



SERIAL SYSTEM LTD

Company Registration No.: 199202071D

(Incorporated in Singapore on 22 April 1992)

Unaudited Third Quarter and Nine Months Financial Statement Announcement for the Period Ended 30 September 2017

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

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

	Note	Third Quarter			Year-To-Date		
		3Q2017 US\$'000	3Q2016 US\$'000		30/09/2017 US\$'000	30/09/2016 US\$'000	
Sales		395,240	346,266	14%	1,102,104	1,057,634	4%
Cost of sales		(368,604)	(321,742)	15%	(1,025,365)	(985,878)	4%
Gross profit		26,636	24,524	9%	76,739	71,756	7%
Gross profit margin		6.7%	7.1%	-0.4 pt	7.0%	6.8%	0.2 pt
Other income:							
Other operating income		895	3,665	-76%	4,010	10,316	-61%
Expenses:							
Distribution		(13,253)	(12,124)	9%	(36,841)	(37,407)	-2%
Administrative		(3,069)	(3,119)	-2%	(9,323)	(9,532)	-2%
Finance		(2,672)	(2,288)	17%	(7,360)	(6,644)	11%
Other		(3,651)	(5,035)	-27%	(12,675)	(19,232)	-34%
Total expenses		(22,645)	(22,566)	0.4%	(66,199)	(72,815)	-9%
		4,886	5,623	-13%	14,550	9,257	57%
Share of results of associated companies (after income tax)		128	(107)	220%	(502)	(3,764)	87%
Share of results of joint venture (after income tax)		28	-	NM	28	-	NM
Profit before income tax	1	5,042	5,516	-9%	14,076	5,493	156%
Income tax expense	2	(1,350)	(1,666)	-19%	(3,653)	(4,545)	-20%
Profit after income tax		3,692	3,850	-4%	10,423	948	999%
Attributable to:							
Equity holders of the Company		3,114	3,789	-18%	9,192	510	1,702%
Non-controlling interests		578	61	848%	1,231	438	181%
		3,692	3,850	-4%	10,423	948	999%

Notes :

1. Profit before income tax

The Group						
Third Quarter			Year-To-Date			
	3Q2017	3Q2016		30/09/2017	30/09/2016	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit from operations is arrived at after charging/(crediting) :-						
a. Depreciation and amortisation	705	930	-24	2,051	2,867	-28
b. Amortisation of distribution rights	3	2	50	10	2	400
c. Impairment losses on goodwill arising from acquisition of subsidiaries	230	225	2	680	875	-22
d. Negative goodwill arising from acquisition of subsidiaries	-	-	NM	-	(345)	NM
e. Loss on remeasuring previously held equity in an associated company	-	-	NM	-	449	NM
f. Gain on closure of subsidiaries	-	-	NM	(41)	-	NM
g. Gain on dilution of interests in an associated company	(24)	-	NM	(24)	-	NM
h. (Gain)/loss on disposal of property, plant and equipment	(1)	1	200	6	12	-50
i. Property, plant and equipment written off	-	-	NM	5	-	NM
j. Gain on sale of financial assets, available-for-sale	-	(1,417)	NM	-	(2,984)	NM
k. Impairment loss on financial assets, available-for-sale	20	-	NM	20	-	NM
l. Fair value (gain)/loss on financial assets, at fair value through profit or loss	(9)	20	145	8	57	-86
m. Allowance for impairment losses on trade receivables	157	92	71	323	362	-11
n. Allowance for inventory obsolescence	449	1,260	-64	1,256	3,482	-64
o. Write-off of inventories	100	35	186	161	144	12
p. Currency translation (gain)/loss (net)	(302)	322	194	425	2,325	-82
q. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	28	-	NM	256	1,092	-77
r. Loss/(gain) on derivative financial instruments	49	(40)	-223	(120)	175	169
s. Dividend income received from financial assets, available-for-sale	(30)	-	NM	(124)	(153)	-19
t. Interest income	(400)	(292)	37	(1,106)	(779)	42

2. Income tax expense

Under/(over) provision in preceding financial years

- Current income tax

	3Q2017	3Q2016		30/09/2017	30/09/2016	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
- Current income tax	62	(54)	-215	(185)	750	125
	62	(54)	-215	(185)	750	125

NM – Not Meaningful

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

	The Group			Year-To-Date		
	Third Quarter 3Q2017 US\$'000	3Q2016 US\$'000		30/09/2017 US\$'000	30/09/2016 US\$'000	
Net profit after income tax	3,692	3,850	-4%	10,423	948	999%
Other comprehensive income for the period:						
Items that will not be reclassified subsequently to profit or loss:						
Share of associated company's other comprehensive income	-	9	NM	-	46	NM
	-	9	NM	-	46	NM
Items that may be reclassified subsequently to profit or loss:						
Net (loss)/gain on fair value changes on financial assets, available-for-sale	(719)	1,248	-158%	(1,073)	8,587	-112%
Fair value gain on financial assets, available-for-sale reclassified to profit or loss	-	(1,114)	NM	-	(2,418)	NM
Share of associated company's other comprehensive income	(2)	12	-117%	27	24	13%
Currency translation differences	686	611	12%	5,924	2,232	165%
	(35)	757	-105%	4,878	8,425	-42%
Other comprehensive (loss)/income for the period	(35)	766	-105%	4,878	8,471	-42%
Total comprehensive income for the period	3,657	4,616	-21%	15,301	9,419	62%
Total comprehensive income attributable to:						
Equity holders of the Company	2,731	4,741	-42%	13,812	9,498	45%
Non-controlling interests	926	(125)	841%	1,489	(79)	1,985%
	3,657	4,616	-21%	15,301	9,419	62%

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

	The Group		The Company	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	74,505	65,153	705	859
Trade and other receivables	218,654	207,750	18,575	12,393
Inventories	138,301	152,901	-	-
Financial assets, at fair value through profit or loss	810	812	-	-
Other current assets	3,078	3,944	208	245
	435,348	430,560	19,488	13,497
Non-current assets				
Loans and receivables	820	820	46,634	45,241
Financial assets, available-for-sale	6,441	7,517	-	-
Investments in associated companies	17,593	16,738	4,872	4,872
Investment in joint venture	2,372	-	-	-
Investments in subsidiaries	-	-	67,547	65,547
Property, plant and equipment	35,815	35,200	285	305
Investment properties	5,538	5,267	-	-
Intangible assets	13,906	14,721	298	465
Other assets	1,092	1,068	-	-
Deferred income tax assets	762	711	-	-
	84,339	82,042	119,636	116,430
Total Assets	519,687	512,602	139,124	129,927
LIABILITIES				
Current liabilities				
Trade and other payables	164,100	178,507	13,652	9,128
Current income tax liabilities	5,005	4,070	637	405
Borrowings	200,293	189,393	2,358	2,216
	369,398	371,970	16,647	11,749
Non-current liabilities				
Other payable	-	-	6,637	6,078
Borrowings	11,452	15,032	7,074	8,310
Defined benefit plans liabilities	902	542	-	-
Deferred income tax liabilities	277	271	-	-
	12,631	15,845	13,711	14,388
Total Liabilities	382,029	387,815	30,358	26,137
Net Assets	137,658	124,787	108,766	103,790

	The Group		The Company	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
	US\$'000	US\$'000	US\$'000	US\$'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	72,648	72,648	72,648	72,648
Treasury shares	(736)	(736)	(736)	(736)
Capital reserve	1,276	1,276	180	180
Defined benefit plans reserve	(257)	(257)	-	-
Fair value reserve	2,597	3,670	-	-
Revaluation reserve	59	59	-	-
Other reserve	(765)	(771)	-	-
Currency translation reserve	3,010	(2,683)	17,589	17,589
Retained earnings	52,906	46,719	19,085	14,109
	130,738	119,925	108,766	103,790
Non-controlling interests	6,920	4,862	-	-
Total Equity	137,658	124,787	108,766	103,790

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

Amount repayable in one year or less, or on demand

30/09/2017		31/12/2016	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
5,209	195,084	5,065	184,328

Amount repayable after one year

30/09/2017		31/12/2016	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
10,788	664	12,378	2,654

Details of any collateral

- a) A US\$14.7 million (S\$20 million) four-year term loan with an outstanding balance amounting to US\$9.4 million (31 December 2016: US\$10.5 million) taken up by the Company with a bank is secured with the following:
 - a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$0.5 million (31 December 2016: US\$0.5 million) taken by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to part finance the acquisition of a property in Malaysia is secured by a first legal mortgage of the property and guarantee by a subsidiary of the Group.
- c) Bank borrowing of US\$5.5 million (31 December 2016: US\$5.4 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan and for working capital requirements is secured by a first legal mortgage of the property.
- d) Bank borrowing of US\$0.5 million (31 December 2016: US\$1.0 million) taken by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited, to part finance the acquisition of a property in South Korea is secured by a first legal mortgage of the property.
- e) Finance lease liabilities of US\$0.03 million (31 December 2016: US\$0.04 million) are secured on the Group's motor vehicles acquired under finance lease agreements.

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

	Third Quarter		Year-To-Date	
	3Q2017	3Q2016	30/09/2017	30/09/2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before income tax	5,042	5,516	14,076	5,493
Adjustments for:				
Amortisation of computer software license costs	82	77	246	230
Amortisation of distribution rights	3	2	10	2
Depreciation of property, plant and equipment	623	853	1,805	2,637
Property, plant and equipment written off	-	-	5	-
(Gain)/loss on disposal of property, plant and equipment	(1)	1	6	12
Impairment loss on financial assets, available-for-sale	20	-	20	-
Impairment losses on goodwill arising from acquisition of subsidiaries	230	225	680	875
Gain on dilution of interests in an associated company	(24)	-	(24)	-
Negative goodwill arising from acquisition of subsidiaries	-	-	-	(345)
Loss on remeasuring previously held equity in an associated company	-	-	-	449
Gain on closure of subsidiaries	-	-	(41)	-
Gain on sale of financial assets, available for sale	-	(1,417)	-	(2,984)
Fair value (gain)/loss on financial assets, at fair value through profit or loss	(9)	20	8	57
Provision for defined benefit plans liabilities	127	119	612	355
Dividend income received from financial assets, available-for-sale	-	-	(94)	(153)
Interest income	(400)	(292)	(1,106)	(779)
Interest expense	2,672	2,288	7,360	6,644
Share of results of associated companies	(128)	107	502	3,764
Share of results of joint venture	(28)	-	(28)	-
Operating cash flow before working capital changes	8,209	7,499	24,037	16,257
Changes in working capital				
Trade and other receivables	10,779	6,670	(6,231)	(24,980)
Inventories	9,908	(27,088)	16,170	(11,324)
Other current assets	257	433	(584)	(513)
Other assets (non-current)	-	292	(25)	295
Trade and other payables	(474)	17,332	(16,109)	33,963
Cash from operations	28,679	5,138	17,258	13,698
Income tax paid	(568)	(3,833)	(2,367)	(6,207)
Net cash provided by operating activities	28,111	1,305	14,891	7,491

	Third Quarter		Year-To-Date	
	3Q2017	3Q2016	30/09/2017	30/09/2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from investing activities				
Payments for intangible assets (computer software license costs)	(27)	(41)	(43)	(172)
Payments for intangible assets (distribution rights)	-	(57)	-	(57)
Payments for property, plant and equipment	(453)	(1,569)	(703)	(2,408)
Proceeds from disposal of property, plant and equipment	-	3	11	66
Proceeds from sale of financial assets, available-for-sale	-	1,460	-	3,080
Net cash (outflow)/inflow on acquisition of subsidiaries	(6)	-	(71)	2,233
Payments for acquisition of additional interests in an associated company	-	-	-	(4,996)
Payments for acquisition of interests in a joint venture	(2,344)	-	(2,344)	-
Payments for financial assets, at fair value through profit or loss	(7)	-	(7)	-
Payments for financial assets, available-for-sale	-	-	-	(6)
Dividend received from an associated company	-	-	-	154
Dividend received from financial assets, available-for-sale	-	-	94	153
Interest received	374	281	1,049	728
Net cash (used in)/provided by investing activities	(2,463)	77	(2,014)	(1,225)
Cash flows from financing activities				
Subscription of interests in subsidiaries by non-controlling interest	589	-	589	40
Dividend paid	(1,914)	(1,183)	(3,005)	(4,519)
Proceeds from bank borrowings	189,484	210,435	623,929	594,922
Repayment of bank borrowings	(192,944)	(219,847)	(618,214)	(587,694)
Repayment of other borrowings	-	(6,555)	-	(9,520)
Repayment of finance lease liabilities	(6)	-	(16)	(10)
Interest paid	(2,695)	(2,145)	(7,544)	(5,926)
Net cash used in financing activities	(7,486)	(19,295)	(4,261)	(12,707)
Net increase/(decrease) in cash and cash equivalents held	18,162	(17,913)	8,616	(6,441)
Cash and cash equivalents at the beginning of the period	56,119	75,862	65,153	64,048
Effect of currency translation on cash and cash equivalents	224	36	736	378
Cash and cash equivalents at the end of the period	74,505	57,985	74,505	57,985

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2017	72,648	(736)	1,276	(257)	3,670	59	(771)	(2,683)	46,719	119,925	4,862	124,787
Total comprehensive income for the period	-	-	-	-	1,366	-	-	3,447	2,708	7,521	124	7,645
Closure of subsidiaries	-	-	-	-	-	-	-	-	-	-	(39)	(39)
Balance at 31 March 2017	72,648	(736)	1,276	(257)	5,036	59	(771)	764	49,427	127,446	4,947	132,393
Total comprehensive income/(loss) for the period	-	-	-	-	(1,720)	-	-	1,910	3,370	3,560	439	3,999
One-tier tax-exempt final cash dividend for year 2016	-	-	-	-	-	-	-	-	(1,091)	(1,091)	-	(1,091)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 30 June 2017	72,648	(736)	1,276	(257)	3,316	59	(771)	2,674	51,706	129,915	5,426	135,341
Total comprehensive income for the period	-	-	-	-	(719)	-	-	336	3,114	2,731	926	3,657
One-tier tax-exempt interim cash dividend for year 2017	-	-	-	-	-	-	-	-	(1,914)	(1,914)	-	(1,914)
Adjustment to acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Subscription of interests in subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	589	589
Acquisition of additional interests in a subsidiary from non-controlling interests	-	-	-	-	-	-	6	-	-	6	5	11
Closure of a subsidiary	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Balance at 30 September 2017	72,648	(736)	1,276	(257)	2,597	59	(765)	3,010	52,906	130,738	6,920	137,658

Consolidated Statement of Changes in Equity [cont'd]

	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2016	72,648	(736)	1,276	(557)	(1,353)	59	(718)	(1,498)	46,680	115,801	3,583	119,384
Total comprehensive income for the period	-	-	19	-	6,760	-	-	3,974	(6,559)	4,194	28	4,222
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	40	40
Balance at 31 March 2016	72,648	(736)	1,295	(557)	5,407	59	(718)	2,476	40,121	119,995	3,651	123,646
Total comprehensive income/(loss) for the period	-	-	17	-	(725)	-	-	(2,009)	3,280	563	18	581
One-tier tax-exempt final cash dividend for year 2015	-	-	-	-	-	-	-	-	(3,336)	(3,336)	-	(3,336)
Balance at 30 June 2016	72,648	(736)	1,312	(557)	4,682	59	(718)	467	40,065	117,222	3,669	120,891
Total comprehensive income for the period	-	-	-	-	134	-	-	818	3,789	4,741	(125)	4,616
One-tier tax-exempt interim cash dividend for year 2016	-	-	-	-	-	-	-	-	(1,183)	(1,183)	-	(1,183)
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	-	172	172
Balance at 30 September 2016	72,648	(736)	1,312	(557)	4,816	59	(718)	1,285	42,671	120,780	3,716	124,496

Statement of Changes in Equity - Company

	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2017	72,648	(736)	180	17,589	14,109	103,790
Total comprehensive income for the period	-	-	-	-	937	937
Balance at 31 March 2017	72,648	(736)	180	17,589	15,046	104,727
Total comprehensive income for the period	-	-	-	-	827	827
One-tier tax-exempt final cash dividend for year 2016	-	-	-	-	(1,091)	(1,091)
Balance at 30 June 2017	72,648	(736)	180	17,589	14,782	104,463
Total comprehensive income for the period	-	-	-	-	6,217	6,217
One-tier tax-exempt interim cash dividend for year 2017	-	-	-	-	(1,914)	(1,914)
Balance at 30 September 2017	72,648	(736)	180	17,589	19,085	108,766
Balance at 1 January 2016	72,648	(736)	180	17,589	13,908	103,589
Total comprehensive income for the period	-	-	-	-	436	436
Balance at 31 March 2016	72,648	(736)	180	17,589	14,344	104,025
Total comprehensive income for the period	-	-	-	-	876	876
One-tier tax-exempt final cash dividend for year 2015	-	-	-	-	(3,336)	(3,336)
Balance at 30 June 2016	72,648	(736)	180	17,589	11,884	101,565
Total comprehensive income for the period	-	-	-	-	3,031	3,031
One-tier tax-exempt interim cash dividend for year 2016	-	-	-	-	(1,183)	(1,183)
Balance at 30 September 2016	72,648	(736)	180	17,589	13,732	103,413

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

There were no ordinary shares issued since the end of the financial period ended 30 June 2017.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2016.

There were no outstanding share options as at 30 September 2017 (30 September 2016: Nil).

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

	30/09/2017	31/12/2016
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

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

Please refer to 1(d)(ii)

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited Third Quarter and Nine Months Financial Statements for the period ended 30 September 2017 to be false or misleading.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2016.

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

Please refer to paragraph 4 above.

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

	The Group			
	Second Quarter		Year-To-Date	
	3Q2017	3Q2016	30/09/2017	30/09/2016
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.35 cent	0.42 cent	1.03 cents	0.06 cent
On a fully diluted basis (in US\$)	0.35 cent	0.42 cent	1.03 cents	0.06 cent

Earnings per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (3Q2016/Year-To-Date 30/09/2016: 895,841,914).

Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 895,841,914 (3Q2016/Year-To-Date 30/09/2016: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 September 2017 and 30 September 2016.

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

	The Group		The Company	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	15.37 cents	13.93 cents	12.14 cents	11.59 cents

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

Income Statement

Results for YTD3Q2017

The Group recorded turnover of US\$1.10 billion for the nine months ended 30 September 2017 ("YTD3Q2017") compared to US\$1.06 billion from the same period last year ("YTD3Q2016").

Turnover for the electronic components distribution business increased 18% to US\$1.06 billion, driven mainly by higher contributions from the Group's operations in Hong Kong, China and South Asia. Turnover from these three markets rose 23%, 35% and 7% respectively, boosted by higher demand for their product lines from new and existing customers. Turnover from South Korea and Taiwan declined 7% and 6% respectively, a result of both keen competition and slowdown in these markets.

Turnover for the Group's consumer products distribution business declined 75% to US\$39.4 million mainly due to lower sales across all subsidiaries as these entities exited or reduced sales in non-performing markets and low-margin products.

Overall gross profit margin increased to 7.0% in YTD3Q2017 from 6.8% in YTD3Q2016, due mainly to higher margins achieved by the consumer products distribution business. The increase was partly offset by lower margins for the electronic components distribution business due to continued keen competition and higher sales of low-margin products.

With the higher overall gross profit margin, reduced losses from associated companies, as well as lower currency translation loss and allowance for inventory obsolescence, the Group turned in a net profit after tax of US\$9.2 million in YTD3Q2017, compared to US\$0.5 million in YTD3Q2016. Total expenses as a percentage of turnover declined to 6.0% in YTD3Q2017 from 6.9% in YTD3Q2016 on the back of improved operational and cost efficiencies.

Results for 3Q2017

The Group recorded turnover of US\$395.2 million for the third quarter ended 30 September 2017 ("3Q2017") compared to US\$346.3 million for the same period last year ("3Q2016").

Turnover for the electronic components distribution business grew 20% to US\$382.1 million contributed by higher sales in all markets except South Korea. Turnover in Hong Kong and China, South Asia and Taiwan increased 23%, 36%, 8% and 6% respectively, backed by higher demand for their product lines from existing and new customers. Turnover from South Korea declined 4%, as a result of continued slowdown and keen competition in its market.

Turnover for the Group's consumer products distribution business declined 55% to US\$12.0 million mainly due to lower sales across all subsidiaries as these entities exited or reduced sales in non-performing markets and low-margin products.

Overall gross profit margin decreased to 6.7% in 3Q2017 from 7.1% in 3Q2016, due mainly to lower margins at the Group's electronic components distribution business as a result of keen competition and higher sales of low-margin products. The lower margins were compensated by higher margins achieved by the consumer products distribution business.

Other operating income decreased by US\$2.8 million or 76%, mainly due to the absence of gain from the sale of financial assets, available-for-sale, which amounted to US\$1.4 million in 3Q2016 and lower rebates and commission income from suppliers associated with the consumer distribution business in 3Q2017.

Distribution expenses increased by US\$1.1 million or 9%, mainly due to higher freight and handling charges, storage costs, custom taxes and sales commission associated with the electronic components distribution business.

Finance expenses increased by US\$0.4 million or 17%, mainly due to higher utilisation of trade facilities by the Group's Hong Kong and Taiwan electronic components distribution subsidiary to finance increase in working capital requirements. Higher interest rates in 3Q2017 when compared to 3Q2016 also contributed to the increase in finance expenses.

Other operating expenses decreased by US\$1.4 million or 27%, mainly due to lower allowances for inventory obsolescence and a net gain on currency translation versus a net loss on currency translation in the previous period.

Total expenses as a percentage of turnover declined to 5.7% in 3Q2017 from 6.5% in 3Q2016.

The Group's share of profits in associated companies in 3Q2017 amounted to US\$0.1 million mainly due to share of profits of US\$0.2 million each in 27.34%-owned SPL Holdings (Australia) Pty Ltd and 21%-owned Tong Chiang Group. Bull Will Co. Ltd, in which the Group has a 19.02% interest, accounted for a share of loss of US\$0.3 million.

The Group's share of profits in newly vested 27.5% joint venture Musang Durians Frozen Food (M) Sdn. Bhd. amounted to US\$0.03 million.

The Group reported a net profit after tax of US\$3.1 million in 3Q2017 compared to US\$3.8 million in 3Q2016, mainly due to reduction in other operating income earned. The Group's net margin decreased to 0.8% from 1.1% in 3Q2016.

Balance sheet

Trade and other receivables increased by US\$10.9 million (net of factored trade receivables) mainly due to increased trade receivables in the Group's electronic components distribution subsidiaries in line with increase in sales and/or longer payment terms from certain customers. The increase was partially negated by lower trade and other receivables in the Group's consumer products distribution subsidiaries due to lower sales. Average turnover day for trade receivables increased to 51 in YTD3Q2017 from 49 in FY2016.

Inventories decreased by US\$14.6 million mainly due to lower inventory holding by the Group's Hong Kong and Singapore electronic components distribution subsidiaries, arising from better inventory management.

Investments in associated companies increased by US\$0.9 million in YTD3Q2017 mainly due to the reclassification of a US\$1.5 million deposit paid by the Group's wholly-owned subsidiary, Serial System International Pte Ltd, from other current assets to investments in associated companies, following the completion of an additional investment in 21% owned Tong Chiang Group in 1Q2017. The increase was partly offset by net share of losses from associated companies, mainly from 29.03%-owned Bull Will, totalling US\$0.5 million.

Investment in joint venture of US\$2.4 million relates to a 50% investment by the Group's 55% owned subsidiary, Bast Investment Pte Ltd in Musang Durians Frozen Food (M) Sdn. Bhd. for which the Group has a 27.5% effective interest.

The Company's investments in subsidiaries increased by US\$2 million mainly due to the capitalisation of an amount of US\$2 million owing from the Company's wholly owned subsidiary, SCE Enterprise Pte Ltd.

Trade and other payables decreased by US\$14.4 million mainly as a result of lower trade payables at the Group's Hong Kong electronic components distribution subsidiary due to the timing of certain payments to suppliers. Average payment day for trade payables increased to 35 in YTD3Q2017 from 33 in FY2016.

Borrowings increased by US\$7.3 million mainly due to higher bank borrowings by the Group's Hong Kong, South Korea and Taiwan electronic components distribution subsidiaries for increased working capital requirements. This was partly offset by reduction in bank borrowings by the Group's Singapore electronic components distribution subsidiary and the Group's consumer product distribution subsidiaries.

Currency translation reserve rose by US\$5.7 million mainly due to an increase in the value of the Group's investments in its subsidiaries and associated companies arising from the weakening of the United States Dollar against these entities' functional currencies, in particular the Chinese Renminbi, Korean Won, Singapore Dollar, Thailand Baht and Australian Dollar.

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

No forecast or prospect statement was previously issued in respect of the current reporting period.

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

Global demand for semiconductors and electronics remains buoyant, driven by the proliferation of state-of-the-art smartphones, smart-city initiatives, autonomous vehicles and other technology-reliant projects and applications. With one of the largest distribution networks in Asia for electronic components, many of which are used in a wide variety of products that are part and parcel of daily life, the Group is well positioned to benefit from this overall positive trend. In particular, demand for high-quality chips and electronic components in the Asia Pacific region, especially Greater China, is expected to remain resilient in the foreseeable future.

The Group's outlook is underpinned by Gartner's latest assessment of the global semiconductor market. According to a report released by the market research firm in October 2017, worldwide semiconductor revenue is forecast to total US\$411.1 billion in 2017, up 19.7% from 2016. This represents the strongest growth since the 2010 recovery from the global financial crisis. Strong demand for memory products, particularly dynamic random access memory, is expected to fuel this increase, according to Gartner, which sees global semiconductor revenue rising further to US\$427.4 billion in 2018 from 2017.

While the broad outlook for the semiconductor industry is favourable, the Group remains mindful of the competitive pressure in many of the markets it operates in. As seen from its latest financial performance, stiff competition in these markets weighed on its 3Q2017 profit margins. The Group will monitor the competition and endeavour to differentiate itself in each of these markets with the view to shoring up its profit margins.

The Group's plan to list its 91%-owned Hong Kong electronic components distribution subsidiary, Serial Microelectronics (HK) Limited group ("SMHK group"), on the mainboard of the Stock Exchange of Hong Kong Limited remains on track. The listing will enable SMHK group to raise funds on its own in order to better meet strong business demand in Greater China.

The Group's efforts to prop up its consumer products distribution business remain a work in progress. The priority is to reduce exposure to non-performing markets and low-margin consumer products and pursue more promising projects in the consumer space.

Barring unforeseen circumstances, the Group expects to be profitable in FY2017.

11. Dividend

a) Current Financial Period Reported On

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

No.

b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

No dividend was declared for the third quarter ended 30 September 2017.

13. Interested person transactions.

Pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), the Board would like to announce the following Interested Person Transactions ("IPTs") for Year-To-Date 3Q2017 as follows:

Name of Interested Person	Aggregate value of all IPTs during Year-To-Date 3Q2017 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all IPTs during Year-To-Date 3Q2017 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
	US\$'000	US\$'000
Nil	Nil	Not applicable

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

No general mandate from shareholders has been obtained for IPTs.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/Group CEO
3 November 2017