



SERIAL SYSTEM LTD
新暉科技有限公司

Company Reg No.: 199202071D

Full Year Financial Statement And Dividend Announcement for the Period Ended 31 December 2007

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

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

For the financial year ended 31 December 2007

	Note	The Group		
		31/12/2007	31/12/2006	
		S\$'000	S\$'000	
Sales		476,161	364,389	31%
Cost of sales		(434,691)	(328,579)	32%
Gross profit		41,470	35,810	16%
Other income:				
Other operating income	1	13,385	8,563	56%
Exceptional income	2	-	2,000	-100%
Total other income		13,385	10,563	27%
Expenses:				
Distribution	3	(23,457)	(20,002)	17%
Administrative		(5,298)	(5,086)	4%
Finance	4	(2,606)	(3,162)	-18%
Other	5	(14,088)	(21,122)	-33%
Total expenses		(45,449)	(49,372)	-8%
		9,406	(2,999)	414%
Share of results of associated companies (after income tax)		(655)	(1,109)	-41%
Profit/(loss) before income tax	6	8,751	(4,108)	313%
Income tax expense	7	(1,263)	(375)	237%
Profit/(loss) after income tax		7,488	(4,483)	267%
Attributable to:				
Equity holders of the Company		7,288	(4,975)	246%
Minority interests		200	492	-59%
		7,488	(4,483)	267%

Notes to Income Statement

1. Other operating income

Other operating income increased by about S\$4.8 million or 56%.

In the first half of financial year ended 31 December 2007 (FY2007), the Group sold its entire 10.7% interests in Wintech Microelectronics Co., Ltd (a financial asset, available-for-sale), a company listed on the Taiwan Stock Exchange, and made a gain of about S\$7.1 million. This compared to a gain on sale of financial assets, available-for-sale of about S\$1.7 million in FY2006, which included a gain of about S\$0.7 million from sale of shares in Wintech Microelectronics Co., Ltd.

Commission and service income amounted to about S\$3.6 million in FY2007 (FY2006: S\$4.2 million).

In FY2007, gains from dilution/disposal of the Group's interests in subsidiaries and associated companies amounted to about S\$0.3 million as compared to about S\$1.5 million in FY2006.

In FY2007, the Group made a fair value gain on investment properties of about S\$0.9 million as compared to loss of about S\$0.02 million in FY2006.

2. Exceptional income

In FY2006, the Group received S\$2.0 million as a result of an out-of-court settlement for a legal suit. No 'Exceptional Income' was received in FY2007.

3. Distribution expenses

Distribution expenses increased by about S\$3.5 million or 17%.

Higher commission expenses due to higher sales and continued growth and expansion activities in Greater China contributed to the increase in distribution expenses.

4. Finance costs

Finance costs decreased by about S\$0.6m or 18% due mainly to decline in borrowings and lower cost of borrowings in FY2007 when compared with FY2006.

5. Other operating expenses

In FY2007, the Group made an impairment loss provision for trade and other receivables amounting to S\$4.1 million as compared to an impairment loss of S\$8.6 million for trade receivable due from a customer and a S\$1.4 million impairment loss provision for a financial asset, available-for-sale in FY2006. Together with lower currency translation loss and depreciation and amortisation costs, 'Other Operating Expenses' registered a reduction of about \$7.0 million or 33% when compared with that for FY2006.

6. Profit/ (loss) before income tax

	The Group		%
	31/12/2007	31/12/2006	
	S\$'000	S\$'000	
Profit/ (loss) from operations is arrived at after charging/(crediting) :-			
a. Depreciation and amortisation	1,337	1,677	-20
b. Impairment losses on goodwill arising from acquisition of subsidiaries	1,208	1,346	-10
c. (Gain)/loss on disposal of property, plant and equipment	(61)	58	205
d. Property, plant and equipment written off	21	-	NM
e. Impairment losses on trade receivables	3,608	8,438	-57
f. Impairment losses on receivables (non-trade)	462	-	NM
g. Write-down of inventories (net)	1,725	496	248
h. Write-off of inventories	15	19	-21
i. Gain on dilution of interests in associated companies (net)	(234)	(648)	-64
j. Gain on sale/disposal of interests in associated companies	-	(141)	-100
k. Gain on disposal of partial interests in a subsidiary	(63)	-	NM
l. Loss/ (gain) on disposal/closure of subsidiaries (net)	2	(670)	-100
m. Currency translation loss (net)	700	1,670	-58
n. Fair value (gain)/ impairment losses on investment properties	(892)	15	6,047
o. Gain on sale of financial assets, available-for-sale	(7,084)	(1,730)	309
p. Impairment loss on financial asset, available-for-sale	-	1,368	-100
q. Gain on sale of financial assets, at fair value through profit or loss	(17)	(154)	-89
r. Fair value losses for financial assets, at fair value through profit or loss	33	155	-79
s. Share option expense	-	10	100
t. Interest income	(309)	(163)	90

NM - Not Meaningful

	31/12/2007	31/12/2006	
	S\$'000	S\$'000	%
7. Income tax expense			
Under/ (over) provision in preceding financial years			
- Current income tax	39	6	550
- Deferred income tax	4	(1,014)	-100

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

As at 31 December 2007

	The Group		The Company	
	31/12/2007 S\$'000	31/12/2006 S\$'000	31/12/2007 S\$'000	31/12/2006 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	15,388	12,906	923	5,587
Trade and other receivables ¹	65,845	60,623	15,353	9,907
Inventories ²	65,772	59,442	-	-
Financial assets, at fair value through profit or loss	539	924	-	-
Other current assets	967	639	9	22
	148,511	134,534	16,285	15,516
Non-current assets				
Loans and receivables	13	-	79,574	64,055
Financial assets, available-for-sale ³	219	25,058	-	24,835
Investment in associated companies ⁴	3,982	-	3,559	-
Investment in subsidiaries	-	-	17,231	17,149
Property, plant and equipment ⁵	6,871	15,443	593	2,402
Investment properties ⁵	8,353	-	1,850	-
Intangible assets ⁶	11,033	7,940	118	3
Other assets	1,750	1,531	-	-
Deferred income tax assets	683	428	-	-
	32,904	50,400	102,925	108,444
Total Assets	181,415	184,934	119,210	123,960
LIABILITIES				
Current liabilities				
Trade and other payables ⁷	62,638	52,800	2,999	3,132
Current income tax liabilities	831	1,009	378	378
Borrowings ⁸	27,209	32,278	6,566	10,509
	90,678	86,087	9,943	14,019
Non-current liabilities				
Borrowings ⁸	10,174	15,010	9,373	12,969
Provision for severance benefits	450	655	-	-
Deferred income tax liabilities	76	10	36	-
	10,700	15,675	9,409	12,969
Total Liabilities	101,378	101,762	19,352	26,988
Net Assets	80,037	83,172	99,858	96,972
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital ⁹	79,096	64,615	79,096	64,615
Capital reserve	2,691	3,290	2,691	3,290
Fair value reserve ¹⁰	-	5,078	-	14,818
Share option reserve	121	121	121	121
Currency translation reserve	(4,838)	(817)	-	-
Retained earnings	1,884	8,944	17,950	14,128
	78,954	81,231	99,858	96,972
Minority interests	1,083	1,941	-	-
Total Equity	80,037	83,172	99,858	96,972

Notes to the Balance Sheet

1. Trade and other receivables increased by about S\$5.2 million when compared to 31 December 2006. The increase is mainly due to higher sales recorded by the Group in FY2007. A new subsidiary, Hu & Power Tech Co., Ltd, acquired in FY2007, also contributed to the increase in trade and other receivables.
2. Inventories increased by about S\$6.3 million when compared to 31 December 2006. The increase is mainly due to higher amounts of inventories held by the Group's Hong Kong subsidiary as at 31 December 2007 when compared to 31 December 2006 due largely to higher monthly sales achieved in Greater China.
3. Financial assets, available-for-sale, decreased by S\$24.8 million when compared with the figure as at 31 December 2006. This is due to the sale of the entire 10.7% interests in Wintech Microelectronics Co., Ltd during FY2007.
4. Investment in associated companies relate mainly to an investment of about 34.28% interests in Bull Will Co., Ltd, a company listed on the Over-The-Counter Securities Exchange in Taiwan. Bull Will Co., Ltd's principal business is the distribution of electronics components with its main concentration of business on semiconductors and passive components. The Group's share of loss in Bullwill amounted to about S\$0.7 million in FY2007.
5. An amount of S\$7.9 million and S\$1.7 million for the Group and the Company respectively, was reclassified from 'Property, Plant and Equipment' to 'Investment Properties' in accordance to FRS40, which came into force as at 1 January 2007. The Group's and the Company's investment properties were valued at fair value and fair value gain of S\$0.9 million and S\$0.2 million respectively were recognised in the income statement in FY2007.
6. Intangible assets increased by about S\$3.1 million when compared to 31 December 2006. The increase is mainly due to goodwill (about S\$3.7 million) arising from the acquisition of additional interests of 11.0%, 7.5% and 2.7% in subsidiaries, Serial Microelectronics (HK) Limited, Serial Microelectronics Inc. and Tong Baek Trading Co., Ltd respectively. The purchase consideration for these acquisitions of about S\$4.3 million was satisfied by the issue of a total of 15,477,400 new ordinary shares of the Company at an issue price of S\$0.28 per share.
7. Trade and other payables increased by about S\$9.8 million when compared to 31 December 2006. The increase is mainly due to higher purchases in line with the higher sales in FY2007 and higher inventories as at 31 December 2007. Hu & Power Tech Co. Ltd, a subsidiary acquired in FY2007, also contributed to the increase in trade and other payables.
8. Borrowings (in Current and Non-Current Liabilities) include a Transferable Loan Facility amounting to S\$13.7 million (31/12/2006: S\$17.2 million). Borrowings declined by about S\$9.9 million when compared to 31 December 2006 mainly due to repayment of the Transferable Loan Facility of about S\$4.3 million and utilization of the proceed from the sale of the entire 10.7% interests in Wintech Microelectronics Co., Ltd to repay other bank borrowings to reduce finance costs.
9. Movement in share capital of the Group and the Company is disclosed in note 1(d)(i) "Statement of Changes in Equity".
10. Fair value reserve of S\$5.1 million and S\$14.8 million of the Group and Company respectively as at 31 December 2006, was realised to 'Gain on Sale of Financial Asset, Available-For-Sale' in the income statement following the sale of the entire 10.7% interests in Wintech Microelectronics Co., Ltd in FY2007. Including this fair value gain, the Group and Company recorded a gain on sale of about S\$7.1 million and S\$17.6 million respectively in the income statement for FY2007.

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

Amount repayable in one year or less, or on demand

As at 31 December 2007		As at 31 December 2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
1,827	25,382	1,460	30,818

Amount repayable after one year

As at 31 December 2007		As at 31 December 2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
585	9,589	1,968	13,042

Details of any collateral

- a) The Transferable Loan Facility of S\$13.7 million (31/12/2006: S\$17.2 million) is obtained with the joint and several guarantees of certain subsidiaries of the Group. There is a negative pledge over all the assets of the Company and its subsidiaries (except for the legal mortgage over the leasehold land and building at 8 Ubi View, Serial System Building, Singapore).
- b) Bank borrowing of S\$1.9 million (31/12/2006: S\$3.2 million) taken by a subsidiary to finance the purchase and construction of the leasehold land and building at 8 Ubi View, Serial System Building, Singapore ("Property") is secured by the following:
 - a first legal mortgage of the Property;
 - an assignment of all rights and benefits relating to the Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Property;
 - an assignment of all rights and benefits under an insurance policy taken in relation to the Property;
 - a continuing corporate guarantee amounting to about S\$6.7 million by the Company; and
 - a deed of subordination for all monies owing by the subsidiary to the Company.
- c) Bank borrowing of S\$0.45 million (31/12/2006: Nil) taken by a subsidiary of the Group, is secured on a long-term bank deposit pledged as security with the bank.
- d) Finance lease liabilities of S\$0.08 million (31/12/2006: S\$0.2 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.**

	31/12/2007	31/12/2006
	S\$'000	S\$'000
Cash flows from operating activities		
Net profit/(loss)	7,488	(4,483)
Adjustments for:		
Income tax expense	1,263	375
Amortisation of development expenditure and computer software license and development costs	167	270
Amortisation of government incentive grants	(20)	(59)
Depreciation of property, plant and equipment	1,190	1,465
Property, plant and equipment written off	21	-
(Gain) / loss on disposal of property, plant and equipment	(61)	58
Fair value (gain) / impairment losses on investment properties (net)	(892)	15
Impairment loss on financial asset, available-for-sale	-	1,368
Impairment losses on goodwill arising from acquisition of subsidiaries	1,208	1,346
Gain on dilution of interests in associated companies (net)	(234)	(648)
Gain on sale / disposal of interests in associated companies	-	(141)
Loss / (gain) on disposal / closure of subsidiaries (net)	2	(670)
Gain on disposal of partial interests in a subsidiary	(63)	-
Gain on sale of financial assets, available-for-sale	(7,084)	(1,730)
Gain on sale of financial assets, at fair value through profit or loss	(17)	(154)
Fair value losses for financial assets, at fair value through profit or loss	33	155
Provision for severance benefits	432	418
Share option expense	-	10
Interest income	(309)	(163)
Interest expense	2,606	3,162
Share of results of associated companies (net)	655	1,109
Operating cash flow before working capital changes	6,385	1,703
Change in operating assets and liabilities, net of effects from acquisition / disposal / closure of subsidiaries		
Trade and other receivables	(3,635)	3
Inventories	(4,981)	(9,641)
Other current assets	(558)	230
Loans and receivables	(13)	259
Other non-current assets	(383)	(16)
Trade and other payables	7,889	(1,242)
Cash from / (used in) operations	4,704	(8,704)
Income tax paid	(1,233)	(1,043)
Net cash provided by / (used in) operating activities	3,471	(9,747)

Cash flows from investing activities		
(Payments) / refund for intangible assets (computer software license and development costs)	(176)	200
Payments for property, plant and equipment	(628)	(572)
Proceeds from disposal of property, plant and equipment	383	698
Proceeds from sale of financial assets, available-for-sale	27,654	16,556
Proceeds from sale of financial assets, at fair value through profit or loss	897	749
Proceeds from disposal of partial interests in a subsidiary	490	3,669
Payments for acquisition of additional interests in subsidiaries from minority shareholders	(5,021)	(620)
Payment for acquisition of a subsidiary, net of cash acquired	(401)	-
Cash flow on disposal/closure of subsidiaries, net of cash disposed of	-	(49)
Payments for acquisition of interests in associated companies	(4,414)	(491)
Payments for financial assets, at fair value through profit or loss	(528)	(1,097)
Dividends received from an associated company	-	1,596
Withholding tax paid on share dividends received from an associated company	-	(64)
Dividend paid to a minority shareholder	-	(79)
Interest received	280	163
Net cash provided by investing activities	18,536	20,659
Cash flows from financing activities		
Proceeds from issue of ordinary shares	7,338	-
Dividends paid	(7,121)	-
Proceeds from bank borrowings	69,314	54,181
Repayment of bank borrowings	(77,283)	(57,793)
Repayment of Transferable Loan Facility	(4,300)	(4,300)
Repayment of lease liabilities	(134)	(184)
Interest paid	(1,958)	(2,220)
Net cash used in financing activities	(14,144)	(10,316)
Effect of foreign exchange rate changes on consolidation	(5,381)	(2,200)
Net increase / (decrease) in cash and cash equivalents held	2,482	(1,604)
Cash and cash equivalents at the beginning of the financial year	12,906	14,510
Cash and cash equivalents at the end of the financial year	15,388	12,906

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							Minority interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
Balance at 1 January 2007									
- As previously reported	64,615	3,290	5,078	121	(817)	8,944	81,231	1,941	83,172
- Effect of changes in accounting policies									
Adoption of FRS 40	-	-	-	-	-	(388)	(388)	-	(388)
- As restated	64,615	3,290	5,078	121	(817)	8,556	80,843	1,941	82,784
Transfer on sale of financial asset, available-for-sale	-	-	(5,078)	-	-	-	(5,078)	-	(5,078)
Currency translation differences	-	-	-	-	(3,937)	-	(3,937)	(187)	(4,124)
Disposal of partial interests in a subsidiary	-	-	-	-	-	-	-	214	214
Net (losses)/gains recognised directly in equity	-	-	(5,078)	-	(3,937)	-	(9,015)	27	(8,988)
Net profit for the financial year	-	-	-	-	-	7,288	7,288	200	7,488
Total recognised (losses) / gains for the financial year	-	-	(5,078)	-	(3,937)	7,288	(1,727)	227	(1,500)

Consolidated Statement of Changes in Equity [cont'd]
Attributable to equity holders of the Company

	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Minority interests S\$'000	Total equity S\$'000
Final cash dividend for year 2006	-	-	-	-	-	(3,098)	(3,098)	-	(3,098)
Special interim cash dividend for year 2007	-	-	-	-	-	(6,839)	(6,839)	-	(6,839)
One-tier tax-exempt interim cash dividend for year 2007	-	-	-	-	-	(4,023)	(4,023)	-	(4,023)
Serial System Executives Share Option Scheme									
- Exercise of share options	1,220	-	-	-	-	-	1,220	-	1,220
Exercise of Warrants W090206	2,364	(580)	-	-	-	-	1,784	-	1,784
Warrants W090206 adjustment expenses	-	(19)	-	-	-	-	(19)	-	(19)
Issue of new shares as consideration for acquisition									
of additional interests in subsidiaries	4,334	-	-	-	-	-	4,334	-	4,334
Rights issue of new shares in conjunction with									
the special interim cash dividend for year 2007	6,839	-	-	-	-	-	6,839	-	6,839
Shares issue expenses	(276)	-	-	-	-	-	(276)	-	(276)
Acquisition of additional interests in subsidiaries	-	-	-	-	(55)	-	(55)	(1,125)	(1,180)
Acquisition of a subsidiary	-	-	-	-	(29)	-	(29)	281	252
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	(241)	(241)
Balance at 31 December 2007	79,096	2,691	-	121	(4,838)	1,884	78,954	1,083	80,037

Attributable to equity holders of the Company

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earning/ (Accumulated losses) S\$'000	Total attributable to equity holders of the Company S\$'000	Minority interests S\$'000	Total equity S\$'000
Balance at 1 January 2006	36,466	49,990	3,290	(253)	111	(197)	(7,922)	81,485	4,292	85,777
Financial assets, available-for-sale										
- Fair value gains	-	-	-	5,078	-	-	-	5,078	-	5,078
- Transfer on disposal	-	-	-	253	-	-	-	253	-	253
Currency translation differences	-	-	-	-	-	556	-	556	(52)	504
Disposal/closure of subsidiaries	-	-	-	-	-	(1,275)	-	(1,275)	(2,283)	(3,558)
Disposal of interests in an associated company	-	-	-	-	-	99	-	99	-	99
Net gains/(losses) recognised directly in equity	-	-	-	5,331	-	(620)	-	4,711	(2,335)	2,376
Net loss for the financial year	-	-	-	-	-	-	(4,975)	(4,975)	492	(4,483)
Total recognised gains / (losses) for the financial year	-	-	-	5,331	-	(620)	(4,975)	(264)	(1,843)	(2,107)
Transfer of share premium to share capital	49,990	(49,990)	-	-	-	-	-	-	-	-
Capital reduction exercise to set-off accumulated losses against share capital	(21,841)	-	-	-	-	-	21,841	-	-	-
Serial System Executives Share Option Scheme - Value of employees' services	-	-	-	-	10	-	-	10	-	10
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	(429)	(429)
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	(79)	(79)
Balance at 31 December 2006	64,615	-	3,290	5,078	121	(817)	8,944	81,231	1,941	83,172

Statement of Changes in Equity - Company

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserves S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 January 2007	64,615	-	3,290	14,818	121	14,128	96,972
Final cash dividend for year 2006	-	-	-	-	-	(3,098)	(3,098)
Special interim cash dividend for year 2007	-	-	-	-	-	(6,839)	(6,839)
One-tier tax-exempt interim cash dividend for year 2007	-	-	-	-	-	(4,023)	(4,023)
Transfer on sale of financial asset, available-for-sale	-	-	-	(14,818)	-	-	(14,818)
Serial System Executives Share Option Scheme							
- Exercise of share options	1,220	-	-	-	-	-	1,220
Exercise of Warrants W090206	2,364	-	(580)	-	-	-	1,784
Warrants W090206 adjustment expenses	-	-	(19)	-	-	-	(19)
Issue of new shares as consideration for acquisition							
of additional interests in subsidiaries	4,334	-	-	-	-	-	4,334
Rights issue of new shares in conjunction with							
the special interim cash dividend for year 2007	6,839	-	-	-	-	-	6,839
Shares issue expenses	(276)	-	-	-	-	-	(276)
Net profit for the financial year	-	-	-	-	-	17,782	17,782
Balance at 31 December 2007	79,096	-	2,691	-	121	17,950	99,858

Statement of Changes in Equity - Company

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserves S\$'000	Retained earning/ (Accumulated losses) S\$'000	Total equity S\$'000
Balance at 1 January 2006							
- As previously reported	36,466	49,990	3,290	-	111	(21,841)	68,016
- Effect of changes in accounting policies							
Adoption of FRS 39 (Amendment)	-	-	-	-	-	64	64
- As restated	36,466	49,990	3,290	-	111	(21,777)	68,080
Transfer of share premium to share capital	49,990	(49,990)	-	-	-	-	-
Serial System Executives Share Option Scheme							
- Value of employees' services	-	-	-	-	10	-	10
Financial assets, available-for-sale							
- Fair value gains	-	-	-	14,818	-	-	14,818
Capital reduction exercise to set-off							
accumulated losses against share capital	(21,841)	-	-	-	-	21,841	-
Net profit for the financial year	-	-	-	-	-	14,064	14,064
Balance at 31 December 2006	64,615	-	3,290	14,818	121	14,128	96,972

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.

Since the end of the previous financial year ended 31 December 2006, the following ordinary shares were issued by the Company:-

1. Exercise of share options under the Serial System Executives Share Option Scheme	7,275,000 ordinary shares
2. Exercise of Warrants 090206	14,865,528 ordinary shares
3. Issue of new shares as consideration for acquisition of additional interests in subsidiaries (see note (a) below for details)	15,477,400 ordinary shares
4. Renounceable non-underwritten rights issue (see note (b) below for details)	201,138,274 ordinary shares

- (a) On 19 November 2007, the Company issued a total of 15,477,400 new ordinary shares at an issue price of S\$0.28 per share as consideration for the acquisition of additional interests of 11.0%, 7.5%, and 2.7% in Serial Microelectronics (HK) Limited, Serial Microelectronics Inc. and Tong Baek Trading Co., Ltd respectively. After the acquisitions, the Company holds effective interest of 91%, 82.5% and 98.2% in Serial Microelectronics (HK) Limited, Serial Microelectronics Inc. and Tong Baek Trading Co., Ltd respectively.
- (b) On 24 December 2007, pursuant to a renounceable non-underwritten rights issue approved by shareholders of the Company in an extraordinary general meeting on 16 November 2007, the Company issued 201,138,274 ordinary shares for cash at an issue price of S\$0.034 per rights share and 100,568,837 free Warrants W101220, on the basis of one new ordinary share for every two existing ordinary shares held as at the books closure date on 22 November 2007 and one free Warrant W101220 for every two rights shares subscribed. Each Warrant W101220 carries the right to subscribe for one new ordinary share at an exercise price of S\$0.09 per share for a period of three years ending 20 December 2010. The renounceable non-underwritten rights issue was undertaken in conjunction with a special interim cash dividend of 2.1 cents less tax of 18% for every one ordinary share held as at the books closure date on 22 November 2007 whereby shareholders can opt to utilize their cash dividend to subscribe for their rights share entitlement.

As a result of the renounceable non-underwritten rights issue undertaken by the Company in FY2007, the Company on 11 December 2007, issued an additional 24,438,306 Warrants W090206 pursuant to the deed poll dated 13 January 2005 constituting the Warrants W090206.

As at 31 December 2007, there were 6,351,000 (31/12/2006: 13,656,000) outstanding share options under the Serial System Executives Share Option Scheme and 85,534,325 (31/12/2006: 75,961,547) Warrants W090206 and 100,568,837 (31/12/2006: Nil) Warrants W101220.

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

The figures in the Full Year Financial Statement have not been audited nor reviewed.

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 adopted the same accounting policies and methods of computation in the financial statements for the current reporting period as in the most recently audited financial statement for FY2006 as well as all the applicable Financial Reporting Standards ('FRS') which became effective for the financial year beginning on or after 1 January 2007.

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.

In FY2007, the Company adopted the new FRS 40 that was effective from 1 January 2007. The adoption of the new FRS has resulted in the following impact on the Group:

FRS40: Investment Property and FRS 12: Income Taxes

The FRS40 has been applied prospectively and the effects of adoption of FRS40 and the change in the accounting for deferred income tax asset on loss resulting from revaluation of investment properties on the balance sheet of the Group as at 1 January 2007 are as follows:-

	<u>Increase/(decrease)</u>
	\$'000
<u>Consolidated balance sheet at 1 January 2007</u>	
Investment properties	7,462
Property, plant and equipment	(7,947)
Retained earnings	(388)
Deferred income tax assets	97

The effects of adoption of FRS40 on the Group's financial statement for FY2007 are as follows:-

	<u>Increase</u>
	\$'000
<u>Consolidated financial statement for FY2007</u>	
Investment properties	892
Fair value gain on investment properties	892
Income tax expense	170
Deferred income tax liabilities	170

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	
	31/12/2007	31/12/2006
Based on the weighted average number of ordinary shares in issue; and	1.94 cents	(1.36) cents
On a fully diluted basis	1.79 cents	(1.33) cents

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

	The Group		The Company	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on	13.26 cents	22.81 cents	16.55 cents	26.59 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.

Group's Turnover

The Group achieved a turnover of S\$476.2 million in FY2007, an increase of about 31% when compared with the figure for FY2006.

The semiconductors/ components distribution business experienced meaningful growth in majority of the markets they operate in. North Asia (comprising Greater China, South Korea and Taiwan) posted a 32% growth in turnover due largely to continued high demand from existing customers, increased customers' base, new products' lines and increased products' range. Turnover from North Asia now accounts for more than 86% of the Group's total.

The Group's operations in South and South East Asia registered a 25% increase in turnover when compared with the figure for FY2006. The higher turnover achieved was largely the result of strong sales contribution from a new customer in Thailand.

Group's Profit After Income Tax

For FY2007, the Group posted a net profit of about S\$7.3 million as compared to a net loss of about S\$5.0 million for FY2006.

In the first half of FY2007, the Group sold its entire 10.7% interests in Wintech Microelectronics Co., Ltd, a company listed on the Taiwan Stock Exchange, and made a gain of about S\$7.1 million. In addition, the Group made a fair value gain on investment properties of about S\$0.9 million in FY2007.

The semiconductors/components distribution business registered a net profit of S\$0.2 million as compared to a net loss of S\$8.5 million in FY2006. The net profit of S\$0.2 million was arrived at after providing for impairment loss for trade receivable amounting to about S\$3.2 million due from one of the Group's customers and impairment loss for goodwill arising from the acquisition of subsidiaries amounting to about S\$1.2 million. If these two provision items were to be excluded, the net profit achieved by the semiconductors/components distribution business would have been about S\$4.6 million. The better performance by the semiconductors/components distribution business was largely the result of higher gross profit earned because of higher turnover. Average gross profit margin, however, dropped from 9.8% in FY2006 to 8.7% in FY2007, reflecting the continued competitive environment in the markets the Group operates in.

In FY2007, the Group acquired a 34.28% interest in Bull Will Co., Ltd, a company listed on the Over-The-Counter Securities Exchange in Taiwan. Due largely to low sales volume and losses from the sales of aged inventories, this company was not profitable in FY2007. The Group's share of the loss in this associated company was about S\$0.7 million.

If we were to exclude provisions for trade and other receivables, total expenses as a percentage of turnover dropped from about 11% in FY2006 to about 9% in FY2007, a result of the continued focus on cost efficiency.

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

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

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

The Group expects intense competition and rising costs, in tandem with global trend, to continue to impact its revenue and profitability in the next review period. The Group will continue to grow sales to achieve higher economies of scale. More focus will also be put on high value-added products and services to improve product margins and operation efficiency and effectiveness to help to negate rising costs.

The Group will continue to review and rationalize its semiconductors/components distribution business. The Group may consider new business opportunities, which may not necessarily have synergy with the current core business of semiconductors/components distribution, if these business opportunities arise.

11. Dividend

a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim	Interim	Final (Proposed)
Dividend Type	Cash	Cash	Cash
Dividend Amount per Share (in cents)	2.1 cents per ordinary share (less tax)	1.0 cent per ordinary share	0.2 cent per ordinary share
Optional:- Dividend Rate (in %)			
Par value of shares	Not applicable	Not applicable	Not applicable
Tax Rate	18%	One-Tier Tax-exempt	One-Tier Tax-exempt

b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	1.03 cents per ordinary share (less tax)
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	18%

c) Date payable

Date of proposed final dividend payment will be announced at a later date.

d) Books closure date

Notice of books closure date will be announced at a later date.

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

The proposed final dividend as stated in 11(a) above is subject to shareholders' approval at the forthcoming Annual General Meeting.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Primary reporting - business segments

	Semiconductors/ Components Distribution S\$'000	Other Businesses S\$'000	Eliminations S\$'000	Group S\$'000
Year ended 31 December 2007				
Sales				
External	476,123	38	-	476,161
Segment results - operating profit	3,996	524	(135)	4,385
Unallocated gain				7,318
Finance income				309
Finance costs	(1,656)	(950)	-	(2,606)
Share of results of associated companies (after income tax)	(655)	-	-	(655)
Profit before income tax				8,751
Income tax expense				(1,263)
Profit after income tax				7,488
Segment assets	165,512	109,507	(94,287)	180,732
Deferred income tax assets				683
Consolidated total assets				181,415
Segment liabilities	147,074	3,049	(87,035)	63,088
Borrowings	19,559	17,824	-	37,383
Income tax liabilities				907
Consolidated total liabilities				101,378
Capital expenditure on property, plant and equipment	506	122	-	628
Capital expenditure on intangible assets	39	137	-	176
Depreciation of property, plant and equipment	618	572	-	1,190
Net amortisation of computer software license and development costs	125	22	-	147
Fair value gain on investment properties	-	892	-	892
Impairment losses on goodwill arising from acquisition of subsidiaries	1,208	-	-	1,208
Write-down of inventories	1,725	-	-	1,725

Primary reporting - business segments

	Semiconductors/ Components Distribution	Other Businesses	Eliminations	Group
	S\$'000	S\$'000	S\$'000	S\$'000
Year ended 31 December 2006				
Sales				
External	364,168	221	-	364,389
Segment results - operating (loss)/ profit	(2,213)	10,619	(9,937)	(1,531)
Unallocated gain (net)				1,531
Finance income				163
Finance costs	(1,647)	(1,515)	-	(3,162)
Share of results of associated companies (after income tax)	(1,109)	-	-	(1,109)
Loss before income tax				(4,108)
Income tax expense				(375)
Loss after income tax				(4,483)
Segment assets	164,938	95,709	(76,141)	184,506
Deferred income tax assets				428
Consolidated total assets				184,934
Segment liabilities	119,643	3,215	(69,403)	53,455
Borrowings	20,597	26,691	-	47,288
Income tax liabilities				1,019
Consolidated total liabilities				101,762
Capital expenditure on property, plant and equipment	657	17	-	674
Refund for capital expenditure on intangible assets	-	(200)	-	(200)
Depreciation of property, plant and equipment	696	769	-	1,465
Net amortisation of computer software license and development costs	-	212	-	212
Impairment losses on properties	-	193	-	193
Reversal of impairment losses on properties	-	(178)	-	(178)
Impairment losses on goodwill arising from acquisition of subsidiaries	1,346	-	-	1,346
Impairment loss on financial asset, available-for-sale	1,368	-	-	1,368
Write-down of inventories	648	-	-	648
Reversal of write-down on inventories	-	(152)	-	(152)

Secondary reporting - geographical segments

	Turnover		The Group Total Assets		Capital Expenditure	
	2007	2006	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	24,353	36,850	51,537	40,806	422	35
Singapore - Associated company	-	-	39	-	-	-
Greater China	277,857	191,568	86,713	77,003	274	213
South Korea	119,742	108,298	36,295	39,359	73	406
Taiwan	23,390	20,532	12,671	34,877	13	12
Taiwan - Associated company	-	-	3,943	-	-	-
Thailand	18,296	2,392	20	11	12	2
Malaysia	16,010	12,186	10	7	1	2
Spain	-	9,895	-	-	-	-
Others	7,433	3,325	410	974	9	4
	487,081	385,046	191,638	193,037	804	674
Eliminations	(10,920)	(20,657)	(10,223)	(8,103)	-	-
	476,161	364,389	181,415	184,934	804	674

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

15. A breakdown of sales.

	Group		
	S\$'000		%
	31/12/2007	31/12/2006	Change
Sales reported for first half year	217,912	192,329	13
Operating profit reported for first half year	4,016	3,349	20
Sales reported for second half year	258,249	172,060	50
Operating profit/ (loss) reported for second half year	3,272	(8,324)	139

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	12,069	3,098
Preference	0	0
Total:	12,069	3,098

BY ORDER OF THE BOARD

Dr. Derek Goh Bak Heng
Executive Chairman/ Group CEO
28/02/2008