



SERIAL SYSTEM LTD

Full Year Financial Statement And Dividend Announcement for the Period Ended 31 December 2004

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.

	Note	The Group		
		31/12/2004	31/12/2003	
		S\$'000	S\$'000	
Sales		313,642	324,844	-3%
Cost of sales		(282,901)	(294,494)	-4%
Gross profit		30,741	30,350	1%
Other operating income	1	6,366	4,346	46%
Distribution costs		(16,513)	(15,980)	3%
Administrative expenses	2	(6,042)	(3,386)	78%
Other operating expenses	3	(18,897)	(12,085)	56%
Operating (loss) / profit	4	(4,345)	3,245	-234%
Finance income		138	122	13%
Finance costs	5	(1,771)	(473)	274%
Share of results of associated companies		4,952	4,399	13%
(Loss) / profit before tax		(1,026)	7,293	-114%
Tax	6	(2,899)	(2,914)	-1%
(Loss)/ Profit from ordinary activities		(3,925)	4,379	-190%
Minority interests		(64)	(1,211)	-95%
Net (loss) / profit		(3,989)	3,168	-226%

Notes :

1. Other operating income

Other operating income increased by S\$2.0m or 46% as compared to the previous corresponding period. The increase is mainly due to commission income contributed by two wholly-owned subsidiaries, Sangsoo Co., Ltd (“Sangsoo”) and Unitron Tech Co., Limited (“Unitron”). These two subsidiaries were acquired in the first quarter of 2004.

2. Administrative expenses

Administrative expenses increased by S\$2.7 m or 78% as compared to the previous corresponding period. This is mainly due to costs contributed by Sangsoo and Unitron, increases in other professional and legal fees, office rental, and bank commissions and charges.

3. Other operating expenses

Other operating expenses increased by S\$6.8m or 56% as compared to the previous corresponding period. This is mainly due to increases in provision for inventory obsolescence and doubtful trade debts, amortisation of intangible assets, goodwill on acquisitions purchased during the financial year, and goodwill on acquisition of a subsidiary written off.

4. Operating (loss)/ profit

	The Group		
	31/12/2004	31/12/2003	
	S\$'000	S\$'000	
Operating profit/ (loss) is arrived at after charging/(crediting) :-			
a. Depreciation and amortisation	3,719	2,414	54%
b. Loss on disposal of plant and equipment	178	44	305%
c. Plant and equipment written off	57	13	338%
d. Development expenditure written off	660	529	25%
e. Goodwill on acquisition written off	383	-	NM
f. Provision for doubtful trade debts	615	178	246%
g. Provision for non-trade doubtful debts	103	-	NM
h. Write back of provision for non-trade doubtful debts	(32)	(96)	-67%
i. Provision for inventory obsolescence	4,790	2,388	101%
j. Inventories written off	119	48	148%
k. Loss/ (Gain) on dilution of interests in an associated company	549	(693)	-179%
l. Gain on sales of shares in an associated company	(244)	(207)	18%
m. Loss (net) on disposal of partial interests in subsidiaries	25	-	NM%
n. Foreign exchange gain	(74)	(243)	-70%
o. Impairment charge on properties	820	200	310%
p. Loss on deregistration of a subsidiary	-	14	NM
q. Bad debts (trade) written off	34	4	750%

5. Finance Costs

Finance costs increased by S\$1.3 m or 274% as compared to the previous corresponding period. This is mainly due to the financing of acquisitions of subsidiaries, Sangsoo Co., Ltd and Unitron Tech Co., Ltd, and the acquisition of a leasehold property at 8, Ubi View Singapore.

6. Tax

Under / (over) provision in preceding financial year			
Current income tax	-	(53)	NM
Deferred tax	218	-	NM

NM - Not Meaningful

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.

	The Group		The Company	
	31/12/2004	31/12/2003	31/12/2004	31/12/2003
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Cash and cash equivalents	9,160	12,235	218	2,652
Trade receivables	29,968	24,404	-	731
Inventories	36,044	40,576	159	228
Other current assets	8,495	10,404	4,006	705
	83,667	87,619	4,383	4,316
Non-current assets				
Investment in an associate company	34,430	34,047	18,473	18,723
Investment in subsidiaries	-	-	13,140	14,212
Other investments	892	58	-	-
Property, plant and equipment	19,553	13,452	4,341	4,435
Intangible assets	1,315	1,072	-	-
Goodwill on acquisition	11,558	9,246	-	-
Other assets	1,580	252	64,099	58,667
	69,328	58,127	100,963	96,037
Total assets	152,995	145,746	105,346	100,353

Current liabilities

Trade and other payables	29,933	37,920	8,280	5,540
Current tax liabilities	1,368	1,584	412	412
Borrowings	35,413	19,506	14,883	12,548
	66,714	59,010	23,575	18,500

Non-current liabilities

Borrowings	5,193	1,901	194	149
Other payables	675	-	-	-
Deferred tax liabilities	1,047	826	1,014	796
	6,915	2,727	1,208	945
Total liabilities	73,629	61,737	24,783	19,445
Net assets	79,366	84,009	80,563	80,908

Shareholders' equity

Share capital	30,378	30,236	30,378	30,236
Share premium	49,105	49,020	49,105	49,020
Capital reserve	308	308	308	308
Foreign currency translation reserves	(2,969)	(2,558)	-	-
(Accumulated loss)/retained earnings	(1,403)	3,555	772	1,344
Total shareholders' equity	75,419	80,561	80,563	80,908
Minority interests	3,947	3,448	-	-
	79,366	84,009	80,563	80,908

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Details of any collateral****Amount repayable in one year or less, or on demand**

<u>As at 31 December 2004</u>		<u>As at 31 December 2003</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
1,605	33,808	466	19,040

Amount repayable after one year

<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
5,193	-	1,901	-

- a) Bank loan taken by a subsidiary to finance the purchase of a leasehold property at 8, Ubi View Singapore (“Ubi Property”) amounting to S\$5,637,000 is secured by the following:
- a first legal mortgage of the Ubi Property ;
 - an assignment of all rights and benefits under the Sale and Purchase Agreement relating to the Ubi Property;
 - an assignment of all rights, title interest and benefits in Tenancy Agreements relating to the Ubi Property;
 - an assignment of all rights and benefits under any insurance policies taken in relation to the Ubi Property ;
 - a continuing corporate guarantee by the Company; and
 - a deed of subordination for all monies owing by the subsidiary to the Company.
- b) Bank loan of a subsidiary amounting to S\$389,000 is secured on the property of the subsidiary.
- c) Bank loan amounting to S\$376,000 is guaranteed by the personal assets of a third party. The third party is employed as an advisor of the subsidiary and was previously a director and shareholder of the subsidiary.

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

**Serial System Ltd
Consolidated Cash Flow Statement
For the Financial Year ended 31 December 2004**

	31/12/2004 S\$'000	31/12/2003 S\$'000
Cash flows from operating activities		
(Loss) / Profit before tax and share of results of associated companies	(5,978)	2,894
Adjustments for:		
Amortisation of intangible assets	771	674
Amortisation of goodwill on acquisition	1,411	873
Development expenditure written off	660	529
Goodwill on acquisition written off	383	-
Amortisation of government incentive grants	-	(100)
Depreciation of property, plant and equipment	1,537	967
Plant and equipment written off	57	13
Loss on disposal of plant and equipment	178	44
Loss / (Gain) on dilution of interests in an associated company	549	(692)
Loss (net) on disposal of partial interests in subsidiaries	25	-
Gain on sale of shares in an associated company	(244)	(207)
Impairment charge on property	820	200
(Gain) on disposal of other investment	(121)	-
Interest income	(138)	(122)
Interest expense	1,771	473
Operating profit before working capital changes	1,681	5,546
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries		
Trade receivables	72	(1,655)
Inventories	6,039	(5,258)
Other current assets	739	(1,156)
Trade and other payables	(14,114)	1,071
Foreign currency translation adjustment	342	(515)
Cash used in operations	(5,241)	(1,967)
Tax paid	(1,744)	(2,148)
Net cash outflow from operating activities	(6,985)	(4,115)

Cash flows from investing activities

Intangible assets	(1,472)	(287)
Other investments / other assets	(712)	(240)
Payments for property, plant and equipment	(8,253)	(3,881)
Proceeds from sale of plant and equipment	20	130
Proceeds from sale of shares in an associated company	904	562
Proceeds from disposal of interest in subsidiaries	6	-
Acquisition of additional interests in subsidiaries from minority shareholders	-	(2,873)
Payments for acquisition of subsidiaries, net of cash acquired	(2,170)	(139)
Payments of balance sum outstanding for acquisition of subsidiaries in 2002	-	(4,646)
Compensation monies received from former shareholders of a subsidiary acquired in 2002	-	675
Dividends received from an associated company	1,893	2,329
Withholding tax paid on stock dividends received from an associated company	(104)	(94)
Interest received	138	122
Net cash outflow from investing activities	(9,750)	(8,342)

Cash flows from financing activities

Dividends paid	(969)	(302)
Lease liabilities	243	(69)
Proceeds from bank borrowings	22,571	15,492
Repayment of bank borrowings	(6,721)	(1,111)
Proceeds from issuance of ordinary shares	227	121
Interest paid	(1,691)	(443)
Repayment from an associated company	-	-
Net cash inflow from financing activities	13,660	13,688

Net (decrease) / increase in cash and cash equivalents held	(3,075)	1,231
Cash and cash equivalents at the beginning of the financial year	12,235	11,004
Cash and cash equivalents at the end of the financial year	9,160	12,235

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

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Foreign currency translation reserves S\$'000	(Accumulated loss) / retained earnings S\$'000	Total S\$'000
Balance at 1 January 2004	30,236	49,020	308	(2,558)	3,555	80,561
Foreign currency translation differences	-	-	-	(411)	-	(411)
Net loss					(3,989)	(3,989)
Total recognised losses for the financial year	-	-	-	(411)	(3,989)	(4,400)
Final dividend for year 2003	-	-	-	-	(969)	(969)
Exercise of options under the Serial System Executives Share Option Scheme	142	85	-	-	-	227
Balance at 31 December 2004	30,378	49,105	308	(2,969)	(1,403)	75,419
Balance at 1 January 2003	30,169	48,966	308	(2,135)	689	77,997
Foreign currency translation differences				(423)		(423)
Net profit					3,168	3,168
Total recognised loss / (gain) for the financial year	-	-	-	(423)	3,168	2,745
Final dividend for year 2002	-	-	-	-	(302)	(302)
Exercise of options under the Serial System Executives Share Option Scheme	67	54	-	-	-	121
Balance at 31 December 2003	30,236	49,020	308	(2,558)	3,555	80,561

**Statement of Changes in Equity -
Company**

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2004	30,236	49,020	308	1,344	80,908
Net profit				397	397
Final dividend for year 2003				(969)	(969)
Exercise of options under the Serial System Executives Share Option Scheme	142	85	-	-	227
Balance at 31 December 2004	30,378	49,105	308	772	80,563
Balance at 1 January 2003	30,169	48,966	308	709	80,152
Net profit	-	-	-	937	937
Final dividend for year 2002	-	-	-	(302)	(302)
Exercise of options under the Serial System Executives Share Option Scheme	67	54	-	-	121
Balance at 31 December 2003	30,236	49,020	308	1,344	80,908

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 2003, 1,415,000 ordinary shares were issued by the Company following the exercise of share options, pursuant to the terms of the Serial System Executives Share Option Scheme.

As at 31 December 2004, there were 18,689,000 (31/12/2003: 22,409,000) outstanding share options pursuant to the terms of the Serial System Executives Share Option Scheme.

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

The figures 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 financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS). The same accounting policies and methods of computation have been applied during the current reporting period as compared with the audited financial statements for financial year ended 31 December 2003.

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.

There has been no change in the accounting policies and methods of computation during the current financial period as compared with the audited annual financial statements for financial year ended 31 December 2003.

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.

	31/12/2004	31/12/2003
	S\$	S\$
Based on the weighted average number of ordinary shares in issue; and	(1.32) cents	1.05 cents
On a fully diluted basis	(1.29) cents	1.04 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.**

Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on

The Group		The Company	
31/12/2004	31/12/2003	31/12/2004	31/12/2003
S\$	S\$	S\$	S\$
26.13 cents	27.78 cents	26.52 cents	26.76 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 (\$'million)

Business segments	31-Dec-04	31-Dec-03	Increase / (decrease)	% change
Semiconductors/ components distribution	309.3	309.7	(0.4)	(0.1)
Consumer digital appliances and other businesses	4.3	15.1	(10.8)	(71.5)
Total	313.6	324.8	(11.2)	(3.4)

For the financial year ended 31 December 2004 (FY2004), the Group recorded a turnover of S\$313.6 million, a reduction of S\$11.2 million or 3.4% as compared with S\$324.8 million in the financial year ended 31 December 2003 (FY2003).

Turnover for the semiconductors/components distribution business for FY2004 dropped by a marginal S\$0.4 million. With the exception of a Hong Kong subsidiary, all other companies in the semiconductors/components distribution business have shown growth in turnover. The Hong Kong subsidiary posted a large turnover reduction to negate the growth momentum.

The Group's consumer digital appliances and other businesses registered a 71.5% reduction in turnover, from S\$15.1 million in FY2003 to S\$4.3 million in FY2004. This reduction was contributed to largely by the weak demand for consumer digital appliances as well as the closure of the Group's logistics business subsidiary.

Group's Net (Loss)/Profit (\$'million)

Business segments	31-Dec-04	31-Dec-03	Increase / (decrease)	% change
Semiconductors/ components distribution	(1.4)	5.8	(7.2)	(124.1)
Associated company (semiconductors/ components distribution)	3.5	4.2	(0.7)	(16.7)
Consumer digital appliances and other businesses	(6.1)	(6.8)	0.7	10.3
Total	(4.0)	3.2	(7.2)	(225.0)

The semiconductors/components distribution business posted a net loss of S\$1.4 million in FY 2004 as compared to a profit of S\$5.8 million in FY 2003. This was largely because of the increases in expenses of the subsidiaries acquired in FY2004 and goodwill charges relating to these acquisitions.

The Group's interest in Wintech Microelectronics Co., Ltd (Taiwan) (Wintech), an associated company of the Group, was reduced from 21.6% in FY2003 to 20.8% in FY2004. The Group's share of Wintech's profits, including losses from dilution and gains from disposal of Wintech shares was reduced from S\$4.2 million in FY2003 to S\$3.5 million in FY2004.

The consumer digital appliances and other businesses posted a loss attributable to shareholders of S\$6.1 million in FY2004 as compared to a loss of S\$6.8 million in FY2003. A meaningful savings in expenses was achieved but an increase in inventory provision resulted in a smaller loss.

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

A profit warning statement was issued on 10 Jan 2005. An announcement on “additional information on ‘Profit Warning’ announced on 10 January 2005 via SGXNet No.00009” was issued on 11 January 2005. The results reported are not inconsistent with the statements made.

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.

Semiconductors/components distribution will continue to be the Group's anchor business but the business environment remains competitive. The performance of this business is largely driven by the corresponding demand in broad range applications in semiconductors and consumer electronics. The Group would increase the product mix and widen the customers' base. More resources would be deployed to support the Group's expansion and development activities in China. China, with its huge potential market base, is viewed by many as a key driver. The Group is establishing a presence in Taiwan.

11. Dividend

(a) Current Financial Period Reported On

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

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.25 cents per ordinary share (less tax)
Optional:- Dividend Rate (in %)	
Par value of shares	S\$0.10
Tax Rate	20%

(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)	0.4 cents per ordinary share (less tax)
Optional:- Dividend Rate (in %)	
Par value of shares	S\$0.10
Tax Rate	20%

(c) Date payable

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

(d) Books closure date

Notice of books closure 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	Consumer digital appliances S\$'000	Other operations S\$'000	Eliminations S\$'000	Group S\$'000
Year ended 31 December 2004					
Sales					
External	331,778	7,242	10	-	339,030
Inter-segment	(22,468)	(2,755)	-	(165)	(25,388)
	<u>309,310</u>	<u>4,487</u>	<u>10</u>	<u>(165)</u>	<u>313,642</u>
Segment results – operating profit/ (loss)	2,905	(6,617)	(538)	210	(4,040)
Unallocated loss	-	-	-	-	(305)
Finance income					138
Finance costs					(1,771)
Share of result of an associated company	4,952				<u>4,952</u>
Loss before tax					<u>(1,026)</u>
Tax					<u>(2,899)</u>
Group loss from ordinary activities					<u>(3,925)</u>
Minority interests					<u>(64)</u>
Net loss					<u>(3,989)</u>

Segment assets	93,064	66,758	22,651	(63,908)	118,565
Investment in an associated company (equity method)	34,430	-	-	-	34,430
Consolidated total assets					<u>152,995</u>
Segment liabilities	63,878	4,661	14,031	(51,962)	30,608
Borrowings					40,606
Tax liabilities					<u>2,415</u>
Consolidated total liabilities					<u>73,629</u>
Capital expenditures	1,391	2,597	5,914		9,902
Depreciation of property, plant and equipment	817	473	247		1,537
Net amortisation of intangible assets	504	267	-		771
Development expenditure written off	660	-	-		660
Impairment charge on property		500	320		820
Amortisation of goodwill on acquisition	1,365	-	46		1,411
Goodwill on acquisition written off	-	-	383		383

Primary reporting - business segments

	Semiconductors/ components distribution S\$'000	Consumer digital appliances S\$'000	Other operations S\$'000	Eliminations S\$'000	Group S\$'000
Year ended 31 December 2003					
Sales					
External	309,750	5,652	9,442	-	324,844
Inter-segment	2	314	-	(316)	-
	309,752	5,966	9,442	(316)	324,844
Segment results - operating profit/ (loss)	10,043	(7,737)	57	(17)	2,346
Unallocated gains					899
Finance income					122
Finance costs					(473)
Share of results of associated companies	4,399				4,399
Profit before tax					7,293
Tax					(2,914)
Group profit from ordinary activities					4,379
Minority interests					(1,211)
Net profit					3,168
Segment assets	78,649	65,781	20,190	(52,921)	111,699
Investment in an associated company (equity method)	34,047				34,047
Consolidated total assets					145,640
Segment liabilities	62,938	1,952	14,127	(41,097)	37,920
Borrowings					21,407
Tax liabilities					2,410
Consolidated total liabilities					61,737
Capital expenditures	905	161	3,102	-	4,168
Depreciation of property, plant and equipment	335	494	138	-	967
Net amortisation of development expenditure	171	402	-	-	573
Impairment charge on property	-	-	200	-	200
Amortisation of goodwill on acquisition	1,045	-	-	-	1,045
Amortisation of negative goodwill on acquisition	(172)	-	-	-	(172)

Secondary reporting - geographical segments

	The Group					
	Turnover		Total assets		Capital expenditures	
	2004	2003	2004	2003	2004	2003
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	29,534	29,040	41,334	43,029	8,837	3,302
Greater China (including Hong Kong)	120,017	107,429	64,124	66,706	455	325
Republic of Korea	147,260	195,333	32,384	18,171	610	539
Taiwan – Associated company	-	-	18,473	18,723	-	-
Others	40,734	28,543	1,642	3,427	-	2
	337,545	360,345	157,957	150,056	9,902	4,168
Eliminations	(23,903)	(35,501)	(4,962)	(4,310)	-	-
	313,642	324,844	152,995	145,746	9,902	4,168

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		Increase
	31/12/2004	31/12/2003	
Sales reported for first half year	171,045	157,902	8%
Operating profit/ (loss) reported for first half year	3,089	2,255	37%
Sales reported for second half year	142,597	166,942	-15%
Operating profit/ (loss) reported for second half year	(7,014)	2,124	-430%

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	608	969
Preference	0	0
Total:	608	969

BY ORDER OF THE BOARD

Goh Bak Heng
Executive Chairman/ Group Chief Executive Officer
01/03/2005