Globaltronics International Pte. Ltd., an entity trading in electronic and electrical components and operating primarily in Singapore.
- 20.0% (2013: Nil) equity interests in SPL Holdings (Australia) Pty Ltd, an entity with subsidiaries and associated companies involve in the provision of laundry services in the hospitality industry and operating primarily in Australia.
- 49.0% (2013: Nil) equity interests in Achieva Technology Pte. Ltd., an entity with wholly owned subsidiaries involve in distribution and marketing of information technology, computer peripherals, parts, software and related products and operating primarily in Singapore, Australia and Malaysia.

The investments in these associated companies are accounted for by the equity method. The investments and the share of results of Bull Will Co., Ltd, Globaltronics International Pte. Ltd. and Achieva Technology Pte. 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 are shown separately in conjunction with data for other businesses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products US\$'000	Other businesses US\$'000	Total US\$'000
2014				
Sales – external	1,031,362	-	4,700	1,036,062
Segment results - operating profit	23,053	-	2,183	25,236
Unallocated gain	-	-	-	258
Unallocated finance income	-	-	-	181
Finance costs	(4,233)	-	(353)	(4,586)
Share of result of associated companies (after income tax)	(849)	-	617	(232)
Profit before income tax				20,857
Income tax expense				(4,708)
Profit after income tax				16,149
Segment assets	365,134	14,475	27,472	407,081
Investments in associated companies	10,003	-	7,370	17,373
Deferred income tax assets	-	-	-	750
Consolidated total assets				425,204
Segment liabilities	116,267	2,613	2,127	121,007
Borrowings	155,357	1,518	21,572	178,447
Current and deferred income tax liabilities	-	-	-	3,516
Consolidated total liabilities				302,970
Capital expenditure on property, plant and equipment	5,777	-	251	6,028
Capital expenditure on an investment property	926	-	-	926
Capital expenditure on intangible assets (computer software license costs)	280	-	-	280
Acquisition of interests in associated companies	3,972	-	6,826	10,798
Acquisition of additional interests in an associated company	658	-	-	658
Depreciation of property, plant and equipment	1,830	-	783	2,613
Amortisation of computer software license costs	252	-	-	252
Amortisation of distribution rights	1,722	-	-	1,722
Fair value gain on investment properties	-	-	(677)	(677)
Impairment losses on goodwill arising from acquisition of subsidiaries	988	-	-	988
Impairment losses on trade receivables	1,074	-	22	1,096
Write back of allowance for impairment losses on other receivables	(20)	-	-	(20)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

SERIAL SYSTEM LTD
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40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Other businesses US\$'000	Total US\$'000
2013			
Sales – external	812,159	4,892	817,051
Segment results - operating profit	16,592	1,243	17,835
Unallocated finance income	-	-	171
Finance costs	(2,734)	(451)	(3,185)
Share of result of an associated company (after income tax)	(424)	-	(424)
Profit before income tax			14,397
Income tax expense			(3,002)
Profit after income tax			11,395
Segment assets	307,856	28,968	336,824
Investments in associated companies	6,097	-	6,097
Deferred income tax assets	-	-	555
Consolidated total assets			343,476
Segment liabilities	91,934	1,600	93,534
Borrowings	123,757	14,656	138,413
Current and deferred income tax liabilities	-	-	1,567
Consolidated total liabilities			233,514
Capital expenditure on property, plant and equipment	11,672	38	11,710
Capital expenditure on intangible assets (computer software license costs)	565	-	565
Additional investment in an associated company	374	-	374
Depreciation of property, plant and equipment	1,378	782	2,160
Amortisation of computer software license costs	200	-	200
Amortisation of distribution rights	2,041	-	2,041
Fair value gain on investment properties	-	(320)	(320)
Impairment losses on goodwill arising from acquisition of subsidiaries	401	-	401
Impairment losses on trade receivables	322	188	510
Impairment losses on other assets (non-current)	87	-	87

NOTES TO THE FINANCIAL STATEMENTS

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SERIAL SYSTEM LTD
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40. Segment information (continued)

(b) Geographical segments

Geographically, management manages and monitors the businesses in nine primary geographic areas: South East Asia [consisting of Singapore (the home and principal operating country of the Group), Malaysia, Thailand, Philippines, Indonesia, Vietnam and Cambodia] and India, Hong Kong and China, South Korea, Taiwan, Japan, Australia, Kazakhstan, United Arab Emirates and Bangladesh. All geographic locations are engaged in the electronic components distribution business except for Kazakhstan, United Arab Emirates, Cambodia and Bangladesh.

Consumer products in South East Asia (mainly Singapore, Vietnam and Cambodia) and Kazakhstan, United Arab Emirates and Bangladesh were added into the Group's geographical segments subsequent to the acquisition of Serial I-Tech group on 31 December 2014. Serial I-Tech group is involved in the trading and distribution of fast-moving consumer goods, consumer electronics, IT, photographic and timepiece products.

Other businesses in South East Asia, Taiwan, China and Australia include investment holding and trading, rental of investment properties, outdoor advertising media and hospitality solutions, ethylene oxide sterilization and assembly and distribution of medical devices and provision of laundry services in the hospitality industry.

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

	Sales		Non-current assets*	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
The Group				
Singapore	92,719	79,084	17,323	13,635
Hong Kong	562,903	380,136	2,389	3,974
China	96,558	79,353	21,205	17,039
South Korea	127,263	136,774	7,524	8,323
Taiwan	56,079	53,661	7,709	8,131
Singapore - Associated company	-	-	3,392	-
Taiwan - Associated company	-	-	6,611	6,097
Australia - Associated company	-	-	7,370	-
Japan	25,831	16,431	556	930
Thailand	28,266	29,377	-	3
India	18,305	17,926	40	73
Philippines	15,082	13,392	15	6
Malaysia	7,676	7,304	1	3
Others (include Cambodia, Kazakhstan, Vietnam, and Indonesia)	5,380	3,613	1,198	1,184
	1,036,062	817,051	75,333	59,398

* Non-current assets exclude financial assets, at fair value through profit or loss, financial assets, available-for-sale and deferred income tax assets.

(c) Information about major customers

Sales of approximately US\$138,545,000 (2013: US\$47,234,000) 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 2014

SERIAL SYSTEM LTD
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41. Events after the balance sheet date

- (a) Subsequent to the financial year ended 31 December 2014, the Group's effective equity interest in Bull Will Co., Ltd decreased from 31.5% to 29.0% following the conversion of convertible bonds into 5,577,161 shares of Bull Will Co., Ltd by bondholders.
- (b) On 13 February 2015, the Group through its wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 5% equity interest in Serial GIS Pte Ltd via the purchase of additional 25,000 ordinary shares of Serial GIS Pte Ltd at S\$25,000 (US\$18,480) from an existing shareholder. Serial GIS Pte Ltd became a 70% owned subsidiary of the Group upon the completion of the acquisition.
- (c) On 26 February 2015, the Group's wholly owned subsidiary, SCE Enterprise Pte. Ltd. entered into a conditional sales and purchase agreement with Mr. Tan Teck Kee and Hydra & Thermal Pte Ltd to acquire 2,147,499 ordinary shares, in the capital of Hydra & Thermal Pte Ltd from Mr. Tan Teck Kee at a purchase consideration of S\$808,610 (US\$598,000). The sale shares represent 70% of the issued and paid-up share capital of Hydra & Thermal Pte Ltd. Hydra and Thermal Pte Ltd is incorporated in Singapore and is principally engaged in the business of distribution of consumer electronic products and household appliances.
- (d) On 13 March 2015, the Company entered into a conditional sales and purchase agreement with Swift Value Business Pte. Ltd., a company incorporated in Singapore, to acquire the entire shareholding interest in the capital of Swift Value Business Pte. Ltd. The acquisition is expected to be completed on 1 May 2015.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors of Serial System Ltd on 24 March 2015.

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

For the financial year ended 31 December 2014

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:

	2014	2013
Number of directors of the Company in remuneration bands:		
S\$1,750,000 to S\$1,999,999	1	-
S\$1,250,000 to S\$1,499,999	-	1
S\$0 to S\$249,999	5	5
Total	6	6

2. Auditors' remuneration

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

	2014 US\$'000	2013 US\$'000
Auditors' remuneration paid/payable to:		
auditors of the Company	202	180
other auditors*	171	148
Other fees paid/payable to other auditors*	23	36

* 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 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, Japan, Malaysia, Australia, Thailand, Philippines, India, Vietnam, United Arab Emirates, Cambodia, Kazakhstan and Bangladesh. The Group has no reasons to believe these countries are politically unstable. The Group'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. The Corporate Management Team and key executives of its subsidiaries constantly review its investment portfolios. The Group's Independent Directors serve as advisors and collectively the Board of Directors of the Company reviews and approves all investment decisions. Impairment in investment allowances 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 2014

SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES

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 properties

Major properties of the Group held for investment as at 31 December 2014 were:

Location	Description	Existing Use	Tenure	Unexpired term of lease
3rd Floor 8 Ubi View Serial System Building Singapore	1 storey of a 5-storey light industrial building	Commercial	Leasehold	44 years
3rd Floor No.193,195,197,199 Ruei Hu Street Neihu, Taipei Taiwan	1 storey of a 5-storey commercial building	Commercial	Freehold	-
Room 515 Building B3, Fortune Plaza No. 3 Shinhua Road Futian Free Trade Zone Futian district, Shenzhen City China	1 office unit of a 7-storey commercial building	Commercial	Leasehold	29 years

STATISTICS OF SHAREHOLDINGS

SERIAL SYSTEM LTD

As at 24 March 2015

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	355	6.02	5,997	0.00
100 - 1,000	687	11.65	425,110	0.05
1,001 - 10,000	2,612	44.31	11,530,412	1.29
10,001 - 1,000,000	2,193	37.20	142,458,083	15.90
1,000,001 and above	48	0.82	741,422,312	82.76
Total	5,895	100.00	895,841,914	100.00

Top Twenty Largest Shareholders

Name of Shareholder	Number of Shares	%
Derek Goh Bak Heng	103,868,682	11.59
Goi Seng Hui	98,741,038	11.02
Hong Leong Finance Nominees Pte Ltd	82,400,000	9.20
Maybank Nominees (Singapore) Pte Ltd	64,149,152	7.16
UOB Nominees (2006) Pte Ltd	51,334,016	5.73
Raffles Nominees (Pte) Ltd	40,625,995	4.53
Citibank Nominees Singapore Pte Ltd	30,213,474	3.37
Goh Tiong Yong	28,200,000	3.15
Tee Yih Jia Food Manufacturing Pte Ltd	24,862,800	2.78
Ho Yung	24,576,200	2.74
United Overseas Bank Nominees Pte Ltd	19,486,116	2.18
DBS Nominees Pte Ltd	16,307,144	1.82
OCBC Securities Private Ltd	16,116,189	1.80
Wang Jing	15,188,000	1.70
Chin Yeow Hon	11,023,142	1.23
Kim Sang Yeol	10,807,920	1.21
Tan Cheng Hwee	9,000,000	1.00
Yu Jie	8,649,064	0.97
Maybank Kim Eng Securities Pte Ltd	8,580,375	0.96
Goh Lip Ming	7,300,000	0.81
Total	671,429,307	74.95

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	347,838,698	-	347,838,698	38.83
Goi Seng Hui	98,741,038	24,862,800*	123,603,838	13.80

*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 24 March 2015, approximately 42.89% of the Company's ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

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 Wednesday, 29 April 2015 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 2014 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)

2. To declare a one-tier tax-exempt Final Cash Dividend of S\$0.75 cent per ordinary share for the financial year ended 31 December 2014 (2013: One-tier tax-exempt Final Cash Dividend of S\$0.30 cent per ordinary share). (Resolution 2)

3. To approve the payment of Directors’ Fees of S\$243,000 (US\$192,000) for the financial year ended 31 December 2014 [2013: S\$230,000 (US\$184,000)]. (Resolution 3)

4. To re-elect Mr. Ravindran s/o Ramasamy as Director, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association.

 Mr. Ravindran s/o Ramasamy will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and Serial System Employee Share Option Scheme 2014 and a member of the Audit 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. Peter Ho I Chin as Director, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association.

 Mr. Peter Ho I Chin will, upon re-election as a Director of the Company, remain as Executive Director of the Company and will be considered non-independent. (Resolution 5)

6. To re-appoint Messrs Moore Stephens LLP, Public Accountants and Chartered Accountants, Singapore as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution No.7, Resolution No.8, and Resolution No.9 as Ordinary Resolutions:

7. 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 subparagraph (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 7)

8. 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 8)

9. Proposed renewal of the Share Buyback Mandate (on a poll taken)

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 is held or 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;

(c) in this Resolution:

“Prescribed Limit” means 88,432,791 Shares if the proposed sale or transfer (“Proposed Transfer”) of 7,800,000 treasury shares to members of management and senior executives of the Company and its subsidiaries is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken);

“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 9)

10. 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
13 April 2015

Explanatory Notes on Special Business to be transacted:

- (i) The proposed Ordinary Resolution No.7, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting until the date of the 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.
- (ii) The proposed Ordinary Resolution No.8, 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 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.9, 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 Appendix 1, enclosed together with the Annual Report.

Notes:

- 1. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. A proxy need not be a Member of the Company. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 2. A Member of the Company which is a corporation, is entitled to appoint as its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.
- 3. The instrument appointing a proxy must be deposited at the registered office of the Company, at 8 Ubi View #05-01 Serial System Building Singapore 408554, not later than, forty-eight (48) hours before the time appointed for holding 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.

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 23 May 2015 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 22 May 2015 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 22 May 2015 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting to be held on 29 April 2015, will be paid on 2 June 2015.

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
13 April 2015

APPENDIX TO SHAREHOLDERS DATED 13 APRIL 2015

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 2014 (the “**Annual Report 2014**”). 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 29 April 2015 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 above matter 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 2014.

Your attention is drawn to page 182 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 2014 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

DEFINITIONS

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

“2011 EGM”	:	The extraordinary general meeting of the Company held on 23 April 2011
“2015 AGM”	:	The annual general meeting of the Company to be held on 29 April 2015 at 11.00 a.m. at <u>8</u> Ubi View, #05-01, Serial System Building, Singapore 408554, notice of which is enclosed with the Annual Report 2014
“AGM”	:	The annual general meeting of the Company
“Annual Report 2014”	:	The annual report of the Company for FY2014
“Approval Date”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“Associates”	:	Shall bear the meaning assigned to it by the Listing Manual
“Average Closing Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Board”	:	The board of the Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Serial System Ltd
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares 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
“date of the making of the offer”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Directors”	:	Directors of the Company for the time being
“EPS”	:	Earnings per Share
“Full Share Purchase”	:	Has the meaning ascribed to it in Section 1.9.4.2 of this Appendix
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	1 April 2015, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

“Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(a) of this Appendix
“Maximum Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Memorandum”	:	The Memorandum of Association of the Company
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(b) of this Appendix
“Ordinary Resolution”	:	The ordinary resolution relating to the renewal of the Share Buyback Mandate, as set out in the Notice of the 2015 AGM
“Prescribed Limit”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“Proposed Transfer”	:	The proposed sale or transfer of 7,800,000 treasury shares to members of management and senior executives of the Group. As at the date of this Appendix, the Company has not received approval for, and has not yet decided whether or not to proceed with, the Proposed Transfer. Accordingly, all references to the Proposed Transfer in this Appendix are purely for illustrative purposes. The Proposed Transfer, if approved and undertaken, will be announced by the Company in due course
“Registrar”	:	Has the meaning ascribed to it in Section 1.10 of this Appendix
“Relevant Period”	:	The period commencing from the date the last AGM was held or was required by law to be held before the resolution relating to the renewal of the Share Buyback Mandate is passed, and expiring on the date the next AGM is or is required by law to be held, whichever is the earlier, after the said resolution is passed
“Securities Account”	:	Securities accounts maintained by a Depositor with CDP but not including securities sub-accounts maintained with a Depository Agent
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	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
“Shareholders”	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	The Securities Industry Council
“subsidiaries”	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and “subsidiary” shall be construed accordingly
“Substantial Shareholder”	:	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

The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively by Section 130A of the Companies Act. The term **“treasury shares”** 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. Peter Ho I Chin (Executive Director)
Mr. Tan Lye Heng Paul (Non-Executive and Lead Independent Director)
Mr. Ravindran s/o Ramasamy (Non-Executive and Independent Director)
Mr. Lee Teck Leng Robson (Non-Executive and Independent Director)
Mr. Goi Kok Neng (Non-Executive Director)

Registered Office:

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

13 April 2015

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 the relevant information pertaining to, and to seek Shareholders' approval at the 2015 AGM to be held on 29 April 2015 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 Memorandum and Articles of Association 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 26 April 2014, and will unless renewed again, expire on the date of the 2015 AGM.

In this regard, approval is now being sought from Shareholders for the renewal of the Share Buyback Mandate at the 2015 AGM. An 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 2015 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, 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 Company is also considering the Proposed Transfer, being the proposed sale or transfer of 7,800,000 treasury shares to members of management and senior executives of the Group. As at the date of this Appendix, the Company has not received approval for, and has not yet decided whether or not to proceed with, the Proposed Transfer. Accordingly, all references to the Proposed Transfer in this Appendix are purely for illustrative purposes. The Proposed Transfer, if approved and undertaken, will be announced by the Company in due course.

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) 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 that may be held by the company from time to time). Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, assuming that the Company has 903,641,914 Shares if the Proposed Transfer is undertaken (or 895,841,914 Shares if the Proposed Transfer is not undertaken) as at the date of the 2015 AGM (being the number of Shares as at the Latest Practicable Date, excluding treasury shares and assuming no change in the number of Shares on or prior to the date of the 2015 AGM), not more than 90,364,191 Shares if the Proposed Transfer is undertaken (or 89,584,191 Shares if the Proposed Transfer is not undertaken) representing approximately 10% of the Company's existing issued ordinary share capital (excluding treasury shares) 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 761(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 2015 AGM) will be 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken), instead of the aforesaid 10% of the total number of issued Shares (excluding treasury shares), i.e. 90,364,191 Shares if the Proposed Transfer is undertaken (or 89,584,191 Shares if the Proposed Transfer is not undertaken). 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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) (the "**Prescribed Limit**") at the 2015 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 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.

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 issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; 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, 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), 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 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. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as 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 an employee's share scheme;
- (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 purchase or otherwise acquire Shares out of capital, as well as from its distributable profits, provided that:

- (a) the Company is able to pay its debts in full at the time it purchases or acquires the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase or acquisition; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase or acquisition of Shares become less than the value of its liabilities (including contingent liabilities).

Further, for the purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

- (i) the likelihood of the contingency occurring; and
- (ii) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

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 2014, 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 2014 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 2014 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 consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) paid by the Company for the purchase or acquisition of Shares is 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 the value of the Shares purchased or acquired. Where the consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) paid by the Company for the purchase or acquisition of the Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

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 2015 AGM:

- (i) as at the Latest Practicable Date, the Company has 903,641,914 issued Shares (excluding treasury shares) if the Proposed Transfer is undertaken (or 895,841,914 Shares (excluding treasury shares) if the Proposed Transfer is not undertaken);
- (ii) the Company may purchase or acquire up to 90,364,191 Shares if the Proposed Transfer is undertaken (or 89,584,191 Shares if the Proposed Transfer is not undertaken) under the Companies Act (being 10% of its issued Shares (excluding treasury shares));
- (iii) as at the Latest Practicable Date, the Company has 2,146,000 Shares if the Proposed Transfer is undertaken (or 9,946,000 Shares if the Proposed Transfer is not undertaken) 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 761(1) of the Companies Act;
- (v) the Company may purchase or acquire up to 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) 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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) under the Share Buyback Mandate, to be held as treasury shares or cancelled.

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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) at the maximum price of S\$0.1871 (equivalent to US\$0.1363) 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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) is approximately US\$12,053,389 (or US\$10,990,249 respectively).

In the case of Off-Market Purchases by the Company:

Assuming the Company purchases or acquires 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) at the maximum price of S\$0.2138 (equivalent to US\$0.1558) 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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken) is approximately US\$13,777,829 (or US\$12,562,589 respectively).

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;

on the audited financial statements of the Group and the Company for FY2014 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 88,432,791 Shares out of capital and held in treasury, if the Proposed Transfer is undertaken

As at 31 December 2014	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	73,032	73,032	73,032	73,032
Treasury Shares	(159)	(12,212)	(159)	(12,212)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	123,195	111,142	103,734	91,681
NTA	113,723	101,670	103,213	91,160
Current Assets	348,745	342,718	18,726	12,699
Current Liabilities	295,592	301,619	12,190	18,217
Working Capital	53,153	41,099	6,536	(5,518)
Total Borrowings ⁽¹⁾	178,447	184,474	6,783	12,810
Cash and Cash Equivalents ⁽¹⁾	59,258	53,231	3,381	(2,646)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	903,641,914	815,209,123	903,641,914	815,209,123
Weighted Average Number of Shares	903,641,914	815,209,123	903,641,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	12.58	12.47	11.42	11.18
Basic EPS (US\$ cents) ⁽³⁾	1.78	1.97	0.58	0.64
Gearing % ⁽⁴⁾	145	166	7	14
Current Ratio (times) ⁽⁵⁾	1.18	1.14	1.54	0.70

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 2015 AGM.
- (3) EPS is computed based on FY2014 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.

Market Purchases of 80,632,791 Shares out of capital and held in treasury, if the Proposed Transfer is not undertaken

As at 31 December 2014	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)	(11,726)	(736)	(11,726)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	122,234	111,244	102,773	91,783
NTA	112,762	101,772	102,252	91,262
Current Assets	347,784	342,289	17,765	12,270
Current Liabilities	295,592	301,087	12,190	17,685
Working Capital	52,192	41,202	5,575	(5,415)
Total Borrowings ⁽¹⁾	178,447	183,942	6,783	12,278
Cash and Cash Equivalents ⁽¹⁾	58,297	52,802	2,420	(3,075)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	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
Financial Ratios				
NTA per Share (US\$ cents)	12.59	12.48	11.41	11.19
Basic EPS (US\$ cents) ⁽³⁾	1.80	1.97	0.59	0.64
Gearing % ⁽⁴⁾	146	165	7	13
Current Ratio (times) ⁽⁵⁾	1.18	1.14	1.46	0.69

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 2015 AGM.
- (3) EPS is computed based on FY2014 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 88,432,791 Shares out of capital and held in treasury, if the Proposed Transfer is undertaken

As at 31 December 2014	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	73,032	73,032	73,032	73,032
Treasury Shares	(159)	(13,937)	(159)	(13,937)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	123,195	109,417	103,734	89,956
NTA	113,723	99,945	103,213	89,435
Current Assets	348,745	341,856	18,726	11,837
Current Liabilities	295,592	302,481	12,190	19,079
Working Capital	53,153	39,375	6,536	(7,242)
Total Borrowings ⁽¹⁾	178,447	185,336	6,783	13,672
Cash and Cash Equivalents ⁽¹⁾	59,258	52,369	3,381	(3,508)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	903,641,914	815,209,123	903,641,914	815,209,123
Weighted Average Number of Shares	903,641,914	815,209,123	903,641,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	12.58	12.26	11.42	10.97
Basic EPS (US\$ cents) ⁽³⁾	1.78	1.97	0.58	0.64
Gearing % ⁽⁴⁾	145	169	7	15
Current Ratio (times) ⁽⁵⁾	1.18	1.13	1.54	0.62

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 2015 AGM.
- (3) EPS is computed based on FY2014 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.

Off-Market Purchases of 80,632,791 Shares out of capital and held in treasury, if the Proposed Transfer is not undertaken

As at 31 December 2014	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)	(13,299)	(736)	(13,299)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	122,234	109,671	102,773	90,210
NTA	112,762	100,199	102,252	89,689
Current Assets	347,784	341,503	17,765	11,484
Current Liabilities	295,592	301,873	12,190	18,471
Working Capital	52,192	39,630	5,575	(6,987)
Total Borrowings ⁽¹⁾	178,447	184,728	6,783	13,064
Cash and Cash Equivalents ⁽¹⁾	58,297	52,016	2,420	(3,861)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	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
Financial Ratios				
NTA per Share (US\$ cents)	12.59	12.29	11.41	11.00
Basic EPS (US\$ cents) ⁽³⁾	1.80	1.97	0.59	0.64
Gearing % ⁽⁴⁾	146	168	7	14
Current Ratio (times) ⁽⁵⁾	1.18	1.13	1.46	0.62

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 2015 AGM.
- (3) EPS is computed based on FY2014 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 88,432,791 Shares out of capital and cancelled, if the Proposed Transfer is undertaken

As at 31 December 2014	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	73,032	60,979	73,032	60,979
Treasury Shares	(159)	(159)	(159)	(159)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	123,195	111,142	103,734	91,681
NTA	113,723	101,670	103,213	91,160
Current Assets	348,745	342,718	18,726	12,699
Current Liabilities	295,592	301,619	12,190	18,217
Working Capital	53,153	41,099	6,536	(5,518)
Total Borrowings ⁽¹⁾	178,447	184,474	6,783	12,810
Cash and Cash Equivalents ⁽¹⁾	59,258	53,231	3,381	(2,646)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	903,641,914	815,209,123	903,641,914	815,209,123
Weighted Average Number of Shares	903,641,914	815,209,123	903,641,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	12.58	12.47	11.42	11.18
Basic EPS (US\$ cents) ⁽³⁾	1.78	1.97	0.58	0.64
Gearing % ⁽⁴⁾	145	166	7	14
Current Ratio (times) ⁽⁵⁾	1.18	1.14	1.54	0.70

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 88,432,791 Shares that are cancelled and 2,146,000 shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2015 AGM.
- (3) EPS is computed based on FY2014 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.

Market Purchases of 80,632,791 Shares out of capital and cancelled, if the Proposed Transfer is not undertaken

As at 31 December 2014	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	61,658	72,648	61,658
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	122,234	111,244	102,773	91,783
NTA	112,762	101,772	102,252	91,262
Current Assets	347,784	342,289	17,765	12,270
Current Liabilities	295,592	301,087	12,190	17,685
Working Capital	52,192	41,202	5,575	(5,415)
Total Borrowings ⁽¹⁾	178,447	183,942	6,783	12,278
Cash and Cash Equivalents ⁽¹⁾	58,297	52,802	2,420	(3,075)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	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
Financial Ratios				
NTA per Share (US\$ cents)	12.59	12.48	11.41	11.19
Basic EPS (US\$ cents) ⁽³⁾	1.80	1.97	0.59	0.64
Gearing % ⁽⁴⁾	146	165	7	13
Current Ratio (times) ⁽⁵⁾	1.18	1.14	1.46	0.69

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 9,946,000 shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2015 AGM.
- (3) EPS is computed based on FY2014 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 88,432,791 Shares out of capital and cancelled, if the Proposed Transfer is undertaken

As at 31 December 2014	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	73,032	59,254	73,032	59,254
Treasury Shares	(159)	(159)	(159)	(159)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	123,195	109,417	103,734	89,956
NTA	113,723	99,945	103,213	89,435
Current Assets	348,745	341,856	18,726	11,837
Current Liabilities	295,592	302,481	12,190	19,079
Working Capital	53,153	39,375	6,536	(7,242)
Total Borrowings ⁽¹⁾	178,447	185,336	6,783	13,672
Cash and Cash Equivalents ⁽¹⁾	59,258	52,369	3,381	(3,508)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	903,641,914	815,209,123	903,641,914	815,209,123
Weighted Average Number of Shares	903,641,914	815,209,123	903,641,914	815,209,123
Financial Ratios				
NTA per Share (US\$ cents)	12.58	12.26	11.42	10.97
Basic EPS (US\$ cents) ⁽³⁾	1.78	1.97	0.58	0.64
Gearing % ⁽⁴⁾	145	169	7	15
Current Ratio (times) ⁽⁵⁾	1.18	1.13	1.54	0.62

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes 88,432,791 Shares that are cancelled and 2,146,000 shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2015 AGM.
- (3) EPS is computed based on FY2014 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.

As at 31 December 2014	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	60,085	72,648	60,085
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,015	1,015	180	180
Defined Benefit Plans Reserve	(367)	(367)	-	-
Revaluation Reserve	59	59	-	-
Other Reserve	(715)	(715)	-	-
Currency Translation Reserve	4,283	4,283	17,589	17,589
Retained Earnings	42,847	42,847	13,092	13,092
Non-Controlling Interests	3,200	3,200	-	-
Shareholders' Equity	122,234	109,671	102,773	90,210
NTA	112,762	100,199	102,252	89,689
Current Assets	347,784	341,503	17,765	11,484
Current Liabilities	295,592	301,873	12,190	18,471
Working Capital	52,192	39,630	5,575	(6,987)
Total Borrowings ⁽¹⁾	178,447	184,728	6,783	13,064
Cash and Cash Equivalents ⁽¹⁾	58,297	52,016	2,420	(3,861)
Net Profit	16,085	16,085	5,242	5,242
Number of Shares ⁽²⁾	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
Financial Ratios				
NTA per Share (US\$ cents)	12.59	12.29	11.41	11.00
Basic EPS (US\$ cents) ⁽³⁾	1.80	1.97	0.59	0.64
Gearing % ⁽⁴⁾	146	168	7	14
Current Ratio (times) ⁽⁵⁾	1.18	1.13	1.46	0.62

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 9,946,000 shares that are held as treasury shares and assumes no change in the number of Shares on or prior to the date of the 2015 AGM.
- (3) EPS is computed based on FY2014 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 FY2014 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 issued shares excluding treasury shares must be held by public shareholders. As at the Latest Practicable Date, approximately 42.88% of the issued Shares (excluding treasury shares) if the Proposed Transfer is undertaken (or 42.89% of the issued Shares (excluding treasury shares) if the Proposed Transfer is not undertaken) 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 36.68% of the issued Shares (excluding treasury shares) if the Proposed Transfer is undertaken (or 37.24% of the issued Shares (excluding treasury shares) if the Proposed Transfer is not undertaken) 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 Bak Heng and Mr. Sean Goh Su Teng

For the purposes of the Take-over Code, Dr. Derek Goh Bak Heng ("**Dr. Derek Goh**"), our Executive Chairman and Group Chief Executive Officer, and Mr. Sean Goh Su Teng ("**Mr. Sean Goh**"), Dr. Derek Goh's cousin and our Senior Vice President of Corporate Planning, Development and Regional Marketing, may be presumed to be acting in concert.

Please note that as at the date of this Appendix, the Company has not received approval for, and has not yet decided whether or not to proceed with, the Proposed Transfer. Accordingly,

- (a) as at the Latest Practicable Date, the combined shareholding of Dr. Derek Goh and Mr. Sean Goh in the Company amounts to 348,089,698 Shares, representing approximately 38.86% of the issued Shares (excluding treasury shares) of the Company; and
- (b) Dr. Derek Goh and Mr. Sean Goh have purchased an aggregate of 596,000 and 251,000 Shares respectively representing approximately 0.07% and 0.028% respectively of the issued Shares (excluding treasury shares) in the six (6) months preceding the Latest Practicable Date.

For illustrative purposes only, assuming that the Proposed Transfer had been undertaken as at the Latest Practicable Date:

- (a) the combined shareholding of Dr. Derek Goh and Mr. Sean Goh in the Company would have amounted to 350,089,698 Shares, representing approximately 38.74% of the issued Shares (excluding treasury shares) of the Company as at the Latest Practicable Date; and
- (b) Dr. Derek Goh and Mr. Sean Goh would have purchased an aggregate of 596,000 and 2,251,000 Shares respectively representing approximately 0.07% and 0.25% respectively of the issued Shares (excluding treasury shares) in the six (6) months preceding the Latest Practicable Date.

1.9.4.2 Consequence of Share Buybacks

Based on 903,641,914 issued Shares of the Company (excluding treasury shares) if the Proposed Transfer is undertaken (or 895,841,914 issued Shares of the Company (excluding treasury shares) if the Proposed Transfer is not undertaken) 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 88,432,791 Shares if the Proposed Transfer is undertaken (or 80,632,791 Shares if the Proposed Transfer is not undertaken).

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 Mr. Sean Goh, 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 Mr. Sean Goh, if applicable, would thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

If the Proposed Transfer is undertaken, based on the direct holdings of Shares of Dr. Derek Goh and Mr. Sean Goh 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 or Mr. Sean Goh’s direct holdings of Shares between the Latest Practicable Date and the date of the 2015 AGM;
- (c) there is no change in Dr. Derek Goh’s or Mr. Sean Goh’s direct holdings of Shares between the date of the 2015 AGM and the date of the Full Share Purchase,

the aggregate voting rights of Dr. Derek Goh in the Company will increase from approximately 38.49% to approximately 42.67%, and the aggregate voting rights of Dr. Derek Goh and Mr. Sean Goh in the Company will increase from approximately 38.74% to approximately 42.94%.

In such event, Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh, if applicable, will, unless exempted, thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

If the Proposed Transfer is not undertaken, based on the direct holdings of Shares of Dr. Derek Goh and Mr. Sean Goh 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 or Mr. Sean Goh’s direct holdings of Shares between the Latest Practicable Date and the date of the 2015 AGM; and
- (c) there is no change in Dr. Derek Goh’s or Mr. Sean Goh’s direct holdings of Shares between the date of the 2015 AGM and the date of the Full Share Purchase,

the aggregate voting rights of Dr. Derek Goh in the Company will increase from approximately 38.83% to approximately 42.67%, and the aggregate voting rights of Dr. Derek Goh and Mr. Sean Goh in the Company will increase from approximately 38.86% to approximately 42.70%.

In such event, Dr. Derek Goh and parties acting in concert with him, including Mr. Sean Goh, 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 Mr. Sean Goh, 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 Mr. Sean Goh, 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 Mr. Sean Goh, if applicable, and their voting rights at the time of the 2015 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 2015 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 Mr. Sean Goh, if applicable, will abstain from voting on the Ordinary Resolution in respect of all their Shares as of the date of the 2015 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 Mr. Sean Goh, 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 2015 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 Mr. Sean Goh, 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 Mr. Sean Goh, 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 Mr. Sean Goh, 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 2015 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 Mr. Sean Goh, 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, and Mr. Sean Goh, 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:

- (a) the date on which authority for the renewed Share Buyback Mandate expires; and
- (b) the date on which the Company announces it has (A) bought back such number of Shares as authorised by Shareholders at the 2015 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 Mr. Sean Goh, 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 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 and Mr. Sean Goh, 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 guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks and one (1) month immediately preceding the announcement of the Company’s quarterly results and the annual (full-year) results respectively.

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), if the Proposed Transfer is undertaken are as follows:

	← Number of Shares →					
	Direct Interest ⁽¹⁾	% ⁽³⁾	Deemed Interest	% ⁽³⁾	Total Interest	% ⁽³⁾
Directors						
Derek Goh Bak Heng	347,838,698	38.49	-	-	347,838,698	38.49
Peter Ho I Chin	500,000	0.06	-	-	500,000	0.06
Tan Lye Heng Paul	197,000	0.02	-	-	197,000	0.02
Ravindran s/o Ramasamy	-	-	-	-	-	-
Lee Teck Leng Robson	-	-	-	-	-	-
Goi Kok Neng	-	-	-	-	-	-
Substantial Shareholders						
Goi Seng Hui ⁽²⁾	98,741,038	10.93	24,862,800	2.75	123,603,838	13.68

Notes:

- (1) Including Shares held under nominee accounts.
- (2) 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.
- (3) “%” is based on 903,641,914 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

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), if the Proposed Transfer is **not** undertaken are as follows:

	Number of Shares					
	Direct Interest ⁽¹⁾	% ⁽³⁾	Deemed Interest	% ⁽³⁾	Total Interest	% ⁽³⁾
Directors						
Derek Goh Bak Heng	347,838,698	38.83	-	-	347,838,698	38.83
Peter Ho I Chin	500,000	0.06	-	-	500,000	0.06
Tan Lye Heng Paul	197,000	0.02	-	-	197,000	0.02
Ravindran s/o Ramasamy	-	-	-	-	-	-
Lee Teck Leng Robson	-	-	-	-	-	-
Goi Kok Neng	-	-	-	-	-	-
Substantial Shareholders						
Goi Seng Hui ⁽²⁾	98,741,038	11.02	24,862,800	2.78	123,603,838	13.80

Notes:

- (1) Including Shares held under nominee accounts.
- (2) 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.
- (3) “%” is based on 895,841,914 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

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 2015 AGM will be held at 8 Ubi View, #05-01, Serial System Building, Singapore 408554 on 29 April 2015 at 11.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification the Ordinary Resolution as set out in the Notice of the 2015 AGM.

Shareholders who are unable to attend the 2015 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 2015 AGM enclosed with the Annual Report 2014 in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of Company at 8 Ubi View, #05-01, Serial System Building, Singapore 408554, not later than 48 hours before the time fixed for the 2015 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2015 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 2015 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Division 7A of Part IV of the Companies Act at least 48 hours before the 2015 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 2015 AGM to be held on 29 April 2015.

5. ABSTENTION FROM VOTING

Dr. Derek Goh and Mr. Sean Goh, if applicable, will abstain, and will procure their/ his 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 2015 AGM:

- (a) the Annual Report 2014; and
- (b) the Memorandum and Articles of Association of the Company.

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

PROXY FORM
ANNUAL GENERAL MEETING

Important

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares of Serial System Ltd, the Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their respective CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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* and, if necessary, to demand a poll, at the Annual General Meeting of the Company, to be held on 29 April 2015 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
	Ordinary Business		
1.	Adoption of Audited Financial Statements and Reports of the Directors and the Auditors		
2.	Declaration of Final Cash Dividend as recommended by the Directors		
3.	Approval of Directors' Fees		
4.	Re-election of Mr. Ravindran s/o Ramasamy as Director of the Company		
5.	Re-election of Mr. Peter Ho I Chin as Director of the Company		
6.	Re-appointment of Moore Stephens LLP as Auditors and authorisation for the Directors to fix their remuneration		
	Special Business		
7.	Approval of Share Issue Mandate		
8.	Authority to offer and grant Share Options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014		
9.	Approval of renewal of the Share Buyback Mandate (on a poll taken)		
10.	Any other ordinary business		

Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this _____ day of _____ 2015

Total number of Shares in:	No. of Shares
a. CDP Register	
b. 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 Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a Member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion (expressed as a percentage of the whole) of his/her shareholding to be represented by each proxy.
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 forty-eight (48) hours before the time appointed for holding the Annual General Meeting.
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 its attorney or any officer duly authorised.
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.

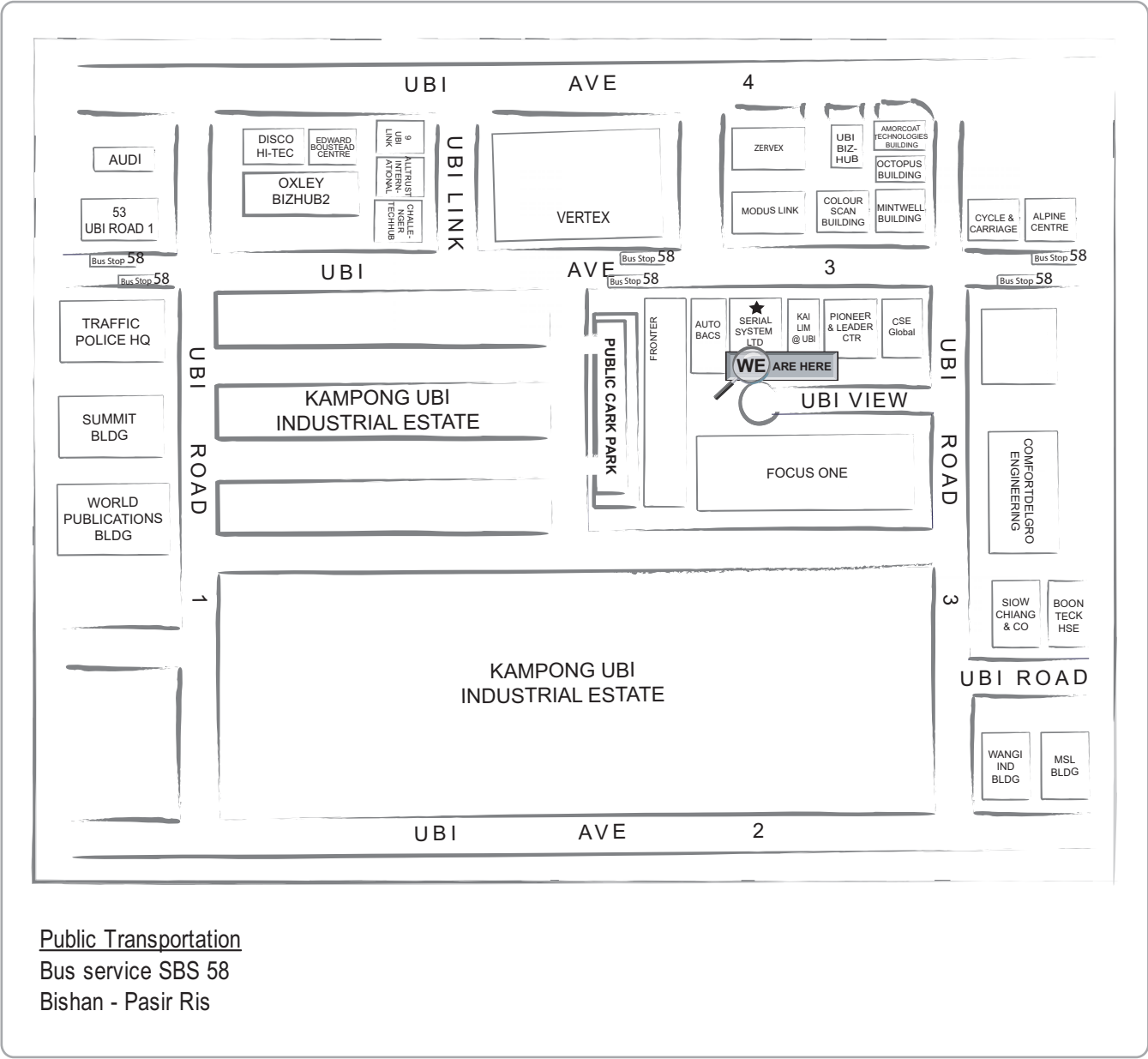
General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Members are not shown to have Shares entered against their names in the Depository Register forty-eight (48) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Ltd to the Company.

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
Bus service SBS 58
Bishan - Pasir Ris

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SERIAL SYSTEM LTD

8 Ubi View #05-01
Serial System Building
Singapore 408554
Tel. 65 6510 2408
Fax. 65 6510 2407

www.serialsystem.com

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VIETNAM

