

Company Registration Number: 199202071D

**SERIAL SYSTEM LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED
30 JUNE 2024**

SERIAL SYSTEM LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

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**SERIAL SYSTEM LTD
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		The Group		
		6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000	Change %
	Note			
Sales	5	374,716	369,771	1%
Cost of sales	6	(346,856)	(340,285)	2%
Gross profit		27,860	29,486	-6%
Gross profit margin		7.4%	8.0%	-0.6 pt
Other income		4,109	3,818	8%
Interest income	5	904	1,045	-13.5%
Other operating income	5	3,205	2,773	16%
Expenses				
Distribution	6	(17,797)	(19,267)	-8%
Administrative	6	(4,721)	(5,068)	-7%
Finance	7	(6,467)	(7,262)	-11%
Other:				
Loss allowance on trade and other receivables	6	-	(1,699)	-100%
Other operating	6	(8,752)	(14,894)	-41%
Total expenses		(37,737)	(48,190)	-22%
		(5,768)	(14,886)	-61%
Share of results of associated companies (after income tax)		72	28	157%
Loss before income tax	6	(5,696)	(14,858)	-62%
Income tax expense	9	(495)	(233)	112%
Loss after income tax		(6,191)	(15,091)	-59%
Attributable to:				
Equity holders of the Company		(5,180)	(12,726)	-59%
Non-controlling interests		(1,011)	(2,365)	-57%
		(6,191)	(15,091)	-59%
Loss per share attributable to equity holders of the Company:				
Basic	23	(0.57) cent	(1.41) cents	-59%
Diluted	23	(0.57) cent	(1.41) cents	-59%

**SERIAL SYSTEM LTD
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
Net loss for the period	(6,191)	(15,091)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Share of associated companies' other comprehensive loss	(17)	(10)
	(17)	(10)
Items that may be reclassified subsequently to profit or loss:		
Share of associated companies' other comprehensive (loss)/income	(21)	55
Currency translation differences	(1,921)	(357)
	(1,942)	(302)
Other comprehensive loss for the period, net of tax	(1,959)	(312)
Total comprehensive loss for the period	(8,150)	(15,403)
Attributable to:		
Equity holders of the Company	(7,398)	(13,203)
Non-controlling interests	(752)	(2,200)
	(8,150)	(15,403)

**SERIAL SYSTEM LTD
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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	The Group		The Company	
		30 June	31 December	30 June	31 December
		2024	2023	2024	2023
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		36,419	37,076	1,810	517
Trade and other receivables	13	160,834	160,056	37,689	38,271
Inventories	14	111,022	126,587	-	-
Financial assets, at fair value through profit or loss	15	5,400	7,655	-	-
Other current assets		11,596	10,285	587	835
		325,271	341,659	40,086	39,623
Non-current assets					
Income tax recoverable		1,358	1,358	-	-
Loans and other receivables		-	-	28,136	28,879
Financial assets, at fair value through profit or loss	15	13,088	12,332	-	-
Investments in associated companies		2,799	2,814	1,217	1,217
Investment in joint venture		-	-	-	-
Investments in subsidiaries		-	-	63,425	58,994
Property, plant and equipment	16	27,421	29,065	281	269
Investment properties	17	6,462	6,423	-	-
Intangible assets	18	3,384	3,466	17	21
Other assets		922	652	-	-
Deferred income tax assets		1,405	1,709	-	-
		56,839	57,819	93,076	89,380
Total assets		382,110	399,478	133,162	129,003
LIABILITIES					
Current liabilities					
Trade and other payables	19	86,780	70,843	15,291	9,326
Current income tax liabilities		694	1,026	-	-
Borrowings	20	165,450	182,289	9,588	4,314
		252,924	254,158	24,879	13,640
Non-current liabilities					
Other payables		-	-	14,374	14,712
Borrowings	20	3,496	11,988	-	6,062
Defined benefit plans liabilities		395	296	-	-
Deferred income tax liabilities		1,195	1,203	543	543
		5,086	13,487	14,917	21,317
Total liabilities		258,010	267,645	39,796	34,957
NET ASSETS		124,100	131,833	93,366	94,046
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	72,648	72,648	72,648	72,648
Treasury shares	21	(70)	(70)	(70)	(70)
Capital reserve		1,602	1,610	518	518
Defined benefit plans reserve		388	388	-	-
Fair value reserve		(742)	(742)	-	-
Revaluation reserve		229	237	-	-
Other reserve		(1,008)	(1,862)	-	-
Currency translation reserve		629	2,965	-	-
Retained earnings		44,381	49,561	20,270	20,950
		118,057	124,735	93,366	94,046
Non-controlling interests		6,043	7,098	-	-
TOTAL EQUITY		124,100	131,833	93,366	94,046

**SERIAL SYSTEM LTD
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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group	Attributable to equity holders of the Company										Total equity US\$'000	
	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
Balance at 1 January 2024	72,648	(70)	1,610	388	(742)	237	(1,862)	2,965	49,561	124,735	7,098	131,833
Loss for the period	-	-	-	-	-	-	-	-	(5,180)	(5,180)	(1,011)	(6,191)
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive loss	-	-	(8)	-	-	(8)	-	(22)	-	(38)	-	(38)
Currency translation differences	-	-	-	-	-	-	-	(2,180)	-	(2,180)	259	(1,921)
Other comprehensive loss for the period, net of tax	-	-	(8)	-	-	(8)	-	(2,202)	-	(2,218)	259	(1,959)
Total comprehensive loss for the period	-	-	(8)	-	-	(8)	-	(2,202)	(5,180)	(7,398)	(752)	(8,150)
Others:												
Investment in subsidiaries by non-controlling interests upon completion of reverse takeover	-	-	-	-	-	-	782	(134)	-	648	1,128	1,776
Acquisition of additional interests in subsidiaries from non-controlling interest	-	-	-	-	-	-	72	-	-	72	(1,226)	(1,154)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(205)	(205)
Total others	-	-	-	-	-	-	854	(134)	-	720	(303)	417
Balance at 30 June 2024	72,648	(70)	1,602	388	(742)	229	(1,008)	629	44,381	118,057	6,043	124,100
Balance at 1 January 2023	72,648	(70)	1,616	469	(742)	266	(1,854)	2,258	64,392	138,983	9,650	148,633
Loss for the period	-	-	-	-	-	-	-	-	(12,726)	(12,726)	(2,365)	(15,091)
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive income	-	-	8	-	-	(18)	-	55	-	45	-	45
Currency translation differences	-	-	-	-	-	-	-	(522)	-	(522)	165	(357)
Other comprehensive loss for the period, net of tax	-	-	8	-	-	(18)	-	(467)	-	(477)	165	(312)
Total comprehensive loss for the period	-	-	8	-	-	(18)	-	(467)	(12,726)	(13,203)	(2,200)	(15,403)
Others:												
Investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	2	-	-	2	176	178
Capital reduction in a subsidiary	-	-	-	-	-	-	(10)	-	-	(10)	(9)	(19)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(134)	(134)
Total others	-	-	-	-	-	-	(8)	-	-	(8)	33	25
Balance at 30 June 2023	72,648	(70)	1,624	469	(742)	248	(1,862)	1,791	51,666	125,772	7,483	133,255

**SERIAL SYSTEM LTD
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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company					
Balance at 1 January 2024	72,648	(70)	518	20,950	94,046
Total comprehensive loss for the period	-	-	-	(680)	(680)
Balance at 30 June 2024	72,648	(70)	518	20,270	93,366
Balance at 1 January 2023	72,648	(70)	518	20,009	93,105
Total comprehensive loss for the period	-	-	-	(382)	(382)
Balance at 30 June 2023	72,648	(70)	518	19,627	92,723

**SERIAL SYSTEM LTD
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
	Cash flows from operating activities	
Loss before income tax	(5,696)	(14,858)
Adjustments for:		
Amortisation of computer software license costs	32	27
Amortisation of know-how and trademark	2	10
Depreciation of property, plant and equipment	1,425	1,564
Property, plant and equipment written off	-	8
Gain on disposal of property, plant and equipment	(2)	(30)
Fair value (gain)/loss on financial assets, at fair value through profit or loss	(217)	925
Gain on sale of financial assets, at fair value through profit or loss	(163)	*
Dividend income from financial assets, at fair value through profit or loss	(20)	(23)
Loss on dilution of interests in an associated company	1	2
Loss on reverse takeover of subsidiaries	245	-
Negative goodwill arising from reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries	-	(35)
Fair value loss/(gain) on derivative financial instruments	25	(33)
Provision for defined benefit plans liabilities	355	203
Interest income	(904)	(1,045)
Interest expense	6,467	7,262
Share of results of associated companies	(72)	(28)
Operating cash flow before working capital changes	1,478	(6,051)
Changes in working capital		
Financial assets, at fair value through profit or loss	2,255	829
Trade and other receivables	(3,030)	18,098
Inventories	13,078	19,170
Other current assets	(1,485)	1,052
Other assets (non-current)	(291)	60
Trade and other payables	19,359	(15,943)
Cash from operations	31,364	17,215
Income tax paid	(645)	(1,062)
Net cash from operating activities	30,719	16,153
Cash flows from investing activities		
Payments for computer software license costs	-	(30)
Payments for know-how	-	(34)
Payments for property, plant and equipment	(197)	(444)
Proceeds from disposal of property, plant and equipment	2	62
Payment for acquisition of additional interests in subsidiaries from non-controlling interest	(1,154)	-
Payments for investments in financial assets, at fair value through profit or loss	(1,232)	-
Proceeds from sale of financial assets, at fair value through profit or loss	381	7
Dividend received from financial assets, at fair value through profit or loss	20	23
Payments for additional investment in an associated company	-	(4)
Net cashflow on reverse takeover of subsidiaries	1,880	-
Net cashflow on step up acquisition from financial assets, at fair value through profit or loss to a subsidiary	-	169
Interest received	908	940
Net cash from investing activities	608	689

* - denotes amount less than US\$1,000

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(205)	(134)
Proceeds from bank borrowings	365,002	348,170
Proceeds from other borrowings	11,558	-
Repayment of bank borrowings	(387,033)	(355,847)
Repayment of other borrowings	(13,448)	(565)
Principal payments of lease liabilities	(746)	(791)
Interest paid	(6,431)	(6,898)
Pledged fixed deposits	196	(806)
Net cash used in financing activities	(31,107)	(16,871)
Net increase/(decrease) in cash and cash equivalents held	220	(29)
Cash and cash equivalents at the beginning of the period	36,233	35,983
Effect of currency translation on cash and cash equivalents	(681)	(386)
Cash and cash equivalents at the end of the period	35,772	35,568
Reconciliation:		
Cash and cash equivalents per statement of financial position	36,419	36,374
Less: Pledged fixed deposits	(647)	(806)
Cash and cash equivalents per consolidated statement of cash flows	35,772	35,568

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

Serial System Ltd (the “Company”) is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is as follows:

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

The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

These condensed interim financial statements as at and for the six months ended 30 June 2024 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the Group are:

- (a) Distribution of electronic components;
- (b) Distribution of consumer products, information technology, computer peripherals, parts, software and related products;
- (c) Hospitality and healthcare solutions;
- (d) Assembly and distribution of medical devices and ethylene oxide sterilization, manufacturing and sales of medical disposables and surgical supplies, and distribution of medical equipment;
- (e) Provision of managed print services and the administrative, maintenance and distribution of copiers and printers, toners and papers;
- (f) Distribution of 3D printers and filaments;
- (g) Project financing in the form of leasing, hire purchase, factoring and loan;
- (h) Trading and distribution of fast-moving consumer goods;
- (i) Research and experimental development on biotechnology, life and medical science, and trading and distribution of scientifically proven healthy food products;
- (j) Communications and power line construction;
- (k) Investment holding and trading;
- (l) Rental of investment properties;
- (m) Retail sale of beverages; and
- (n) Manufacturing and retail sale of organically grown health products.

2. Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last audited annual financial statements for the year ended 31 December 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.2.

The condensed interim financial statements are presented in United States dollar (US\$), which is the Company’s functional and presentation currency. All values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

2.2. New and amended standards adopted by the Group

The following are the amendments to SFRS(I)s, that took effect from financial year beginning on or after 1 January 2024:

- Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Non-current Liabilities with Covenants
- Amendments to SFRS(I) 16 Leases: Lease liability in a Sale and Leaseback
- Amendments to SFRS(I) 1-7 and SFRS(I) 7 Statement of Cash Flows and Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendments to SFRS(I) 1-7 and SFRS(I) 7 clarify the characteristics of supplier finance arrangements and introduce new disclosures of such arrangements. The objective of the new disclosures is to provide information about supplier finance arrangements that enables investors to assess the effects of an entity's liabilities, cash flows and the exposure to liquidity risk. There is a transitional relief of not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. The disclosures are only required for annual periods during the first year of application and not interim financial statements.

The adoption of the above amendments to SFRS(I)s did not have a material impact on the condensed interim financial statements.

2.3. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited annual financial statements as at and for the year ended 31 December 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment information

Management has determined the operating segments based on the reports reviewed to make strategic decisions. Management considers the business from both operating and geographical segment perspective. The Group has three reportable segments, as described below, which are the Group's strategic business units based on different product ranges targeting at different market channels:

- Electronic components distribution
- Consumer products distribution
- Other businesses

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. The operating segments are formed by aggregating across the results of the Group's entities whose principal activities fall within the same operating segment as listed above. Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Performance is measured based on sales, gross profit and profit after tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Chief Financial Officer on a monthly basis. These criteria are used to measure performance as management believes that such information are the most relevant in evaluating the results of each entity within the same operating segment. Inter-segment transactions are determined on an arm's length basis.

4.1 Operating segments

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
6 months ended 30 June 2024					
Sales – external	364,120	39,889	3,521	(32,814)	374,716
Segment results – operating profit/(loss)	749	(1,893)	940	-	(204)
Unallocated loss	(1)	-	-	-	(1)
Finance income	174	309	932	(511)	904
Finance expense	(5,156)	(1,086)	(736)	511	(6,467)
Share of results of associated companies (after income tax)	31	41	-	-	72
Loss before income tax					(5,696)
Income tax expense					(495)
Loss after income tax					(6,191)
Segment assets	352,813	49,954	59,181	(84,042)	377,906
Investments in associated companies	1,490	1,309	-	-	2,799
Deferred income tax assets					1,405
Consolidated total assets					382,110
Segment liabilities	94,557	26,247	50,413	(84,042)	87,175
Borrowings	130,725	21,697	16,524	-	168,946
Current and deferred income tax liabilities					1,889
Consolidated total liabilities					258,010
Capital expenditure on property, plant and equipment	15	130	382	-	527
Amortisation of computer software license costs	24	-	8	-	32
Amortisation of know-how and trademark	1	-	1	-	2
Depreciation of property, plant and equipment	976	113	336	-	1,425
Fair value (gain)/loss on financial assets, at fair value through profit or loss	(316)	-	99	-	(217)
Gain on sale of financial assets, at fair value through profit or loss	(163)	-	-	-	(163)
Fair value loss/(gain) on derivative financial instruments	107	(82)	-	-	25
Loss on reverse takeover of subsidiaries (Reversal of loss allowance)/loss	-	245	-	-	245
allowance on trade receivables	8	-	(59)	-	(51)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.1 Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
6 months ended 30 June 2023					
Sales – external	335,458	40,600	3,588	(9,875)	369,771
Segment results - operating loss	(3,897)	(2,562)	(2,208)	-	(8,667)
Unallocated loss	(2)	-	-	-	(2)
Finance income	402	432	1,151	(940)	1,045
Finance expense	(6,241)	(1,193)	(768)	940	(7,262)
Share of results of associated companies (after income tax)	50	(22)	-	-	28
Loss before income tax					(14,858)
Income tax expense					(233)
Loss after income tax					(15,091)
Segment assets	376,209	49,868	57,824	(78,462)	405,439
Investments in associated companies	1,536	2,140	-	-	3,676
Deferred income tax assets					1,089
Consolidated total assets					410,204
Segment liabilities	88,050	22,962	48,675	(78,462)	81,225
Borrowings	148,267	27,943	17,558	-	193,768
Current and deferred income tax liabilities					1,956
Consolidated total liabilities					276,949
Capital expenditure on computer software license costs	-	-	30	-	30
Capital expenditure on know-how and trademark	34	-	74	-	108
Capital expenditure on property, plant and equipment	463	48	108	-	619
Amortisation of computer software license costs	19	-	8	-	27
Amortisation of know-how and trademark	1	-	9	-	10
Depreciation of property, plant and equipment	1,108	129	327	-	1,564
Fair value loss/(gain) on financial assets, at fair value through profit or loss	(114)	-	1,039	-	925
Gain on sale of financial assets, at fair value through profit or loss	*	-	-	-	*
Negative goodwill arising from reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries	-	-	(35)	-	(35)
Fair value (gain)/loss on derivative financial instruments	179	(212)	-	-	(33)
Loss allowance/(reversal of loss allowance) on trade receivables	(176)	(11)	1,886	-	1,699

* - denotes amount less than US\$1,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.2 Geographical segments

The geographical segments comprised six broad primary geographic areas, namely: Southeast Asia and India [consisting of Singapore (the home and principal operating country of the Group), Malaysia, Thailand, Philippines, Indonesia, Vietnam and India], Hong Kong, China, South Korea, Taiwan and Japan which reflect the current business process and monitoring in these primary geographic business segments in which the Group operates in.

All geographic locations, except Japan, are engaged in the electronic components distribution business.

Consumer products distribution business is located in Southeast Asia and India (comprising mainly Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam) and Japan.

Other businesses in Southeast Asia and India (mainly Singapore, Malaysia and Thailand) and Taiwan include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, manufacturing and sales of medical disposables and surgical supplies, distribution of medical equipment, project financing in the form of leasing, hire purchase, factoring and loan, trading and distribution of fast-moving consumer goods, communications and power line construction, research and experimental development on biotechnology, life and medical science, and trading and distribution of scientifically proven healthy food products, retail sale of beverages and manufacturing and retail sale of organically grown health products.

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

	Sales		Non-current assets*	
	6 months ended 30 June 2024	6 months ended 30 June 2023	30 June 2024	31 December 2023
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Southeast Asia and India	103,403	115,019	10,375	10,228
Hong Kong	163,107	136,444	4,457	5,053
China	68,026	70,862	12,340	12,826
South Korea	20,736	26,931	4,034	4,398
Taiwan	17,101	18,435	8,284	8,450
Japan	2,343	2,080	57	9
Southeast Asia and India - Associated company	-	-	1,308	1,362
Taiwan - Associated company	-	-	1,491	1,452
Total	374,716	369,771	42,346	43,778

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

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. Revenue

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2024	June 2023
	US\$'000	US\$'000
Sales of goods and services	374,716	369,771
Other operating income	3,205	2,773
Interest income	904	1,045
	378,825	373,589
Sales of goods and services:		
Performance obligations satisfied at a point in time		
Sales of goods:		
Electronic components	331,915	325,822
Consumer products	39,704	40,467
Others	2,903	3,267
	374,522	369,556
Performance obligations satisfied over time		
Services rendered	194	215
	374,716	369,771
Other operating income:		
Commission and service income	1,121	1,414
Rebate income from suppliers	1,212	950
Warehouse management and rental income	68	69
Gain on sale of financial assets, at fair value through profit or loss	163	*
Fair value gain on financial assets, at fair value through profit or loss		
- listed equity securities	217	-
- derivative financial instruments	-	33
Dividend income from financial assets, at fair value through profit or loss	20	23
Negative goodwill arising from reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries	-	35
Gain on disposal of property, plant and equipment	2	30
Reversal of loss allowance on trade receivables	51	-
Government grants received	48	32
Sundry income	303	187
Total other operating income	3,205	2,773
Interest income:		
Project financing, factoring and leasing	716	834
Bank balances	188	211
Total interest income	904	1,045
Total	378,825	373,589

* - denotes amount less than US\$1,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. Loss before income tax

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2024	June 2023
	US\$'000	US\$'000
This is arrived at after charging:		
Amortisation of computer software license costs*	32	27
Amortisation of know-how and trademark*	2	10
Depreciation of property, plant and equipment*	1,425	1,564
Property, plant and equipment written off*	-	8
Fair value loss on financial assets, at fair value through profit or loss*		
- listed equity securities	-	146
- unlisted equity securities	-	779
- derivative financial instruments	25	-
Loss on dilution of interests in an associated company*	1	2
Loss on reverse takeover of subsidiaries*	245	-
Loss allowance on trade receivables (third parties)*	-	1,699
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	346,835	340,269
- write-off of inventories*	1	23
- allowances for inventory obsolescence*	10	3,690
Cost of services (included in 'cost of sales')	21	16
Employee benefits expense	15,216	15,310
Rental expense - operating leases (short term lease)	770	933
Freight and handling charges	1,720	2,483
Travelling and transportation expenses	962	1,024
Sales commission expense	2,054	2,552
Foreign exchange loss (net)*	3,069	4,763
Other expenses (included in distribution, administrative and other operating expenses)	5,738	5,915
Total cost of sales, distribution, administrative and other operating expenses	378,126	381,213

* Included in "other operating expenses"

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. Finance expenses

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
Interest expenses:		
Bank borrowings	978	1,206
Trust receipts	2,903	3,367
Factoring	1,894	2,120
Lease liabilities	73	58
Loan from an associated company	37	30
Loan from a substantial shareholder of the Company	93	93
Others	489	388
	6,467	7,262

8. Related party transactions

A related party is a person or entity who is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity and (b) an entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

8.1 Sales and purchases of goods and services

In addition to the information disclosed elsewhere in the condensed interim financial statements, the following transactions took place between the Group and related parties during the financial period at terms agreed between the parties:

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
With associated companies:		
Sales of goods to an associated company	5	33
Purchases of goods from an associated company	4	7
Rental received from an associated company	34	35
Interest expense paid to an associated company	37	30
With director and substantial shareholder:		
Service fees paid to an entity associated with a director of the Company*	7	13
Interest expense paid to a substantial shareholder of the Company	93	93

*The director has ceased to be a director of the Company on 30 April 2024. The service fees for the half year ended 30 June 2024 were for the period from 1 January 2024 to 30 April 2024.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

8. Related party transactions (continued)

8.1 Sales and purchases of goods and services (continued)

Sales and purchases of goods and services were carried out on commercial terms and conditions as agreed between the parties.

8.2 Share options granted to/exercised by directors of the Company

There were no share options granted to or exercised by directors of the Company during the financial period/year ended 30 June 2024 and 31 December 2023. There were no outstanding share options granted to the directors of the Company as at 30 June 2024 and 31 December 2023.

9. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual profit. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group	
	6 months ended 30 June 2024 US\$'000	6 months ended 30 June 2023 US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	80	85
Current income tax – Foreign	226	350
	306	435
Deferred income tax	2	(70)
	308	365
Under/(over) provision in preceding financial periods:		
Current income tax	51	20
Deferred income tax	136	(152)
Total	495	233

10. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2024 and 31 December 2023:

	The Group		The Company	
	30 June 2024 US\$'000	31 December 2023 US\$'000	30 June 2024 US\$'000	31 December 2023 US\$'000
Financial assets at amortised cost:				
Cash and bank balances	36,419	37,076	1,810	517
Trade and other receivables, loans and other receivables	160,834	160,056	65,825	67,150
Deposits	1,561	1,886	-	420
Total	198,814	199,018	67,635	68,087
Financial liabilities at amortised cost:				
Trade and other payables	86,778	70,752	29,665	24,038
Borrowings	168,946	194,277	9,588	10,376
Total	255,724	265,029	39,253	34,414

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. Dividends paid

No dividends were paid during the financial period ended 30 June 2024 and 30 June 2023 respectively.

12. Net assets value

	The Group		The Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.05 cents	13.79 cents	10.32 cents	10.39 cents

Net assets value per ordinary share as at 30 June 2024 and 31 December 2023 are calculated based on the net assets value attributable to the equity holders of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 904,841,914.

13. Trade and other receivables

	The Group		The Company	
	30 June 2024 US\$'000	31 December 2023 US\$'000	30 June 2024 US\$'000	31 December 2023 US\$'000
Current				
Trade receivables:				
Third parties	163,532	163,723	-	-
Subsidiaries	-	-	10,192	9,575
	163,532	163,723	10,192	9,575
Loss allowance	(8,726)	(10,607)	(21)	(21)
Net trade receivables	154,806	153,116	10,171	9,554
Other receivables:				
Third parties	6,714	6,584	484	446
Loss allowance	(2,248)	(2,248)	(42)	(42)
	4,466	4,336	442	404
Due from:				
Subsidiaries	-	-	30,674	30,412
Associated companies	2,648	3,690	291	1,790
Joint venture	2,467	2,536	-	-
	5,115	6,226	30,965	32,202
Loss allowance	(3,553)	(3,622)	(3,889)	(3,889)
	1,562	2,604	27,076	28,313
Net other receivables	6,028	6,940	27,518	28,717
Total	160,834	160,056	37,689	38,271

The Group has an unconditional right to consideration in exchange for goods or services that it has transferred to its customers. Accordingly, the Group has no contract asset as defined in SFRS(I) 15 and records the amounts of consideration as trade receivables for its sales arrangements with the customers.

The Group generally grants a credit period that ranges from 0 to 90 days to its customers. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, of which they will be recognised at fair value. Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit loss.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit exposure to an individual counterparty is restricted by credit limit that is approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective head of operation, and finance department and at the Group level by the corporate finance and management team.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

13. Trade and other receivables (continued)

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with trade receivables amounting to US\$2,060,000 (31 December 2023: US\$2,067,000) is mitigated because these are secured by properties and personal guarantee. The Group is not permitted to sell or repledge the properties in the absence of default.

The Group purchases credit insurance to reduce credit risk from extension of credit to the majority of its customers in the electronic components distribution business and certain customers in the consumer products distribution business.

The Group's trade receivables include notes receivables amounting to US\$2,790,000 (31 December 2023: US\$9,407,000) which mature within six months from 30 June 2024 (31 December 2023: six months from 31 December 2023).

The Group's other receivables (including amounts due from associated companies and joint venture) are considered to have low credit risk as there is no significant increase in the risk of default on the receivables since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures, except for amounts of US\$5,801,000 (31 December 2023: US\$5,870,000) which are measured based on lifetime expected credit loss in line with the significant change in credit risks of the debtors.

14. Inventories

	The Group	
	30 June 2024	31 December 2023
	US\$'000	US\$'000
Finished goods	109,411	125,190
Work in progress	463	187
Raw materials	1,148	1,210
Total	111,022	126,587

During the financial period, the Group made allowances for inventory obsolescence amounting to US\$10,000 (30 June 2023: US\$3,690,000).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

	The Group	
	30 June 2024 US\$'000	31 December 2023 US\$'000
Current	5,400	7,655
Non-current	13,088	12,332
	18,488	19,987
Comprised:		
Listed equity securities:		
Singapore	235	299
South Korea	1,107	953
Taiwan	596	682
	1,938	1,934
Unlisted equity securities:		
Singapore	6,920	6,024
Preference shares:		
Singapore	568	583
Thailand	1,925	1,925
	2,493	2,508
Convertible bonds – Singapore	1,719	1,766
Trade receivables*	5,403	7,656
Derivative receivables – Singapore	15	99
	7,137	9,521
Total	18,488	19,987

*Trade receivables which are subjected to factoring agreements arrangement with banks to obtain bank financing are categorised under “Financial assets, at fair value through profit or loss” as they do not meet the criteria of trade receivables for measurement at either amortised cost or fair value through other comprehensive income under the SFRS(I) 9, as the objective of the Group’s business model is achieved by selling these assets to banks.

16. Property, plant and equipment

During the financial period, the Group acquired property, plant and equipment amounting to US\$527,000 (30 June 2023: US\$619,000), of which US\$330,000 were related to right-of-use assets (30 June 2023: US\$164,000 were related to right-of-use assets and US\$11,000 via business combination upon the reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries). Cash payment of US\$197,000 (30 June 2023: US\$444,000) was made to purchase property, plant and equipment.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

17. Investment properties

	The Group	
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
Beginning of financial period	6,423	6,457
Additions	316	-
Currency translation differences	(277)	(34)
End of financial period	6,462	6,423

17.1 Valuation

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers based on the investment properties' highest-and-best use value using the Direct Market Comparison Method and if required, adjusted with appropriate adjustments, such as location, date of transaction and size of property. Changes in fair values are recognised in the consolidated statement of profit or loss.

18. Intangible assets

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000
Goodwill arising from acquisition of subsidiaries	3,122	3,162	-	-
Computer software license costs	230	269	17	21
Know-how and trademark	32	35	-	-
Total	3,384	3,466	17	21

Goodwill arising from acquisition of subsidiaries comprised those arising from the Group's electronic components distribution subsidiaries in Hong Kong and China amounting to US\$1,656,000 (31 December 2023: US\$1,656,000) and the Group's other businesses' subsidiary in Singapore amounting to US\$1,466,000 (31 December 2023: US\$1,506,000). No impairment charges was made during the financial period (30 June 2023: Nil).

19. Trade and other payables

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade payables – Third parties	63,437	45,682	-	-
Other payables and accrued operating expenses	13,687	15,874	1,045	1,001
Contract liabilities	8,650	8,183	-	-
Derivative financial instruments	2	91	-	-
Due to subsidiaries	-	-	12,653	6,719
Due to an associated company	1,004	1,013	1,000	1,013
Financial guarantee contracts	-	-	593	593
Total	86,780	70,843	15,291	9,326

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

20. Borrowings

	The Group		The Company	
	30 June 2024 US\$'000	31 December 2023 US\$'000	30 June 2024 US\$'000	31 December 2023 US\$'000
Amount repayable within one year or on demand:				
Secured	29,954	22,862	5,900	525
Unsecured	135,496	159,427	3,688	3,789
	165,450	182,289	9,588	4,314
Amount repayable after one year:				
Secured	1,808	8,581	-	6,062
Unsecured	1,688	3,407	-	-
	3,496	11,988	-	6,062
Total	168,946	194,277	9,588	10,376

20.1 Details of any collateral

- (i) A term loan of the Company amounting to US\$5,900,000 (31 December 2023: US\$6,062,000) which is payable on 30 May 2025, is secured by 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.
- (ii) Bank borrowing of US\$124,000 (31 December 2023: US\$155,000) due by a wholly-owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to partially finance the acquisition of its freehold building in Malaysia is secured by a first legal mortgage of the property.
- (iii) Bank borrowing of US\$3,420,000 (31 December 2023: US\$3,751,000) due by a wholly-owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to partially finance the acquisition of its freehold building in Taiwan and for working capital is secured by a first legal mortgage of the property. In addition, bank borrowing of US\$2,397,000 (31 December 2023: US\$1,350,000) due by Serial Investment (Taiwan) Inc. for working capital, is secured by a cash security deposit of US\$647,000 (31 December 2023: US\$358,000) placed with the financial institution.
- (iv) Bank borrowing of US\$5,137,000 (31 December 2023: US\$4,460,000) due by a wholly-owned South Korea subsidiary, Serial Microelectronics Korea Limited for working capital, is secured by a first legal mortgage of its freehold land and building in South Korea.
- (v) Bank borrowing of US\$14,783,000 (31 December 2023: US\$15,133,000) due by a 91.0%-owned China subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd for working capital, is secured by a first legal mortgage of its leasehold buildings in China.
- (vi) Bank borrowing of US\$525,000 as at 31 December 2023 due by the Company is secured by a cash security deposit of US\$420,000 placed with the financial institution. The cash security deposit was uplifted upon full repayment of the bank borrowing during the financial period.
- (vii) Lease liabilities of US\$1,000 (31 December 2023: US\$7,000 secured on office equipment and motor vehicles) of the Group are secured on office equipment acquired under leasing agreement.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

20. Borrowings (continued)

20.2 Loan compliance

The Group regularly monitors its compliance with the covenants and is up to date with the scheduled repayments of the borrowings. As at 30 June 2024, the Group complied with covenants entered with various banks, except for certain banks, which have the right to call for immediate repayment of outstanding current borrowings of US\$7,609,000 (31 December 2023: US\$10,335,000). As at the date of this report, borrowings of US\$3,443,000 have been repaid and the bank has not called for any immediate repayment for the remaining amount.

21. Share capital and treasury shares

	Issued number of shares		Total share capital	
	Share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
The Group and The Company				
2024				
At 1 January 2024 and 30 June 2024	905,788	(946)	72,648	(70)
2023				
At 1 January 2023 and 31 December 2023	905,788	(946)	72,648	(70)

There were no ordinary shares issued since the end of the financial year ended 31 December 2023.

There were no outstanding share options as at 30 June 2024 (31 December 2023: Nil).

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares and subsidiary holdings during the six months ended 30 June 2024.

OTHER INFORMATION

22. Review

The condensed interim statements of financial position of Serial System Ltd and its subsidiaries as at 30 June 2024 and the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

23. Loss 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.

	Half Year Ended	
	30 June 2024	30 June 2023
Based on the weighted average number of ordinary shares in issue (in US\$); and	(0.57) cent	(1.41) cents
On a fully diluted basis (in US\$)	(0.57) cent	(1.41) cents

Loss per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 904,841,914 (30 June 2023: 904,841,914).

Loss per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 904,841,914 (30 June 2023: 904,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 June 2024 and 30 June 2023.

OTHER INFORMATION

24. **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.

Condensed Interim Consolidated Statement of Profit or Loss

The Group recorded turnover of US\$374.7 million for the six months ended 30 June 2024 ("1H2024"), an increase of 1% compared to US\$369.8 million for the same period last year ("1H2023").

Turnover for the electronic components distribution business increased 2% to US\$331.9 million, due to higher sales recorded by Hong Kong and China, contributed by improved demand and inventory replenishment from the automotive, new energy, household appliances and mobile sectors. This increase is offset partially by lower sales in Southeast Asia and India, South Korea and Taiwan impacted by domestic and export demand slowdown in these countries.

Turnover for the consumer products distribution business decreased by 2% to US\$39.7 million, due to lower sales in Malaysia caused by weak consumer demand and overstocking in the supply chain for certain computer peripherals. Sales of 3D printers and filaments by a Singapore consumer products distribution subsidiary increased following the award of regional distributorship in Asia. Additionally, Thailand and Japan recorded higher sales in 1H2024 due to expanded product ranges of computer peripherals. These increases partially offset the decline of sales in Malaysia.

Turnover for other businesses decreased by 11% to US\$3.1 million mainly attributed to lower revenue from the medical devices assembly and distribution business.

Overall gross profit margin decreased by 0.6 percentage point to 7.4% from 8.0% in 1H2023. Both electronic components distribution and consumer products distribution businesses recorded lower gross profit margin, impacted by keen market competition in a tough operating environment. Businesses continued to be impacted by weak demand in the consumer and industrial sectors, elevated inflationary cost pressures, high interest rates and ongoing geopolitical tensions. Sales of older inventories at lower margin also contributed to the decline in gross profit margin achieved by these two divisions.

Other operating income increased by US\$0.4 million or 16% to US\$3.2 million, mainly due to fair value gain as well as gain on sale of financial assets, at fair value through profit or loss totalling US\$0.4 million. The Group also earned higher rebate income from suppliers of US\$0.3 million but received lower commission and service income of US\$0.3 million.

Distribution expenses decreased by US\$1.5 million or 8% to US\$17.8 million mainly due to lower freight and handling charges, staff and related costs, sales commission expense and trade credit insurance cost mainly attributed to the electronic components distribution business.

Administrative expenses decreased by US\$0.3 million or 7% to US\$4.7 million, mainly due to lower office rental and utility costs, and lower professional and statutory fees.

Finance expenses decreased by US\$0.8 million or 11% to US\$6.5 million, mainly due to lower average borrowings and lower utilisation of trade facilities as compared to 1H2023.

Other operating expenses decreased by US\$7.8 million or 47% to US\$8.8 million. The decrease was mainly due to lower allowances for inventory obsolescence of US\$3.7 million and lower foreign exchange loss (net) of US\$1.7 million. A reversal of loss allowance on trade and other receivables of US\$0.05 million (included in other operating income) in 1H2024 as opposed to loss allowance on trade receivables of US\$1.7 million in 1H2023 and a fair value gain on financial assets, at fair value through profit or loss of US\$0.2 million in 1H2024 as opposed to fair value loss on financial assets, at fair value through profit or loss of US\$0.9 million also contributed to the lower other operating expenses in 1H2024.

The Group recorded an accounting loss on reverse takeover of Serial Achieva Limited of US\$0.2 million following completion on 14 June 2024. The Company holds a 77.64% equity interest in Serial Achieva Limited, listed on the Catalist Board of the SGX-ST.

The Group's associated companies contributed a net profit of US\$72,000 as compared to net profit of US\$28,000 in 1H2023. The Group shared a profit of US\$41,000 (1H2023: loss of US\$22,000) from 15.90%-owned PT Sentral Mitra Informatika Tbk and US\$31,000 (1H2023: profit of US\$50,000) from 14.06%-owned Bull Will Co., Ltd.

Condensed Interim Consolidated Statement of Profit or Loss (continued)

The Group reported a lower net loss of US\$5.2 million in 1H2024 as compared to US\$12.7 million in 1H2023. The loss in 1H2024 was mainly attributed to foreign exchange loss (net) of US\$3.1 million and high interest expenses impacted by elevated interest rates. The reduction in net loss in 1H2024 as compared to 1H2023 was mainly due to lower allowances for inventory obsolescence of US\$3.7 million, lower foreign exchange loss (net) of US\$1.7 million and reversal of loss allowance on trade receivables of US\$0.05 million in 1H2024 as opposed to loss allowance on trade receivables of US\$1.7 million in 1H2023.

Condensed Interim Statements of Financial Position

Trade and other receivables increased by US\$0.8 million (net of factored trade receivables) to US\$160.8 million. The Group's Hong Kong and China electronic components distribution subsidiaries recorded higher trade receivables due mainly to higher sales which were partially offset by lower trade receivables by the consumer products distribution and other businesses subsidiaries as a result of lower sales. Average turnover days for trade receivables reduced to 78 in 1H2024 from 82 in FY2023.

Inventories decreased by US\$15.6 million to US\$111.0 million. This was mainly attributed to lower inventories held and purchased by the Group's Hong Kong and China electronic components distribution subsidiaries from clearance of older inventories and more prudent inventory management. Average turnover days for inventories reduced to 63 in 1H2024 from 75 in FY2023.

Financial assets, at fair value through profit or loss (current assets) decreased by US\$2.3m to US\$5.4 million. This was due to reduction in factored trade receivables which were included in this asset category.

Other current assets of US\$11.6 million comprised prepayments to suppliers for purchase of inventories of US\$8.2 million, office rental deposits of US\$0.4 million and other prepaid operating and financial expenses of US\$3.0 million.

The Company's investments in subsidiaries increased by US\$4.4 million to US\$63.4 million. This was due to accounting for the fair value of the purchase consideration recognised following a reverse takeover via a share swap of the Group's 100% equity interest in Achieva Technology Sdn. Bhd. and 49.0% equity interest in Achieva Digital (Thailand) Company Limited for a 77.64% equity interest in Serial Achieva Limited and its subsidiaries.

Trade and other payables increased by US\$15.9 million to US\$86.8 million. This was mainly due to the Group's Hong Kong and Singapore electronic components distribution subsidiaries due to longer payment terms granted by certain suppliers. Average payment days for trade payables increased to 31 in 1H2024 from 30 FY2023.

As at 30 June 2024, the Group's current ratio (current assets divided by current liabilities) was 1.29 (31 December 2023: 1.34).

Borrowings decreased by US\$25.3 million to US\$168.9 million. This was mainly due to lower bank borrowings by the Group's Hong Kong and China electronic components distribution subsidiaries in line with the decline in inventories. The Group's Singapore electronic components distribution subsidiary and another Singapore consumer products distribution subsidiary also reduced borrowings as a result of better management of working capital. The Company's non-current portion of a secured term loan amounting to US\$5.9 million, which was payable on 30 May 2025, was reclassified from non-current borrowings to current borrowings as at 30 June 2024. Included in the Company's current borrowings was an interest-bearing loan amounting to S\$5.0 million (US\$3.7 million) [31 December 2023: S\$5.0 million (US\$3.8 million)] from a substantial shareholder of the Company, Mr Goi Seng Hui.

As at 30 June 2024, the Group's net gearing ratio was 106.8% (31 December 2023: 119.2%). The net gearing ratio was derived as net debts (total borrowings minus cash and cash equivalents) divided by total equity. The decrease was mainly due to reduction in total borrowings in 1H2024.

Other reserve increased by US\$0.8 million to US\$1.0 million mainly due to accounting for investment in subsidiaries by non-controlling interests of Serial Achieva Limited upon completion of the reverse takeover.

Currency translation reserve decreased by US\$2.3 million to US\$0.6 million mainly due to a decrease in the value of the Group's investments in its South Korea, Singapore and Thailand subsidiaries, arising from the strengthening of the United States Dollar against these subsidiaries' functional currencies of Korean Won, Singapore Dollar and Thailand Baht.

OTHER INFORMATION

Foreign exchange management

The Group's financial statements are presented in United States Dollar, which is also the functional and presentation currency of the Company. The Company has foreign exchange hedging policies for the Group's subsidiaries with significant exposure to foreign currencies in Chinese Renminbi, Malaysian Ringgit, Thailand Baht, Japanese Yen and Singapore Dollar. For 1H2024, approximately US\$2.4 million of the foreign exchange loss (net), was unrealised, and accounted for 77% of the total foreign exchange loss (net) of US\$3.1 million. These foreign exchange losses arose mainly from the United States Dollar inter-company payables due by the China, Malaysia, Thailand and Japan subsidiaries whose respective currencies have weakened against the United States Dollar during 1H2024. The Group monitored on a daily basis the direction of these currencies to make decision whether to enter into foreign exchange forward contract and/or spot transaction to mitigate its currency exposures. As the cash flows from these subsidiaries to repay the United States Dollar inter-company payables from collections of trade receivables and sales of inventories are not certain, the Group enters into foreign exchange forward contract and/or spot transaction in accordance to its monthly requirements for United States Dollar, rather than hedging the entire amount of the United States Dollar inter-company payables exposure with these subsidiaries.

Short-term financial obligations

The Board after taking into consideration the Group's cash and cash equivalents, the cashflow generated from its operating activities, the net current assets and continued support from the Group's lenders and vendors, is of the opinion that the Group is able to meet its short-term financial obligations due within the next 12 months.

25. 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.

26. 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.

In the first half of 2024, the demand for semiconductor chips showed signs of stabilization and recovery, though at a slower pace than initially expected. Our largest market, China, while improved during the first half of 2024, still faces multiple challenges. Demand from its industrial and certain consumer product sectors remains weak. However, sectors such as automotive, new energy, home appliances, and mobile devices are expected to maintain stable growth. Elsewhere in Asia, domestic and export demand will be soft, but the AI, cloud, and renewable energy sectors show promising growth prospects. We will focus our efforts on these promising sectors to achieve positive long-term results.

The Group, through its listed entity, Serial Achieva Limited, will continue to leverage its position as a leading distributor of consumer products in Malaysia and Thailand. It aims to expand its range of product offerings and enhance its portfolio in gaming, cloud storage, and AI solutions. Additionally, the Group plans to extend its presence in Southeast Asian markets, including Vietnam, Indonesia, and the Philippines, through mergers and acquisitions, and/or strategic alliances. These efforts will help to improve the Group's top line amid weak consumer demand in Malaysia.

The macroeconomic environment remains challenging, marked by high interest rates, inflationary pressures, currency volatility, and ongoing geopolitical conflicts, all of which could impact demand and affect the Group's business performance. In response, the Group will continue to prioritize operational agility, review operations to boost efficiency, trim expenses where necessary, and maintain vigilance in inventory and credit management.

OTHER INFORMATION

27. 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

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

No interim dividend has been declared or recommended for the current financial period reported on as the Board of Directors of the Company deemed it necessary to preserve cash for working capital requirements and taking into consideration the loss incurred for the current period.

29. Interested person transactions

Pursuant to Rule 907 of the Listing Manual of the SGX-ST (the "Listing Manual"), the Board of Directors of the Company would like to announce the following Interested Person Transactions ("IPTs") for 1H2024 as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1H2024 (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 1H2024 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
		US\$'000	US\$'000
Goi Seng Hui	Substantial shareholder of the Company	93	Not applicable

The Company entered into a loan agreement of S\$5,000,000 (US\$3,688,000) with Mr. Goi Seng Hui on 22 May 2024. The loan bears interest at 5.0% per annum and is repayable to Mr. Goi Seng Hui on 23 May 2025.

30. 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.

OTHER INFORMATION

31. 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 of the SGX-ST.

32. 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 half year interim financial results for the period ended 30 June 2024 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Derek Goh Bak Heng
Executive Chairman and Group Chief Executive Officer
12 August 2024