SERIAL
新曄集團
Your Integral Component To Success

ANNUAL REPORT 2019
SERIAL SYSTEM LTD

FORGING AHEAD THROUGH CHALLENGING TIMES

OUR VISION

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

OUR MISSION

To provide a wealth of growth opportunities for our stakeholders.

Towards our partners
We provide market insights to our business partners to enable faster time-to-market. To our suppliers, we help expand their market reach. To our customers, we provide innovative and competitive solutions.

Towards our staff
By empowering our staff with the right resources and looking after their well-being, we help them to be their best at work, grooming them to be our leaders of tomorrow.

Towards our shareholders
We strive to make steady progress in every aspect of our business, providing our shareholders with consistent and favourable dividend yields.

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

OUR VALUES

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

Empowerment
Encouraged by giving our staff the power to make decisions.

Efficiency
Arose from working smart, doing our work well, and using our resources effectively to serve our customers and suppliers well.

Teamwork
Striving towards a common goal in one spirit – despite our cultural or individual differences.

CONTENTS

2 Corporate Profile
3 Group Structure
4 Financial Highlights
6 Chairman's Statement
8 Operations and Financial Review
10 Extensive Distribution Network
11 Electronic Components Distribution
12 Consumer Products Distribution
14 Other Businesses
17 Corporate Social Responsibility
19 Financial Calendar and Corporate Information
20 Board of Directors
24 Management Team
26 Corporate Governance Report
51 Financial Contents

CORPORATE PROFILE

Established in Year 1988, listed in April 1997 and currently traded on the Main Board of the Singapore Exchange, Serial System owns and operates a synergistic global distribution network built on strong partnerships with suppliers and customers. In Year 2013, which marked its 25th year in business, Serial System crossed the S$1 billion revenue mark, making it the largest electronic components distributor listed in Singapore.

Serial System has a customer base of more than 5,000, spanning a diverse range of industries such as consumer electronics, telecommunications, household appliances, industrial, electronics manufacturing services, security and surveillance, automotive and medical. Its major suppliers include ON Semiconductor, OSRAM Opto Semiconductors, TE Connectivity, Fingerprints, VARTA and GigaDevice.

With 25 offices and 13 warehousing facilities in key Asian markets – Singapore, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand and Vietnam – Serial System has one of the largest and most extensive distribution networks in the region.

Being in close proximity to its customers and suppliers gives Serial System the ability to align itself to their goals, better understand their needs in order to reduce time-to-market and response time, and improve inventory management. In meeting their engineering and supply chain needs, Serial System has become their integral component for success.

Serial System also enhances demand for its suppliers' components and contributes to its customers' product development by adding value to their products through design and other initiatives.

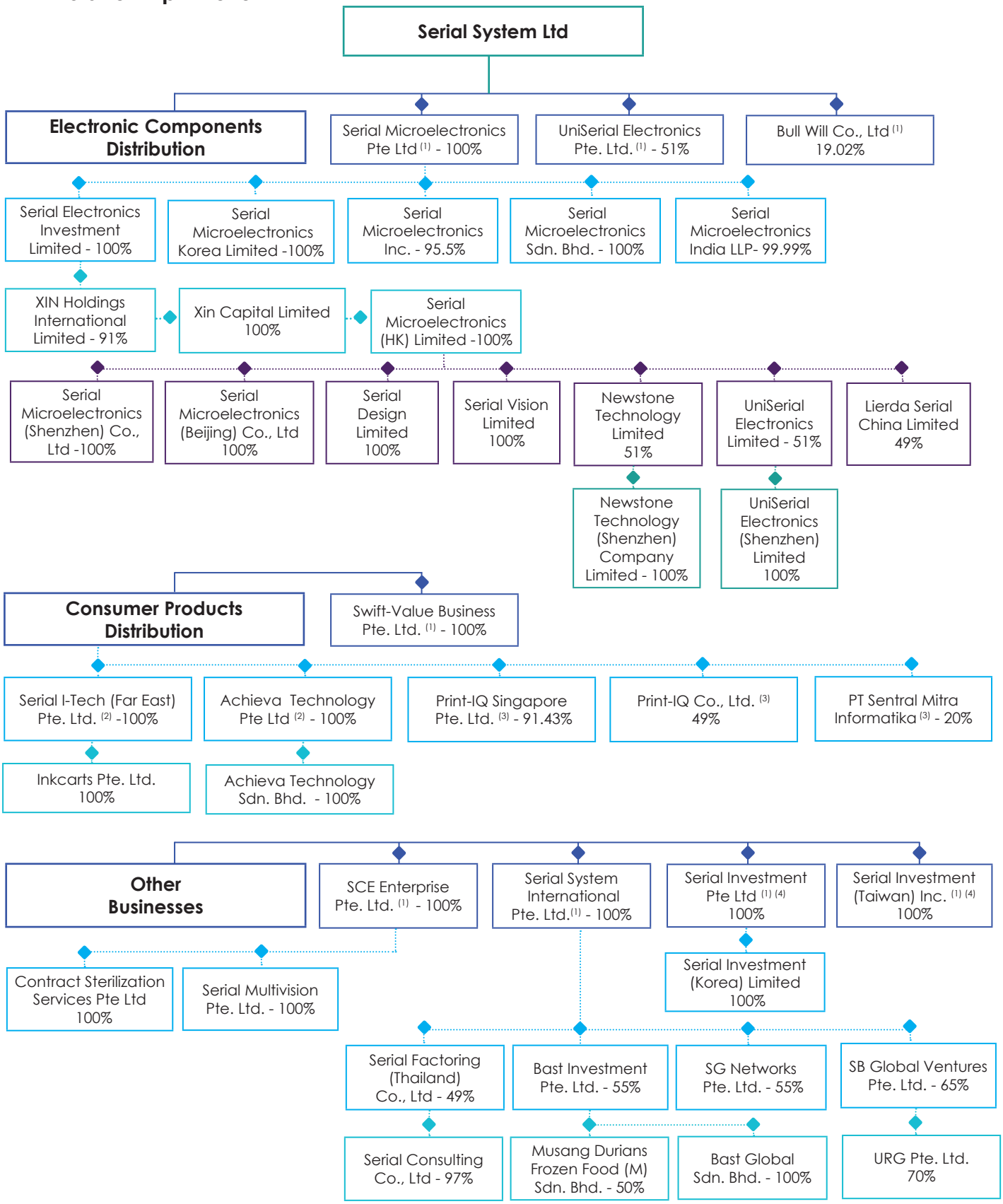
In Year 2014, Serial System entered a new chapter of growth by diversifying into the distribution of consumer products. Its current portfolio of consumer products consists of household appliances and lifestyle goods, including printer accessories, camera accessories, processors, motherboards and hard-disk drives. Serial System expanded their reach again in Year 2017 with a new managed print service offering.

Major suppliers of consumer products distributed by Serial System include AMD, Hewlett-Packard, Intel, Gigabyte, Canon and Samsung.

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

GROUP STRUCTURE

As at 02 April 2020

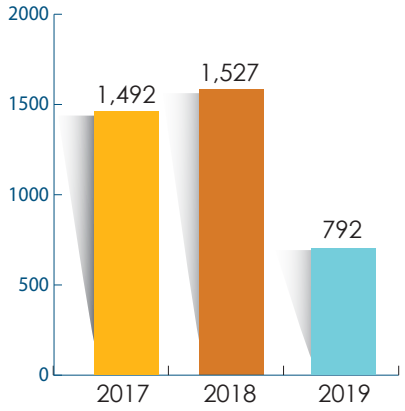


Note:

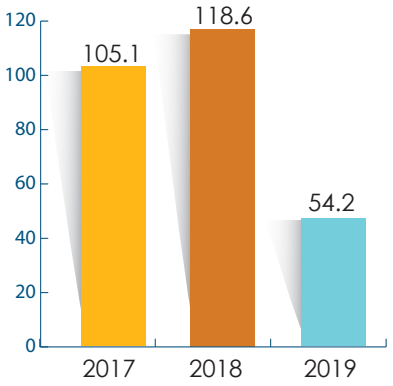
(1) Entities held by Serial System Ltd
(2) Entities held by SCE Enterprise Pte. Ltd.
(3) Entities held by Serial System International Pte. Ltd.
(4) Investment holding and trading, and rental of properties
(5) Excludes entities which are dormant, inactive or in process of liquidation
(6) Please refer to Note 20 and Note 18 of the accompanying notes to financial statements for a full listing of the Group's subsidiaries and associated companies

FINANCIAL HIGHLIGHTS

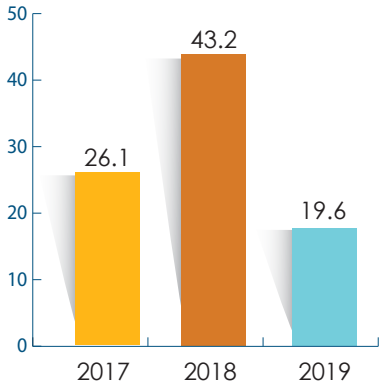
Revenue
(US$' million)



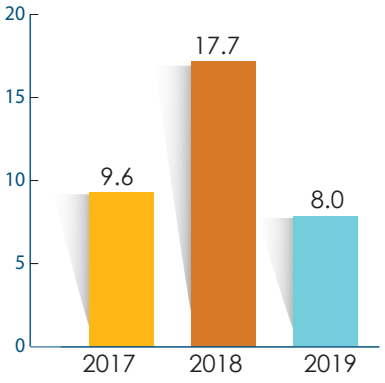
Gross Profit
(US$' million)



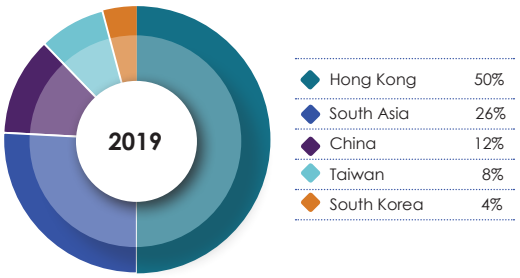
EBITDA
(US$' million)

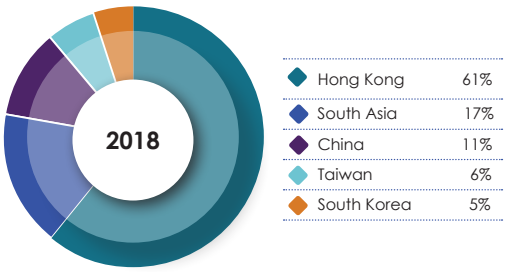


Profit Attributable to Equity Holders
(US$' million)



Revenue by Market - Electronic Components Distribution





Revenue by Market - Consumer Products Distribution

	2019 US$'000	2018 US$'000	2017 US$'000
Capital Employed			
Working Capital	101,518	87,019	71,051
Total Assets	389,657	521,080	554,288
Net Assets	147,234	144,461	145,015
Net Assets per Share (United States cents)[1]	15.55	15.26	15.35
Net Debts	82,266	155,857	166,502
Share Capital			
Issued and Fully Paid (including Treasury Shares)	72,648	72,648	72,648
Number of Shares Issued (thousands)	905,788	905,788	905,788
Number of Treasury Shares (thousands)	(9,946)	(9,946)	(9,946)
Number of Shares Issued excluding Treasury Shares (thousands)	895,842	895,842	895,842
Earnings and Dividend per Share			
Earnings per Share (United States cents)[2]	0.90	1.97	1.07
Dividend per Share (Singapore cents)	0.35	1.86	0.75
Dividend Yield (%)[3]	4.3	21.9	4.6
Ratios			
Current Ratio	1.44	1.23	1.18
AR Turnover (days)	87	54	51
AP Turnover (days)	40	29	35
Inventory Turnover (days)	66	41	42
Cash Conversion Cycle (days)	113	66	58
Net Gearing Ratio	0.56	1.08	1.15

[1] Net Assets per Share is calculated based on the net assets value attributable to the equity holders of the Company on 895,841,914 shares in issue as at 31 December 2019, 31 December 2018 and 31 December 2017 respectively.

[2] Earnings per Share is calculated based on profit after tax on 895,841,914 shares in issue for financial year ended 31 December 2019, 31 December 2018 and 31 December 2017 respectively.

[3] Dividend Yield is calculated based on dividend per share over Serial System Ltd's share price as at the end of each respective financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the annual report for Serial System for the twelve months ended 31 December 2019 ("FY2019"). Despite the challenges faced, we have pushed through and closed the year on a positive note.

Following the termination in late-2018 of our agreements with Texas Instruments, which had been our single-largest supplier and source of revenue, we have diversified our supplier base, restructured to right-size our workforce and improved internal efficiencies further. We have been working hard to lower operating expenses while maintaining staff morale and team spirit.

The cessation of this longstanding distribution agreement had coincided with other challenges even before the onset of the COVID-19 situation. Foremost among these have been the slowdown in the domestic Chinese economy and the ongoing U.S.-China trade tensions.

Against this backdrop, we have continued to seek out new business opportunities with suppliers and channel partners to diversify and reinvigorate our revenue streams. Some of these are within the electronic components sector while others are in the consumer products sector or outside of this sector, but all nonetheless draw on our strengths in management and fostering business partnerships across Asia, and particularly in Greater China. These efforts have led to several of our ventures coming to fruition over the course of the past year.

For the electronic components sector, our 91%-owned subsidiary Serial Microelectronics (HK) Limited ("SMHK") has entered into a joint-venture agreement in January 2019 with LSD Science and Technology (Hong Kong) Co., Limited ("Lierda HK"), subsidiary of a company listed on the China OTC Stock Exchange. Together, SMHK and Lierda HK have established a joint-venture company, Lierda Serial China Limited, in Hong Kong to distribute a new product line in Hong Kong and China and explore further potential synergies. SMHK holds a 49% equity interest in Lierda Serial China Limited.

SMHK has also entered into a distribution agreement in July 2019 with NASDAQ-listed Neonode Inc., an optical sensing technology company to promote and sell its optical sensor products in China, Taiwan and Hong Kong. To date, the technology of U.S.-based Neonode Inc. has been deployed for over 70 million products, including 4 million cars and 66 million consumer devices.

In August 2019 the Group signed a joint-venture agreement with Unitrontech Co., Ltd. ("Unitron"), a company listed on the KOSDAQ of the Korea Exchange in South Korea. The joint-venture with Unitron will enable the distribution of Unitron's product line and ranges outside of South Korea in China, Hong Kong and South East Asia.

In the consumer products sector, as furtherance of our efforts to grow in the managed print services ("MPS") space, our wholly owned Singapore subsidiary Serial System International Pte. Ltd. ("Serial System International") has acquired a 49% equity interest in a newly incorporated company in Thailand, Print IQ Co., Ltd., ("PIQ Thailand"), which offers managed print services and supplies printer and toners. PIQ Thailand represents our commitment to grow the MPS business as we continue to look for opportunities to expand our coverage in the region after Singapore and Indonesia. The MPS industry is a growing market as companies worldwide shift towards a leasehold model for their operations. We look forward to growing this segment of business while staying true to our commitment to quality for our customers.

In other sectors, Serial System International has acquired a 55% equity interest in a newly incorporated company, SG Networks Pte. Ltd., ("SGN"), which will specialise in infrastructure projects for telecommunications, security and power lines. In addition, Serial System International has also moved further into the fast-moving consumer goods ("FMCG") market with URG Pte. Ltd. ("URG"), a 45.5%-owned subsidiary. URG not only will distribute a wide range of FMCG in Asia but also has the manufacturing capabilities to process and bottle customised oil blends.

SGN and URG represent the next step in our strategy for future growth and diversified revenue streams. We believe this is the first step into new and exciting market opportunities, strengthening Serial System's overall portfolio.

Serial System has reported a net profit after tax of US$8.0 million on revenue of US$791.6 million for FY2019.

In appreciation of your continued support and loyalty through the challenges faced, we have proposed a final cash dividend of 0.13 Singapore cent per ordinary share. Together with an interim payout of 0.22 Singapore cent per ordinary share, the total dividend payout from our FY2019 financial performance is 0.35 Singapore cent per ordinary share.

Outlook

While we continue to focus our efforts to increase and diversify our revenue streams to recover the business lost with Texas Instruments, we remain mindful of the state of the Asian markets in which we operate. The outbreak of COVID-19 in China gathered momentum in 1Q2020, and has spread to the rest of the world. This has affected business operations not only in China and the Asian region but is quickly spreading on a global scale.

We have to acknowledge that this health crisis and the oil shock felt in 1Q2020 will continue to impact economic sentiment at least through the rest of FY2020. We will redouble our efforts in our core semiconductor business while looking out for other opportunities which leverage on our strengths and network, and which enhance shareholder value.

We should not be over-pessimistic. Serial System emerged stronger after each crisis faced in the last three decades. These challenges now will only make us stronger.

It is my firm belief that there will always be demand for semiconductors due to the plethora of essential and infrastructural electronic devices that use them as building blocks. The proliferation of applications in Internet of Things ("IoT"), Artificial Intelligence ("AI"), mobility services and autonomous vehicles promises to supercharge the semiconductor industry in the next decade.

Despite keen competition in the industry, we continue to enjoy a reputation as an established distributor with a proven track record, and an integral part of the international supply chain for chipmakers, original equipment manufacturers and major electronic brands.

Appreciation & Acknowledgements

I would like to welcome Mr. Goi Kok Ming Kenneth to our board of directors. Kenneth joined the Board on 8 May 2019. With decades of experience in the food and beverage and supply chain industry and the property sector, his knowledge, experience and fresh insights will be instrumental to steer the Company forward during this challenging period and invaluable as we continue to explore more investment and acquisition opportunities.

On behalf of the board of directors, I would to express our appreciation for the continued trust, support and hard work of our customers, business partners, shareholders and staff. We have weathered a very challenging year, and with your continued support, we endeavour to redouble our efforts to forge ahead through challenging times in Year 2020 and beyond.

Dato' Seri Dr. Derek Goh Bak Heng BBM
Executive Chairman & Group CEO
April 2020

OPERATIONS AND FINANCIAL REVIEW

Revenue

The Group recorded revenue of US$791.6 million for the full financial year FY2019, a decrease of 48% compared to US$1.53 billion in FY2018.

Revenue from electronic components distribution business declined by 49% to US$750.3 million, mainly due to the termination of the distribution business with Texas Instruments ("TI"), which has impacted sales in all markets in Asia. Excluding the decline in turnover as a result of the TI termination and the discontinuation of a product line in March 2018, revenue for the business segment would have increased by 14%. This increase can be attributed to the Group's ongoing efforts to growing existing product lines and contribution from new product lines secured post-TI termination.

Revenue from the consumer products distribution business declined 33% to US$36.6 million, mainly due to the weak demand and keen competition in the Singapore and Malaysia markets in which the Group operates, as well as the Group's continued rationalisation and exit of non-profitable products.

Profit Margins

Overall gross profit margin declined to 6.8% from 7.8% in FY2018, due to lower margins achieved by the electronic components distribution and consumer products distribution businesses as a result of keen competition in a challenging environment.

Other Operating Income

Other operating income rose by US$11.1 million or 45%, due to a net consideration of US$25.4 million in relation to the transfer of the distribution business with TI to an authorized distributor, gain on sale and fair value gain on financial assets, at fair value through profit or loss of US$1.0 million and US$0.9 million respectively and higher rebates and commission income of US$2.1 million from suppliers.

A gain of US$18.3 million on disposal of the Group's 27.34%-owned SPL Holdings (Australia) Pty Ltd and a fair value gain of US$0.9 million on conversion of convertible bond to 20% equity shares of Indonesia listed, PT Sentral Mitra Informatika ("PT SMI") in FY2018 offset the overall increase in other operating income in FY2019.

Expenses

Distribution expenses decreased by US$17.3 million or 32%, mainly due to lower staff and related costs, freight and handling charges, storage charges, custom duties and taxes, and other sales-related expenses associated with the electronic components distribution business as a result of the reduction of sales in FY2019.

Administrative expenses decreased by US$7.9 million or 46%, mainly due to the absence of legal and professional fees in relation to the Hong Kong IPO of Serial Microelectronics (HK) Limited which amounted to US$3.1 million in FY2018, and lower staff-related costs and bank charges associated with the electronic components distribution business.

Finance expenses decreased by US$5.4 million or 38%, mainly due to lower bank borrowings, in line with the decrease in sales.

Other operating expenses decreased by US$4.9 million or 15%, mainly due to the absence of an impairment loss on investment in associated companies and a fair value loss on financial assets, at fair value through profit or loss which amounted to US$5.4 million and US$2.6 million respectively in FY2018. A currency translation gain in FY2019 as opposed to a loss in FY2018, lower staff costs and impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries also contributed to the reduction in other operating expenses. An allowance for inventory obsolescence in FY2019 as opposed to a write-back in FY2018, an impairment loss on investment in the Group's 27.5%-owned joint venture, Musang Durians Frozen Food (M) Sdn. Bhd., and higher loss allowance for non-trade receivables (third parties) partially offset the decrease in other operating expenses.

Associated Companies and Joint Ventures

Share of profit in associated companies amounted to US$0.5 million, contributed by the Group's 19.02%-owned Bull Will Co., Ltd and 20%-owned PT SMI. This compared to a share of loss of US$0.3 million in FY2018.

The Group's share of loss of joint ventures amounted to US$0.4 million, mainly due to share of loss resulting from 27.5%-owned Musang Durians Frozen Food (M) Sdn. Bhd. The lower loss as compared to US$0.5 million in FY2018, was mainly due to lower operating expenses incurred by Musang Durians Frozen Food (M) Sdn. Bhd.

Net Profit

The Group reported a net profit after tax of US$8.0 million, a decrease of 55% as compared to US$17.7 million in FY2018, mainly due to lower gross profit earned as a result of lower sales and gross profit margin. The net profit after tax for FY2019 included a US$25.4 million net consideration in relation to the transfer of TI distribution business to an authorized distributor, whereas the net profit after tax for FY2018 included a gain of US$18.3 million on disposal of the Group's 27.34% stake in SPL Holdings (Australia) Pty Ltd. Net margin for FY2019 was 1.0% as compared to 1.2% in the previous year.

Assets

As at 31 December 2019, the Group had US$47.1 million in cash and cash equivalents, compared to US$59.2 million as at 31 December 2018.

Trade and other receivables decreased by US$53.6 million (net of factored trade receivables), mainly due to lower sales achieved by the electronic components distribution business in FY2019. The decrease was partially offset by longer payment terms for certain customers of the Group's electronic components distribution subsidiaries. Average turnover days for trade receivables increased to 87 in FY2019 from 54 in FY2018.

Inventories decreased by US$24.9 million, mainly due to lower inventories held by the Group's electronic components distribution subsidiaries.

Investments in subsidiaries decreased by US$12.1 million, mainly due to impairment of investments in the Company's Singapore investment holding subsidiaries and consumer products distribution subsidiaries amounting to US$12.9 million.

Property, plant and equipment decreased by US$0.05 million mainly due to depreciation charges amounting to US$4.5 million and a currency translation loss of about US$0.4 million in FY2019. The decrease is offset by a net increase in right-of-use assets (included in property, plant and equipment) of US$4.4 million and additions of US$0.4 million to property, plant and equipment in FY2019.

Liabilities

Trade and other payables decreased by US$47.4 million, mainly due to lower purchases by the Group's electronic components distribution subsidiaries. The recognition of contingent consideration received in December 2018 from the authorized distributor for the transfer of TI distribution business to other income in FY2019 also contributed to the decrease in trade and other payables. Average payment days for trade payables increased to 40 in FY2019 from 29 in FY2018.

Borrowings declined by US$85.7 million, mainly due to lower bank borrowings by the Group's electronic components distribution subsidiaries as the Group utilized funds generated from operations and the consideration received in relation to the transfer of TI distribution business to an authorized distributor, to reduce its borrowings and to finance its working capital requirements. The Company's current portion of a term loan amounting to US$5.9 million which was refinanced to be payable on 31 May 2021, was reclassified to non-current borrowings as at 31 December 2019. Included in the Company's current borrowings is a one year interest-bearing loan amounting to S$3.5 million (US$2.6 million) from the Company's substantial shareholder, Mr Goi Seng Hui disbursed on 24 December 2019.

Share Capital

Serial System's total number of issued shares as at 31 December 2019 was 895,841,914 (excluding treasury shares of 9,946,000), unchanged from the same period a year earlier.

EXTENSIVE DISTRIBUTION NETWORK

One of the largest Asian geographical presence (in terms of offices) in the electronic and semiconductor distribution industry

ELECTRONIC COMPONENTS DISTRIBUTION PRODUCT LINE CARDS

CONSUMER PRODUCTS DISTRIBUTION

Swift-Value Business Pte. Ltd.

Swift-Value Business Pte. Ltd. ("Swift-Value"), a wholly owned subsidiary of the Group, is a leading distributor of printer accessories, primarily ink and toner cartridges. It is the authorized distributor of Hewlett-Packard (HP), Epson and Canon products and also the authorized reseller of products from major brands such as Fuji Xerox, Samsung, Oki and Panasonic.

In Singapore, Swift-Value is the largest distributor of HP printer products, with a market share of more than 45%. With its extensive reach, efficient warehousing operation and reliable sales personnel, Swift-Value enjoys close relationships with hundreds of customers, ranging from heartland operators to large retail superstores such as Popular. By providing fast and value-added services, Swift-Value is able to achieve customer loyalty and offers an extensive and consistent network to its suppliers and partner brands.

In Year 2020, Swift-Value has also partnered with Ultimaker, one of the leading 3D-Printer brands operating out of the Netherlands. Swift-Value will serve as their official logistics service provider in the Asia Pacific region and will provide logistics distribution to partners and resellers in countries including but not limited to Singapore, Australia, China and Indonesia. With Swift-Value's extensive distribution experience and convenient location, partners will be able to enjoy faster and more cost-efficient logistics services.

Achieva Technology

Achieva Technology, with offices in Singapore (Achieva Technology Pte Ltd) and Malaysia (Achieva Technology Sdn. Bhd.), is a wholly owned subsidiary of the Group distributing consumer and enterprise information technology products.

Achieva Technology works closely with partner brands to fulfil their distribution needs and provides a one-stop solution for their customers. In e-commerce, Achieva Technology maintains key channels on online platforms such as Qoo10 and Lazada, giving it a strong presence in the region.

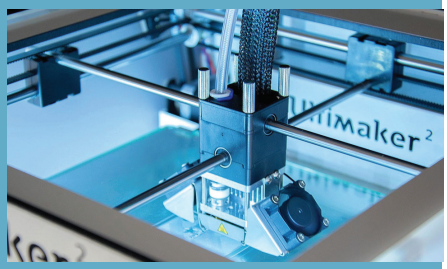
Achieva Technology's network in these two countries gives it an extensive reach into multiple market segments. This provides suppliers, including established brands such as AMD, Intel, and Gigabyte, an easy solution for extensive distribution of their products in these countries.

Print-IQ Singapore Pte. Ltd.

Print-IQ Singapore Pte. Ltd. ("Print-IQ"), a 91.43%-owned subsidiary of the Group is a Singapore-based managed print services company with a keen eye on office automation. Well versed in HP Managed Print Services (MPS) methodology, Print-IQ consultants have helped many businesses realise the benefits of adopting MPS. These include cost savings, reduced wastages, and productivity gains in the form of more efficient use of resources for other business operations.

Print-IQ has been able to deliver innovative projects in the government, education as well as commercial segments. In Year 2018, Print-IQ was accredited the HP Trailblazer 2018 (Asia Pacific) award in recognition of its strong knowledge, consultancy and application of HP MPS thought leadership. In the same year, Print-IQ also clinched the Fastest Growth 2018 (SEA) award, marking the acceptance and adoption of HP's A3 print fleet in South East Asia. This award is particularly encouraging considering that HP's print fleet was introduced only in Year 2017.

Print-IQ aims to deliver more innovative projects across various segments. Its vision is to bring innovation and leadership in HP MPS methodology across South East Asia. In November 2018, the Group invested a 20% stake in Indonesia listed PT Sentral Mitra Informatika, the



leading HP MPS in Indonesia, as the next step in expanding global reach and building up a strong network across the region.

In Year 2020, Print-IQ has inked a deal with Ultimaker to be an official reseller for its 3D-printers in Singapore. These printers have wide industry usage in automotive, architecture, healthcare, education, and small scale manufacturing. The Group has also acquired a 49% stake in Print-IQ Co., Ltd in February 2020 to expand its MPS business in Thailand.

Serial I-Tech (Far East) Pte. Ltd.

Serial I-Tech (Far East) Pte. Ltd. ("SIFE"), a wholly owned subsidiary of the Group, specialises in the distribution of information technology and photo products. Headquartered in Singapore, it distributes a wide range of globally-renowned brands including Marumi and Benro.

SIFE provides a convenient gateway for suppliers looking to establish a foothold in Singapore.

PRODUCT LINE CARDS

AMD · BENRO · Canon · EPSON · FUJI xerox · GIGABYTE · hp · intel · marumi · Panasonic · SAMSUNG · Ultimaker

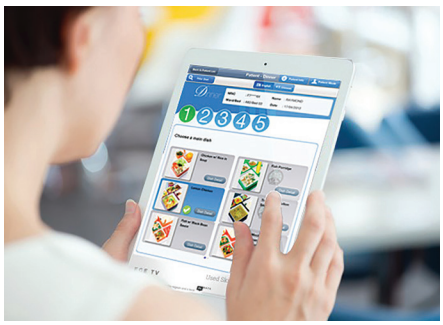
OTHER BUSINESSES

Serial Multivision Pte. Ltd. ("Serial Multivision") is a wholly owned subsidiary of the Group that specialises in hospitality and healthcare solutions. This remains the key focus in Year 2019 and Year 2020.

The hospitality and healthcare solutions center around a core venue management application suite known as Venue360. Premise operators are empowered via technologies specifically tailored for their needs, complementing many of their backend ERPs. Serial Multivision's Venue360 is developed with extensive inputs from ground-level operation staff, making it not only real and practical, but also allows users to directly tailor and improve their service offerings ahead of their competitors.

Serial Multivision's Venue360 is a leading-edge solution based on a modular approach that can be customised to the different needs of the customers. This includes Intelligent Room Infotainment Solution , Digital Media Content Management , Patient Management, Feedback Management etc. As part of its Venue Management Suite, this holistic approach allows organisations to engage customers more effectively and also automatically parses customer and employee feedbacks to measure productivity and effectiveness. Operators are alerted at early stages of any shortcomings on the ground, allowing immediate remedies and actions to be put in place and to escalate any matters should it be necessary. This enhanced Incident Tracking and reporting system allows health-related incidents to be reported on a common platform and streamlines hospital operations so that staff are better equipped to handle critical issues.

Another key solution is Serial Multivision's flagship electronic Meal Ordering System (eMOS). Developed for food service management in the healthcare industry, eMos seamlessly combines hospital and kitchen operations with inputs from the nutrition and dietetics offices, providing a digital knowledge base. Users can easily access information via a mobile menu and get immediate updates on topics such as clinical nutritional care and food allergies. eMOS has a customised HL7 interface with real-time information to support patients' nutritional care and meal delivery. Serial Multivision has also extended the software for use by third party healthcare caterers such as SFS (Singapore Food Services) to consolidate and manage orders from a hospital site to the caterers' remote kitchen seamlessly.



Touch Medical Pad eMos

iPad Touch for Nurse/Patient at Khoo Teck Puat Hospital

Incident Tracking and Quality Review

Inventory Management System

Serial Multivision's current clients include Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, Institute of Mental Health, St Andrew's Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital, Sengkang Hospital, Sengkang Community Hospital, Alexandra Integrated Health and Bright Vision Community Hospital.

Serial Multivision ended Year 2019 with new milestones in Healthcare Technology for :

- Patient Care service, being awarded by The National Center for Infectious Diseases where each hospital bed is now equipped with a fixed medical tablet where the doctors can view and update patient information on the go. Patients can communicate their requests directly to the respective service team, thereby reducing the load of the front line nursing staff.

- Digital Signage and Wayfinder solution across Tan Tock Seng Hospital, The National Centre for Infectious Diseases, Center of Health Innovation in a seamless manner via a multi-institutional system, giving the company a competitive edge in further expansion to other institutions such as National Skin Center and others within the Novena Health City.

With the current coronavirus epidemic putting a stress on current hospital and healthcare resources in many parts of the world, the solutions that Serial Multivision offers, become even more valuable in reducing the strain on medical staff and frontline workers. More enquiries are coming in as the industry looks for technological solutions to cope with the sudden increase in workload. Serial Multivision will continue to innovate and improve its offerings so that healthcare workers can focus on the key goal of saving lives.

Contract Sterilization Services Pte Ltd ("Contract Sterilization Services"), a wholly owned subsidiary of the Group, assembles and distributes medical devices. It offers a full range of standard and customised perfusion tubing packs. These products are marketed all over the Asia Pacific region and are the preferred choices of many leading hospitals.

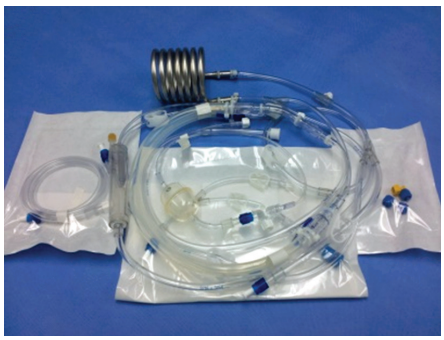
Contract Sterilization Services utilises the best components from the United States and Europe, and customises the majority of its products to suit customers' stringent demands. The company is ISO 13485-certified and its perfusion products bear the coveted CE certification mark.

Cleanroom Operation

Customized Heart Lung Pack - use in Cardiac Bypass Surgery

Angio- use in Interventional Radiology

Sterile Procedural Pack



Blood Cardioplegia

Contract Sterilization Services' reputation for quality and innovative designs is a result of consistent attention to materials, machining and manufacturing techniques. Its engineers and technicians work closely with customers and clinical consultants to provide the best solutions to complex problems and applications. It abides by the principle of total quality management, from initial contact with clinical professionals to the delivery of sterile finished products that meet stringent requirements.

Contract Sterilization Services is strategically located near the Medtech Hub@Tukang. The Medtech Hub is a government initiative that aims to promote Singapore as Asia's medical hub.

URG Pte. Ltd. ("URG") a 45.5%-owned subsidiary of the Group is a specialised service provider in the global fast-moving consumer goods ("FMCG") industry.

URG is a culmination of the combined infrastructure and business experience of its corporate shareholders, with over 20 years of distribution experience and a vast FMCG trading network.

URG has the manufacturing capabilities of processing and bottling customised oil blends,

including canola, soybean, corn, sunflower, palm and peanut oils. These blended oils are of high quality and not adulterated with impurities.

Based in Singapore, URG will also service markets in Malaysia, Indonesia, Australia, New Zealand, Hong Kong and China.

Leveraging on its innovative technologies, URG brings out the best value products to customers in the region.

Our Certifications

MS1500:2009 017-10/2011

UKAS MANAGEMENT SYSTEMS 054

HACCP System Certified

SK Pareve

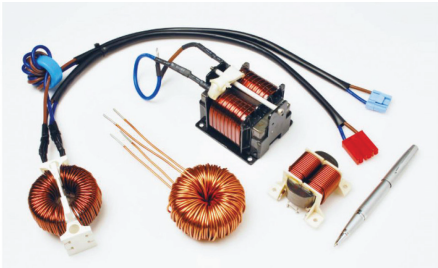
Bull Will Co., Ltd. ("Bull Will"), a Taiwan entity listed on the Over-The-Counter Securities Exchange in Taiwan, became an associated company after Serial System acquired a 29.3% equity interest in Year 2007. Serial System's current equity stake in Bull Will is 19.02%.

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

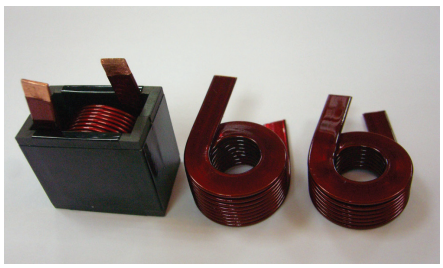
Bull Will's products include sensors, over-current protection devices, control systems and discrete components. These components are widely used in power supplies, LCD monitors, smartphones, notebooks, servers, air-conditioners, automotive, solar inverters and more.

Bull Will's vertical integration, production capacity and technical expertise enable it to quickly adapt to customers' requirements and achieve the best price, quality and delivery. It aims to be the leading supplier of magnetic, passive, electromechanical and discrete components with demand-creation capabilities for all tiers of customers in the electronic industry.

Headquartered in Taipei, Taiwan, Bull Will has two manufacturing plants in China and about 110 employees.

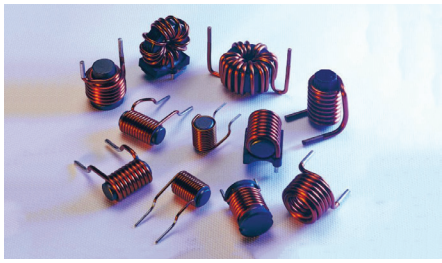


Automotive Magnetics

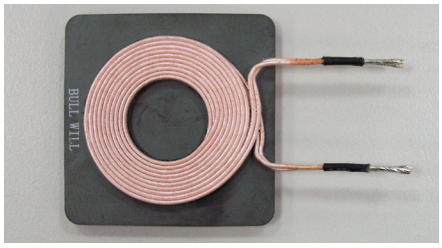


Hybrid Series (BW Patent)

Manufacturing Plants in China



Choke



Wireless Antenna Choke

CORPORATE SOCIAL RESPONSIBILITY

Giving Back

Being a responsible corporate citizen is a cornerstone of Serial System's culture. Through good times and bad we have remained committed to giving back to society. Our Corporate Social Responsibility ("CSR") efforts have had a broad reach to the elderly, the poor and needy, as well as areas like healthcare, education, youth development, arts, culture and heritage.

Our CSR beneficiaries in Year 2019 included citizens' councils, PAP Community Foundation, Sian Chay Medical Institution, National Neuroscience Institute, National Youth Achievement Award Association, National University of Singapore and Singapore Badminton Association. Altogether, we have contributed S$481,000 to various causes and organisations in Singapore.

Caring for The Elderly, Poor and Needy

For more than two decades now, we have been celebrating each Lunar New Year with senior citizens of Tai Pei Old Folks Home, bringing them 'goodie' bags, red packets and festive cheer. Due to the recent outbreak of the COVID-19 and in line with Singapore government health guidelines, the Company has decided to refrain from mass gathering activities to prevent the spread of the virus. Instead, we have arranged to deliver these goodie bags and red packets to the senior citizens at Tai Pei Old Folks Home for this Lunar New Year.

During the year in review, Serial System also donated a total of S$85,000 to various charitable foundations and programmes such as the five Community Development Councils, PAP Community Foundation Centres and Tiong Wah Qing Shi Ti Yu Hui.

Sian Chay Bonding with Love Charity Show

National Neuroscience Institute

Healthcare, Education and Youth Development

Since Year 2017, Serial System has pledged to donate S$100,000 annually to Sian Chay Medical Institution for a total period of 10 years amounting to S$1,000,000 to help low-income families from all races and religion by sponsoring their Traditional Chinese Medicine consultations and treatments. The third tranche of S$100,000 was disbursed in Year 2019. The Company further donated to Sian Chay Medical Institution S$250,000 in Year 2019 in support of the inaugural Sian Chay TV charity show - Sian Chay Bonding with Love Charity show.

In addition, we donated S$10,000 to National Neuroscience Institute ("NNI") Health Research Endowment Fund. The donation will be used to procure a mobile Computed Tomography ("CT") Scanner which will assist NNI to provide additional neuroscience care to its patients. This mobile CT scanner will save time in diagnosing life-threatening conditions during emergencies by providing rapid scanning, high quality imaging and real-time data to facilitate quick decisions for critically ill patients in the intensive care unit or operating room.

We also donated S$10,000 to the National Youth Achievement Award ("NYAA") Association in Year 2019. NYAA Association aims to provide holistic development for young people to grow into well-rounded individuals and realise their potential through developmental programmes. This will assist them to take action and make a positive impact within their immediate community, the nation and the wider global society. For Year 2019, the Singapore

Singapore Badminton Association

PAP Community Foundation Centres

government has set up a Bicentennial Community Fund, matching donations to NYAA Association dollar-for-dollar. A donation of S$10,000 was made to the National University of Singapore to further its mission to educate the next generation of professionals, nurture the spirit of innovation and enterprise, and inspire service to society.

We donated S$3,000 to Singapore Badminton Association, whose stated aim is to groom and support talented national team players in their quest for excellence in the sport and to promote badminton as a popular sport among Singaporeans. The vision is to establish Singapore as a top badminton nation in the world.

Other Contributions

In addition to supporting the elderly, poor and needy and various healthcare, education and youth development causes, Serial System also donated more than S$13,000 in Year 2019 to other charitable funds, community programmes and organisations in Singapore. Included in the S$13,000 was an amount of S$10,000 for the Society of Modern Management Singapore ("SMM") to sponsor its 35th Anniversary Dinner cum 2nd Entrepreneur Conference. The SMM is a non-profit organisation with a membership base of about 380 business owners, representing multi-trades and industries. With Mandarin as its primary medium of communication, SMM conducts regular seminars to promote modern corporate management concepts and knowledge, assisting local and regional SMEs to increase their competitiveness and improve internal corporate systems.

FINANCIAL CALENDAR AND CORPORATE INFORMATION

28 February 2019
Announcement of Fourth Quarter and Financial Year 2018 Results

08 April 2019
Release of Annual Report 2018

29 April 2019
Annual General Meeting 2019

29 April 2019
Announcement of First Quarter 2019 Results

31 May 2019
Payment of 2018 Final Cash Dividend

07 August 2019
Announcement of Second Quarter and Half Year 2019 Results

5 November 2019
Announcement of Third Quarter and Nine Months 2019 Results

12 November 2019
Payment of 2019 Interim Cash Dividend

26 February 2020
Announcement of Fourth Quarter and Financial Year 2019 Results

15 April 2020
Release of Annual Report 2019

30 April 2020
Annual General Meeting 2020

26 May 2020
Payment of 2019 Final Cash Dividend (subject to Shareholders' approval at Annual General Meeting 2020)

Board of Directors
Dr. Derek Goh Bak Heng
(Executive Chairman & Group CEO)
Mr. Teo Ser Luck
(Non-Executive Independent Deputy Chairman)
Mr. Tan Lye Heng Paul
(Lead Independent Director)
Mr. Ravindran s/o Ramasamy
(Independent Director)
Mr. Ng Cher Yan
(Independent Director)
Mr. Goi Kok Ming Kenneth
(Non-Executive Director)

Audit Committee
Mr. Tan Lye Heng Paul
(Chairman)
Mr. Ravindran s/o Ramasamy
Mr. Ng Cher Yan

Nominating Committee
Mr. Ng Cher Yan
(Chairman)
Mr. Tan Lye Heng Paul
Mr. Ravindran s/o Ramasamy

Remuneration Committee
Mr. Ravindran s/o Ramasamy
(Chairman)
Mr. Tan Lye Heng Paul
Mr. Ng Cher Yan

Serial System Employee Share Option Scheme 2014
Mr. Ravindran s/o Ramasamy
(Chairman)
Mr. Tan Lye Heng Paul
Mr. Ng Cher Yan
Dr. Derek Goh Bak Heng

Company Secretary
Mr. Alex Wui Heck Koon

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

Group Website
www.serialsystem.com

Registrar & Share Transfer Office
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Auditors
Moore Stephens LLP
Public Accountants and
Chartered Accountants
10 Anson Road #29-15
International Plaza
Singapore 079903
Audit Partner : Ms. Chan Rouh Ting
(appointed in Year 2019)

Principal Bankers
- Bank of China (Hong Kong) Limited
- BNP Paribas
- CTBC Bank Co., Ltd
- DBS Bank Ltd
- Hang Seng Bank Limited
- KGI Bank
- Malayan Banking Berhad
- RHB Bank Berhad
- Shanghai Commercial Bank Limited
- Standard Chartered Bank (Hong Kong) Limited
- Taichung Bank
- Taipei Fubon Bank
- United Overseas Bank Limited

BOARD OF DIRECTORS

Dato' Seri Dr. Derek Goh Bak Heng BBM
Executive Chairman & Group CEO

Dr. Derek Goh Bak Heng founded Serial System as a sole proprietorship in 1988, incorporated Serial System Ltd in 1992 and was the founding Chairman and CEO when the Company was listed in 1997.

Dr. Goh is the Executive Chairman and Group CEO of Serial System Ltd with overall management responsibilities for the Group. As Executive Chairman, Dr. Goh leads the Board in charting the future direction for the Group.

In 1996, Dr. Goh won the "Entrepreneur of the Year Award", organised by the Rotary Club of Singapore and the Association of Small and Medium Enterprises, supported by the Trade Development Board. In 1997, Dr. Goh was elected the National President of JCI Singapore and was conferred the Singapore Youth Award (Individual) for entrepreneurship, the nation's highest honour for youths. In 1999, Dr. Goh was conferred the ASEAN Best Young Entrepreneur Award 1999 by the ASEAN Secretariat, and the World Association of Small and Medium Enterprises (WASME) Special Honour Award by the World Association of Small and Medium Enterprises on 29 March 2000. In 2004, Dr. Goh was awarded the Public Service Medal (Pingat Bakti Masyarakat) by the President of the Republic of Singapore and in 2010, the Public Service Star Medal (Bintang Bakti Masyarakat) on the National Day Honours 2010. In 2010, Dr. Goh won the "Asia Pacific Entrepreneurship Awards 2010 Entrepreneur of the Year" organised by Enterprise Asia and APF Group Pte Ltd and in 2011, he won the Ernst & Young Entrepreneur Of The Year® 2011 Singapore Award for the Electronic Components Distribution Category. Dr. Goh was appointed Adjunct Professor, Faculty of Business and Design for Swinburne University of Technology Sarawak Campus in Malaysia since 1 September 2013. In 2014, Dr. Goh was elected the President of JCI Senators of South East Asian Nations. In 2015, Dr Goh was awarded the International-Singapore ASEAN Leading Brand International Enterpreneur of the Year at the ASEAN Outstanding Business Award 2015 and was named the "UN Asia Pacific Most Prominent Entrepreneur" co-organised by the Trade and Industry Association Singapore and the United Nations Association of Singapore. He was also awarded one of the " Top Outstanding Leaders in Asia 2015" in the Asia Corporate Excellence & Sustainability Awards 2015.

As at 2 April 2020, Dr. Goh holds 355,140,070 shares (39.64%) in Serial System Ltd. Dr. Goh is a substantial shareholder of Serial System Ltd.

Mr. Teo Ser Luck joined the Board of Directors on 15 July 2017. He is currently the Non-Executive Independent Deputy Chairman.

Mr. Teo Ser Luck is an entrepreneur and Singapore Member of Parliament. He was a former Minister of State in the cabinet and a Mayor. Now in the private sector, he has started a few of his own ventures and building others. He also chairs and advises a few listed companies. Ventures of his own are varied and mostly technology related in the areas of finance, education, food, hardware, general commodities, sports and fitness, event management, and other sectors. Mr. Teo is also currently an adviser to the Institute of Chartered Accountants of Singapore (ISCA) and Singapore Fintech Association.

Mr. Teo spent 15 years in private sector before being elected as a member of parliament and appointed as a full-time political office holder for 11 years. He returned to the private sector in July 2017 and remains as a Member of Parliament.

Apart from Serial System Ltd, Mr. Teo is also Non-Executive and Independent Director of SGX-listed BRC Asia Limited, United Engineers Limited, China Aviation Oil (Singapore) Corporation Ltd and Straco Corporation Ltd.

Mr. Teo graduated with an Accountancy degree from the Nanyang Technological University (NTU) and began his career as an auditor. Throughout his private sector career, he has taken on management positions as head of sales, marketing, business operations before progressing to lead and oversee companies as Regional Director, General Manager and Managing Director of multi-national operations in the Asia Pacific. He has worked in Hong Kong, China, Thailand, India and has helped to start companies. Prior to politics, Mr. Teo was overseeing DHL Express (Singapore) Pte Ltd.

Mr. Teo was elected Member of Parliament for Pasir Ris-Punggol GRC in May 2006 and was appointed as Parliamentary Secretary in the Ministry of Community Development, Youth and Sports. He was subsequently promoted and concurrently assumed responsibility in the Ministry of Transport and appointed as the Mayor of the North East District. After the General Election in 2011, Mr. Teo was promoted and appointed as the Minister of State for Trade and Industry overseeing entrepreneurship, the Small and Medium Enterprises (SME), consumer protection, and trade relations with the region, including China. He was the chairman of Singapore-Shandong Bilateral Business Council and vice chairman of the Singapore-Jiangsu Bilateral Business Council. He was instrumental in creating the start-up eco-system in Launchpad@one north. Mr. Teo was the Minister of State for Manpower overseeing enterprise and industry development and productivity, Lean Enterprise Development implementation in businesses, foreign workers, rank and file workers and developing progressive workplaces. He was also the coordinating Chairman of the Mayors Committee.

For his achievements, Mr. Teo was recognised as a young global leader by the World Economic Forum for his contribution to the business and community services sectors. He also received the Outstanding Young Alumni Award and subsequently received the outstanding alumni award from his alma mater (NTU) for continuing to make a difference in public service. While in the private sector, he has also received accolades as a global outstanding manager in business and operational excellence.

Mr. Teo was instrumental in leading Singapore's successful bid for the inaugural Youth Olympic Games (YOG) that was held from 14 to 26 August 2010. He was also the Advisor to the Singapore 2010 YOG Organising Committee and the Mayor for the Youth Olympic Village.

Teo Ser Luck
Non-Executive Independent Deputy Chairman

Tan Lye Heng Paul
Non-Executive &
Lead Independent Director

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

Apart from Serial System Ltd, Mr. Tan is also Non-Executive and Independent Director of SGX-listed Second Chance Properties Ltd and China Sunsine Chemical Holdings Ltd.

Mr. Tan holds an MBA from the University of Birmingham in the United Kingdom. He is currently the managing director of CA TRUST PAC, a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants, and a member of Singapore Institute of Accredited Tax Professionals Limited and Singapore Institute of Directors.

As at 2 April 2020, Mr. Tan holds 350,000 shares (0.04%) in Serial System Ltd.

Ravindran s/o Ramasamy
Non-Executive &
Independent Director

Mr. Ravindran s/o Ramasamy joined the Board of Directors on 14 August 2001. He is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

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

Mr. Ng Cher Yan joined the Board of Directors on 28 March 2017. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Apart from Serial System Ltd, Mr. Ng is also Non-Executive and Independent Director of SGX-listed Samko Timber Limited, Vicplas International Ltd and MoneyMax Financial Services Ltd. He is also a Non-Executive Director of Taiwan-listed Bull Will Co., Ltd.

Mr. Ng graduated from the National University of Singapore in 1983 with a Bachelor of Accountancy degree and is also qualiied as a Chartered Accountant, Australia. He is currently a practising chartered accountant with Plus LLP, a fellow member of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia.

Ng Cher Yan
Non-Executive &
Independent Director

For his various community services, Mr. Ng was awarded the Public Service Medal (Pingat Bakti Masyarakat) in 2007 and the Public Service Star Medal (Bintang Bakti Masyarakat) in 2016.

As at 2 April 2020, Mr. Ng holds 150,000 shares (0.02%) in Serial System Ltd.

Mr. Goi Kok Ming Kenneth joined the Board of Directors on 8 May 2019.

Apart from Serial System Ltd, Mr. Goi is also Executive Director of SGX-listed GSH Corporation Limited, and Non-Executive Director of SGX-listed Hanwell Holdings Ltd and Union Steel Holdings Limited.

Mr. Goi holds a Bachelor degree in Computer Information System from California State University, Pomona. He is currently the Chief Operating Officer of GSH Corporation Limited, and also director of Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China, and Tee Yih Jia Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China.

Mr. Goi is active in community service and was awarded the Public Service

Goi Kok Ming Kenneth
Non-Executive Director

Medal (Pingkat Bakti Masyarakat) in 2018 for his involvement as a member of the Community Development District Council, South East Region, and Patron of Braddell Heights Community Club. He also received the "Entrepreneur of the Year" Award from Enterprise Asia in 2019.

MANAGEMENT TEAM

Derek Goh
Group Chief Executive Officer

As Group Chief Executive Officer, Derek leads the management team in executing strategies to achieve the goals set by the Board of Directors.

Alex Wui
Group Chief Financial Officer & Group Company Secretary

Alex Wui joined Serial System Ltd in August 2000 and was appointed Group Financial Controller in August 2006. He was re-designated as Group Chief Financial Officer in April 2011.

As Group Chief Financial Officer, Alex is responsible for the Group's accounting, finance, treasury and tax functions. As Group Company Secretary, he ensures the Group complies with all established procedures and relevant statutes and regulations.

Alex is a Chartered Accountant with corporate advisory and public accounting experiences gained with an international accounting firm. He holds a Bachelor of Accountancy degree with Honours from the Nanyang Technological University and a MBA from the Warwick Business School in the United Kingdom.

Sean Goh
Group Chief Operating Officer

Sean Goh joined Serial Microelectronics Pte Ltd in June 2004 as its Sales Engineer. He was appointed Vice President of Regional Marketing in October 2009, Senior Vice President of Corporate Planning, Development and Regional Marketing in July 2011 and Group Senior Vice President and Chief Operating Oficer, Consumer Products Distribution in July 2018. Sean was appointed Group Chief Operating Officer of Serial System Ltd in June 2019.

As Group Chief Operating Officer, Sean will oversee the Group's business operations and optimize the Group's Information Technology, operational and asset management capabilities. He will also be working in consultation with the Board of Serial System Ltd and its management team to develop and execute corporate development strategies.

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

Vinson Sim
Senior IT Director

Vinson Sim joined Serial System Ltd in November 2018 as Senior IT Director.

As Senior IT Director, Vinson leads and manages the Group's Information Technology strategy, deployment, and project implementations across Serial System group of companies.

Prior to joining Serial System Ltd, Vinson held various senior positions in systems and change delivery in a global bank.

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

Kim Sang Yeol
President
Serial Microelectronics Korea Limited
South Korea

SY Kim was appointed President of Serial Microelectronics Korea Limited ("SMKR") in May 1999.

As Country Head of SMKR, SY oversees the Group's electronic components distribution business in South Korea.

SY has over 34 years of experience in the semiconductor and technology field and had held senior level positions at Space Semiconductor Trading Limited and Alpha Technology Industries Limited.

SY holds a Bachelor of Electronics Engineering degree from KwangWoon University in South Korea.

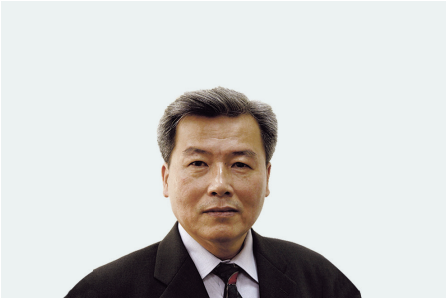
Lawrence Ho
President
Serial Microelectronics (HK) Limited
Hong Kong & China

Lawrence Ho was appointed President of Serial Microelectronics (HK) Limited ("SMHK") in July 2001.

As Country Head of SMHK, Lawrence oversees the Group's electronic components distribution business in Hong Kong and China.

Prior to joining SMHK, Lawrence owned Innowave Technology Ltd, a company engaged in trading and distribution of electronic components in Hong Kong.

Lawrence holds a Bachelor of Electronics Engineering degree from Hong Kong Polytechnic University in Hong Kong.



William Low
Vice President
Serial Microelectronics Pte Ltd
South Asia

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

William oversees the Group's electronic components distribution business in South Asia.

William has over 34 years of experience in the electronic and semiconductor industry and had held senior level positions at Excelpoint Systems and Dovatron International Inc.

William holds a Diploma in Production Engineering from Singapore Polytechnic and a Manufacturing Consultant certificate from SANNO Institute of Business Administration, Japan. He is also a qualified practitioner of MTMII from the MTM Association, Sweden.

Jesse Jeng
President
Serial Microelectronics Inc.
Taiwan

Jesse Jeng was appointed President of Serial Microelectronics Inc. ("SMTW") in January 2007.

As Country Head of SMTW, Jesse oversees the Group's electronic components distribution business in Taiwan.

Jesse has over 33 years of experience in the electronic trading and distribution industry, including 4 years at Chander Electronics Corp and 11 years at Arrow Electronics (Taiwan) Ltd.

Jesse holds a Bachelor of Electrical Engineering degree from John's University and a Physics degree from Tamkang University in Taiwan.

CORPORATE GOVERNANCE REPORT

Serial System Ltd (the "Company", together with its subsidiaries, the "Group") is committed to achieving high standards of corporate governance, to promote corporate transparency, to protect the interests of its stakeholders and to enhance shareholder value. The Board of Directors (the "Board") and Management believe that sound corporate governance supports long-term value creation. To this end, the Group has in place a set of well-defined policies and processes to enhance corporate performance and accountability.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Mainboard Rules require all listed companies to describe in their Annual Reports, their corporate governance practices, with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "Code").

This report describes the Company's key corporate governance practices for the financial year ended 31 December 2019 ("FY2019"). The Board is pleased to confirm that it had adhered to the principles and provisions of the Code as highlighted and explained in the report. In so far as any provision has not been complied with, the reason has been provided.

1. Board Matters

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Board's Conduct of Affairs

The Board is collectively responsible for creating value for shareholders, ensuring the long-term success of the Group and providing overall strategy and business direction to the Management and the Group. Additionally, the Board has established ethics policies within the Group, which set out a code of conduct and ethical standards for Management and staff to adhere to.

The principal functions of the Board, in addition to carrying out its statutory responsibilities, inter alia, are as follows:

(i) Oversees and approves the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives;
(ii) Decides on matters in relation to the Group's operations which are of significant nature, including decisions on the approval of business plans, major investments and divestments;
(iii) Oversees and reviews the management of the Group's business affairs, including financial controls, annual budget, financial performance reviews, key operational initiatives, resource allocation, compliance and corporate governance practices;
(iv) Establishes a framework of effective controls to assess and manage risks, safeguard shareholders' interests and the Group's assets;
(v) Ensures that the necessary financial and human resources are available for the Group to meet its objectives;
(vi) Set the Group's values and standards and ensure that obligations to stakeholders are understood and met;
(vii) Reviews Management's performance and remuneration packages; and
(viii) Considers sustainability issues including environmental, social and governance factors as part of the Group's overall strategy.

The Group has established financial authorisation limits for matters such as operating and capital budgets, credit limits, procurement of goods and services, and the acquisition and disposal of investments. The Board approves transactions exceeding a certain threshold limits, while delegating the authority for transactions below those limits to Management in order to optimise operational efficiency.

1. **Board Matters** (continued)
The Board's Conduct of Affairs (continued)
Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company. (continued)

The Board exercises due diligence and independent judgement in dealing with the business affair of the Group and works with Management to take objective decisions in the interest of the Group. Any Director facing a conflict of interests will remove himself from the information flow and recuse himself from discussions and decisions involving the issue of conflict.

Matters requiring the Board's decision and approval include but are not limited to:

(i) Strategic business plans,
(ii) Joint ventures, investments, acquisitions and divestments exceeding certain threshold limits;
(iii) Annual operating budgets and financial plans of the Group;
(iv) Annual and quarterly financial reports;
(v) Sales and purchases of shares in the Group, its associated companies and other companies;
(vi) The Group's risk appetite and risk tolerance for different categories of risk, as well as risk management strategies and execution;
(vii) Capital expenditure and disposal of assets exceeding S$2.0 million (approximately US$1.5 million);
(viii) Borrowing exceeding S$5.0 million (approximately US$3.7 million);
(ix) Interested person transactions for an amount equal to or more than S$100,000 (approximately US$74,000);
(x) Declaration of dividend by the Company and
(xi) Appointment of key management staff, including reviewing their performance and remuneration packages.

The matters which are decided and approved by the Board are clearly documented in the minutes of meetings and kept with the Company.

To assist in effective execution of its responsibilities, the Board has delegated most of its functions to three Board committees. These are the Audit Committee (the "AC"), Nominating Committee (the "NC"), and Remuneration Committee (the "RC"). These Board Committees function within clearly defined written terms of reference, and are actively engaged and play an important role in ensuring good corporate governance within the Group.

Board Attendance
The Board meets at least on a quarterly basis. Besides the scheduled Board meetings, the Board meets on an ad- hoc basis as warranted by particular circumstances. If Directors are unable to attend meetings in person, telephonic means of communication are allowed. Agendas are circulated in advance, with board papers and related materials released before the meetings, to allow members of the Board and its committees to prepare for the meetings and contribute to meaningful discussions. The Board papers may include information such as business strategies, financial information, risk analysis, industry trends and other information deemed relevant to the matters tabled for discussion.

1. **Board Matters** (continued)
The Board's Conduct of Affairs (continued)
Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company. (continued)

The Board met six times in FY2019, of which four were the regular quarterly meetings and two were meetings held to discuss important and strategic matters. The attendance of the Directors at meetings of the Board, Board Committees and general meeting, and the frequency of such meetings, is disclosed below.

A record of the Directors' attendance at the Board and Board Committee meetings as well as general meetings for FY2019 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	General Meeting
Number of meetings held in FY2019	6	4	1	1	1
Name of Director	**Number of meetings attended:**				
Derek Goh Bak Heng	6	NA	1 [3]	1 [3]	1
Teo Ser Luck	6	1 [1]	NA	NA	1
Tan Lye Heng Paul	6	4	1	1	1
Ravindran s/o Ramasamy	5	3	-	-	1
Ng Cher Yan	6	4	1	1	1
Goi Kok Ming Kenneth[2]	3	1 [1]	NA	NA	-

NA – Not Applicable
[1] Attendance by invitation.
[2] Mr. Goi Kok Ming Kenneth was appointed Non-Executive Director on 8 May 2019.
[3] Dr. Derek Goh Bak Heng stepped down as member of the NC and RC on 18 March 2019 following a reconstitution of the various committees.

Directors with multiple board representations will ensure that sufficient time and attention are given to the business affairs of the Group.

Continuous Training and Development of Directors
The Directors are updated regularly on regulatory changes that will have an important relevance on the Group's or Director's obligations. Such changes are also updated and discussed during Board meetings. As part of the Directors' ongoing training, Directors are also encouraged to actively engage in informal discussions on subjects which are relevant to the Group's businesses and at the Company's expense, attend relevant training programmes or seminars in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and changes in the Companies Act (Chapter 50) of Singapore (the "Companies Act"). A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also go through mandatory training in his roles and responsibilities as advised by the SGX-ST.

Orientation for New Directors
Upon the appointment of a new Director, he is provided with a formal letter setting out his key duties and obligations under the Group's policies, processes and best practices in corporate governance. Orientation programmes, briefings and/or events will be organised during the year for new incoming Directors to ensure that they are informed on the Group's key businesses and corporate governance practices. This also allows new Director(s) to get familiar with Management, therefore facilitating board interaction and independent access to Management.

1. **Board Matters** (continued)
The Board's Conduct of Affairs (continued)
Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company. (continued)

Access to Complete, Adequate and Timely Information, Management and Company Secretary
The Board and Management are given opportunities to engage in open and constructive debate and Board members may, at any time, request for further meetings or informal discussions on any matter related to the Group's operations or business issues from Management. All board members are supplied with relevant, complete, adequate and timely information prior to Board meetings and on an on-going basis to enable them to discharge their duties efficiently and effectively.

Board members receive quarterly management reports pertaining to the operational and financial performance of the Group. The Board also receives regular updates on the industry and technological developments. Minutes of the previous meetings are tabled and confirmed at Board meetings for the Directors' information.

The Board has at all times separate and independent access to Management through electronic mail, telephone, face to face meetings, instant messaging services and are entitled at all times to request for any additional information needed to make sound decisions. Likewise, key management staff, the Company's auditors or external consultants are invited to attend Board and Board Committee meetings to update and provide independent professional advice on specific issues, where necessary.

The Company Secretary attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and the relevant statutes and regulations are complied with. Additionally, the Company Secretary assists in coordinating the flow of information within the Board and Board Committees as well as between Management and the Board. The Company Secretary also assists the Chairman of the Board and the Board in enforcing and strengthening corporate governance practices and processes. The appointment and removal of the Company Secretary is subject to the approval of the Board. Directors have separate and independent access to the Company Secretary through face-to-face meetings, electronic mail, telephone and instant messaging services.

If need be, the Board and individual Board Committees have the right to seek professional advice, at the Group's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

2. **Board composition and guidance**
Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Independence
The Board comprises six Directors of which one is an Executive Director and another is a Non-Independent Non-Executive Director and the remaining four directors are Independent Directors, thus representing a strong independent element on the Board, capable of open and constructive debates on relevant issues affecting the business affairs of the Group.

Throughout the FY2019, the Non-Executive Directors made up more than two-thirds of the Board and this exceeds requirements under amendments to Rule 210(5)(c) of the SGX-ST Listing Manual Mainboard Rules for Independent Directors to make up at least one-third of the Board.

The NC, in defining the independence concept, takes into account the criteria set out in the Listing Manual and the Code, the presence of any relationships between such Director and the Group, its related corporation, its substantial shareholders and its officers that could interfere, with the exercise of such Director's independent judgment. Under the SGX-ST Listing Manual, a Director will not be deemed independent if he is employed by the Group or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Group or its related corporations for the past three financial years, and whose remuneration is determined by the RC.

The NC, having considered the completed annual declaration of independence by the Independent Directors, is of the view that the current Board has an appropriate level of independence to enable it to make decisions in the best interests of the Group. The NC confirmed that Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy, Mr. Ng Cher Yan and Mr. Teo Ser Luck are Independent Directors under the Code.

2. Board composition and guidance (continued)

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. (continued)

In the interest of good corporate governance, the Board carries out rigorous review of the contributions and independence of directors who have served on the Board beyond an aggregate period of more than nine years and if necessary, exercise its discretion to extend the tenures of these directors. Currently, both Mr. Ng Cher Yan and Mr. Ravindran s/o Ramasamy have served as Independent Directors of the Company for an aggregate period of more than nine years. The NC has determined that Mr. Ng Cher Yan and Mr. Ravindran s/o Ramasamy remain independent in character and judgement, taking into account there were no relationships with management or substantial shareholders or circumstances which were likely to affect, or could appear to affect their independence. The Board also reviews the performance of both Mr. Ng Cher Yan and Mr. Ravindran s/o Ramasamy and considers that they, who had gained good understanding of the Group's business and operations, will be able to continue to bring invaluable expertise, experience and knowledge to the Board. The NC and Board is therefore satisfied with their performance and continued independence.

Composition and Size of the Board

The NC, after performing an annual review on the composition of the Board and considering the benefits of diversity of Board Members' skills, experience and background, maintains the view that the current Board size and structure is adequate for the existing business operations of the Group. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its businesses.

A summary of the composition of the Board and its Committee is set out below:

Name of Director	Date of appointment	Date of last re-election	Board		Audit Committee	Nominating Committee	Remuneration Committee
			Status	Position	Position	Position	Position
Derek Goh Bak Heng [1]	26 October 1998	26 October 1998	Executive/ Non-Independent	Executive Chairman & Group CEO	-	- [2]	- [2]
Teo Ser Luck	15 July 2017	28 April 2018	Non-Executive/ Independent	Deputy Chairman	-	-	-
Tan Lye Heng Paul	16 June 2011	28 April 2018	Non-Executive/ Lead Independent	Member	Chairman	Member	Member
Ravindran s/o Ramasamy	14 August 2001	29 April 2019	Non-Executive/ Independent	Member	Member	Member	Chairman
Ng Cher Yan	28 March 2017	29 April 2019	Non-Executive/ Independent	Member	Member	Chairman	Member
Goi Kok Ming Kenneth [3]	8 May 2019	-	Non-Executive/ Non-Independent	Member	-	-	-

[1] Appointed Group Managing Director on 1 March 2001 and is not subject to retirement by rotation pursuant to Serial System Ltd's Constitution.
[2] Dr. Derek Goh Bak Heng stepped down from the Nominating Committee and Remuneration Committee on 18 March 2019.
[3] Mr. Goi Kok Ming Kenneth was appointed Non-Executive Director on 8 May 2019. He is the son of Mr. Goi Seng Hui, a substantial shareholder of Serial System Ltd.

The diversity policy and framework for promoting diversity on the Board is currently in the pipeline and the NC is responsible for ensuring the completion of this policy and subsequently, the implementation of this policy in an effective and practical manner. The NC will report to the Board periodically on the progress made in achieving the objectives set for promoting diversity.

During the year under review, the Non-Executive Directors communicated among themselves, without the presence of the management as and when the need arose.

3. Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Board has decided that it would currently not be in the Group's interests to institute a separation in the role of the Chairman from that of the Chief Executive Officer ("CEO"), so as to ensure decision-making process of the Group would not be unnecessarily hindered. The Board views that in the best interests of the Group, Dr. Derek Goh Bak Heng should continue to be the Chairman of the Board and CEO of the Group for the current year.

Dr. Derek Goh Bak Heng is the Founder, Executive Chairman and Group CEO, playing a pivotal and instrumental role in developing the Group's businesses and providing the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he is responsible for the overall leadership of the Board and engages Management regularly on pertinent issues. He sets the agenda items for Board meetings, with the assistance of the Company Secretary, and ensures that adequate time is available for discussion on all agenda items, especially, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management and ensures effective communication with shareholders. He also takes on a leading role in ensuring the Group complies and maintains a high standard of corporate governance practices.

In view that Dr. Derek Goh Bak Heng is both the Executive Chairman and CEO of the Group, Mr. Tan Lye Heng Paul has been appointed as the Lead Independent Director to co-ordinate and lead the Independent Directors in situations where the Chairman is conflicted, and provide enriched discussions and debate within the Board. He is the principal liaison on Board issues between the Non-Executive and/or Independent Directors and the Executive Chairman. He is also available to shareholders where they have concerns and for which contact through the normal channels of communication with the Executive Chairman and Group CEO or Group Chief Financial Oficer ("Group CFO") has failed to resolve or inappropriate.

4. Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board.

Membership and Terms of Reference

Mr. Ng Cher Yan chairs the NC. Other members of the NC are Mr. Tan Lye Heng Paul and Mr. Ravindran s/o Ramasamy. All members of the NC are Non-Executive and Independent.

During FY2019, the NC has held one scheduled meeting. The NC has its terms of reference which sets out its authority and duties. The functions of the NC include the following:

- Determines the criteria for identifying candidates and reviewing nominations for the appointments as Directors and CEO;
- Decides how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval;
- Assesses the effectiveness of the Board as a whole;
- Reviews the training and professional development programmes for the Board;
- Assesses the contribution by each individual Director to the effectiveness of the Board;
- Re-nominates any Director, having regard to the Director's contribution and performance;
- Determines on an annual basis whether a Director is independent;
- Decides whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Group, particularly when the Director has multiple board representations and
- Identifies gaps in the mix of skills, experiences and other qualities required in an effective Board so as to better nominate or recommend suitable candidates to fill the gaps.

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

NC Responsibilities

Key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board as a whole. It also ensures that Directors appointed by the Board are subject to election by shareholders at the Annual General Meeting ("AGM") and that all Directors are subject to re-election once every three years, if re-nominated by the NC. In this aspect, the NC recommended to the Board that Dr. Derek Goh Bak Heng and Mr. Tan Lye Heng Paul, who will retire pursuant to Article 89 of Serial System Ltd's Constitution, be nominated for re-appointment at the forthcoming AGM on 30 April 2020.

Furthermore, the NC also recommended to the Board that Mr. Goi Kok Ming Kenneth, who will retire pursuant to Article 88 of Serial System Ltd's Constitution, be nominated for re-appointment at the forthcoming AGM on 30 April 2020.

The NC, having considered the completed annual declaration of independence by the Independent Directors, is of the view that the current Board has an appropriate level of independence to enable it to make decisions in the best interests of the Group. The NC confirmed that Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy, Mr. Ng Cher Yan and Mr. Teo Ser Luck are Independent Directors under the Code.

Alternate Directors

Currently, there is no Alternate Director on the Board.

Process for Selection of New Directors

The Group has in place a process for selecting and appointing new Directors. This process includes, inter alia, an evaluation of the candidate's capabilities and how the candidate fits into the overall desired competency matrix of the Board. Some of the selection criteria used are integrity, independent-mindedness, diversity, level of commitment to the Board, track record of good decision-making, experience in high-performing companies and financial knowledge. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

New Directors will be appointed by way of Board resolution or during Board meeting, after the Board has taken into consideration the evaluation criteria and recommendation by the NC. The NC also ensures that the newly appointed Directors are aware of their duties and obligations.

Director's Time Commitment

All Directors are required to declare their board representations. When a Director has multiple board representations and heavy principal commitments, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company.

The NC has reviewed each Director's external directorships, their principal commitments, as well as each Director's attendance and contributions to the Board. Though some Directors hold multiple directorships in non-Group entities, the NC is satisfied that these Directors spent adequate time and attention to the Company's affairs and have discharged their responsibilities.

Considering the composition and mix of the current Board of Directors, the Board is of the view that it is not necessary to stipulate the maximum number of listed company board representation which any Director may hold, for the year under review. Nevertheless, the Board will annually examine the need for such policy to be implemented.

Succession Planning

The NC is of the view that succession planning is an important part of corporate governance and is currently establishing succession plans for the Chairman, Directors and key Management personnel of the Company, to ensure progressive renewal of the Board.

Key Information on Directors

The profiles of the Directors and their respective shareholdings in the Company are set out on pages 20 to 23 of the Annual Report. None of the Directors hold shares in the subsidiaries of the Company, except for Dr. Derek Goh Bak Heng, who, by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the share of the subsidiaries of the Company.

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

The required disclosures under Rule 720 (6) of the SGX-ST Listing Manual Mainboard Rules of Dr. Derek Goh Bak Heng, Mr. Tan Lye Heng Paul and Mr. Goi Kok Ming Kenneth who will be retiring and standing for re-election as Directors of the Company at the forthcoming AGM to be held on 30 April 2020 are set out below:-

Details	Name of retiring Director		
	Derek Goh Bak Heng	Tan Lye Heng Paul	Goi Kok Ming Kenneth
Date of appointment	26 October 1998	16 June 2011	8 May 2019
Date of last re-appointment	26 October 1998 (1)	28 April 2018	(2)
Age	58	55	46
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed the past contribution and suitability of Dr. Derek Goh Bak Heng's for re-appointment as Executive Chairman and Chief Executive Officer of the Group. The Board concluded that Dr. Derek Goh Bak Heng possesses the requisite knowledge, capabilities and experiences to assume the responsibilities.	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed Mr. Tan Lye Heng Paul's requisite knowledge, capabilities and experiences to assume the responsibilities.	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed Mr. Goi Kok Ming Kenneth's requisite knowledge, capabilities and experiences to assume the responsibilities.
Whether appointment is executive, and if so, the area of responsibility	Executive Chairman of the Board and Chief Executive Officer of the Group	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Group Chief Executive Officer	Lead Independent Director, Chairman of Audit Committee and member of Nominating and Remuneration Committee	Non-Independent Director
Professional qualifications	• Certificate of Electrical Engineering Technicians from City & Guilds of London Institute	• MBA from University of Birmingham, United Kingdom • Fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants • Member of Singapore Institute of Accredited Tax Professionals Limited and Singapore Institute of Directors	• Bachelor degree in Computer Information System from California State University, Pomona

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/ or substantial shareholder of the Company or of any of its principal subsidiaries	Yes Dr. Derek Goh Bak Heng is the cousin of Mr. Sean Goh Su Teng, the Chief Operating Officer of the Group and father of Victoria Goh Si Hui, the Director, Business Development and Marketing of Serial System Ltd	No	Yes Son of Mr. Goi Seng Hui who is a substantial shareholder of Serial System Ltd
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Working experience and occupation(s) during the past 10 years	Executive Chairman and Group Chief Executive Officer of Serial System Ltd	Practising as a Partner in CA Trust PAC and Kreston Ardent CA Trust PAC	• 1997 to present – Director of Tee Yih Jia Food Manufacturing Pte Ltd • 1997 to present – Director of Acelink Logistics Pte Ltd • 2012 to present – Chief Operating Officer and Executive Director of GSH Corporation Limited • 2014 to present – Non-Executive Director of Hanwell Holdings Ltd • 2019 to present – Non-Executive Director of Union Steel Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	Yes	Yes	No
Shareholding details	• 355,140,070 Serial System Ltd shares • Deemed interest in shares of Serial System Ltd's subsidiaries	350,000 Serial System Ltd shares	Not applicable

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

Other Principal Commitments including Directorships			
Past (for the last 5 years)	• GLT Investments Pte. Ltd.	• Sin Ghee Huat Corporation Ltd	• GSH Investments Ltd • Plaza Ventures Pte Ltd
Present	Director of: • Asian Prosperity Singapore Pte. Ltd. • C & G Investment Pte Ltd • Global Voice Pte Ltd • GNK Global Pte. Ltd. • Nam Hwa Opera Limited • Nuline Marketing Singapore Pte Ltd • Bull Will Trading (S) Pte. Ltd.	• Partner of CA Trust PAC • Partner of Kreston Ardent CA Trust PAC • Non-Executive and Independent Director of SGX-listed Second Chance Properties Ltd • Non-Executive and Independent Director of SGX-listed China Sunsine Chemical Holdings Ltd	Director of: • GSH Corporation Limited • Hanwell Holdings Ltd • Union Steel Holdings Limited • Acelink Logistics Pte Ltd • Tee Yih Jia Food Manufacturing Pte Ltd • Advanced Prestige Sdn Bhd • Altheim International Ltd • Aspirasi Kukuh Sdn Bhd • Borneo Ventures Pte Ltd • City View Ventures Sdn Bhd • Eastworth Source Sdn Bhd • GSH (Middle East) Pte Ltd • GSH (Xi'an) Investments Pte Ltd • GSH (Xiamen) Property Development Pte Ltd • GSH (Zhengzhou) Investments Pte Ltd • GSH Facilities Management (Malaysia) Sdn Bhd • GSH International Enterprise Pte Ltd • GSH Island Investments Pte Ltd • GSH Properties (Malaysia) Pte Ltd • GSH Properties Pte Ltd • Investasia Sdn Bhd • Linyi Properties Sdn Bhd • Mainfield Holdings Limited • Mewabumi Sdn Bhd • MXIM Holdings Pte Ltd • Ocean View Point Pte Ltd • Ocean View Ventures Pte Ltd • Prime Peninsula Holdings Pte Ltd • Rainbow Properties Sdn Bhd • Sutera Harbour Golf & Country Club Berhad • Sutera Habour Resort Sdn Bhd • Sutera Harbour Travel Sdn Bhd • Sutera Yacht Services Sdn Bhd

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

Information Required Pursuant to Listing Rule 704(7)			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a Director or an equivalent person or a key executive, at the time when he was a Director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	1) In March 2019, Tong Chiang Group Pte. Ltd., an associated company of the Group, was ordered by the High Court of Singapore to be wound up. Dr. Derek Goh Bak Heng was a Director of Tong Chiang Group Pte. Ltd. from 28 August 2015 to 14 September 2018. 2) In October 2014, Gogain Development Sdn Bhd was ordered by the High Court of Malaysia to be wound up. Dr. Derek Goh Bak Heng was a Director of Gogain Development Sdn Bhd.	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	1) In November 2015, Dr. Derek Goh Bak Heng has been requested by the Monetary Authority of Singapore to assist in the investigations in his personal capacity concerning Section 197 / 198 of the Securities and Futures Act. Chapter 289 of Singapore. The Company was not the subject matter of this investigation. The investigation is currently in progress. 2) In June 2018 and September 2018, Dr. Derek Goh Bak Heng has been requested by the Taiwan Taipei District Prosecutors Office and the Investigation Bureau, Ministry of Justice of Taiwan to assist in certain investigations concerning Bull Will Co. Ltd., a 19.02% associated company of the Group, under the Securities and Exchange Act of Taiwan. The investigation is currently in progress. Dr. Derek Goh Bak Heng is a Non-Executive Legal Representative Director of Bull Will Co., Ltd.	No	No

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	In February 2017, a civil suit has been initiated by the Securities and Futures Investors Protection Centre of Taiwan against amongst others, Bull Will Co., Ltd., its directors, independent directors, supervisors, accounting supervisors, legal shareholder including Serial System Ltd and external auditors. The civil suit is currently in progress. Dr. Derek Goh Bak Heng is a Non-Executive Legal Representative Director of Bull Will Co., Ltd.	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Please refer to 4(e)(2)and 4(f) on the cases related to Bull Will Co., Ltd., a 19.02% associated company of the Group.	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

4. Board Membership (continued)

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board. (continued)

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Please refer to 4(e) and 4(f).	No	No
Disclosure applicable to the appointment of Director only			
Any prior experience as a Director of an issuer listed on the Exchange? If Yes, please provide details of prior experience. If No, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).			Not applicable

(1) With effect from 1 January 2019, all Directors, including Executive Directors, must submit themselves for re-nomination and re-appointment at least once every three years pursuant to the SGX-ST Listing Manual.

(2) Mr. Goi Kok Ming Kenneth was appointed Non-Executive Director on 8 May 2019.

5. Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committee and individual Directors.

Board Performance

The Board's performance is associated to the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws, and Board members are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC reviews and assesses the effectiveness of the Board, its Board Committees and individual Directors as a whole, on an annual basis, based on performance criteria as agreed by the Board. Following the review in FY2019, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Board Evaluation Process

The Board evaluation process involves having all Directors complete a questionnaire seeking their views on the various aspects of the performance of the Board and Board Committees which contributed to the overall effectiveness of the Board. The completed evaluation forms are submitted to the Company Secretary who collates the responses confidentially. The consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness.

Performance Criteria for Board Evaluation

The NC assesses the performance of the Board as a whole, based on performance criteria (determined by the NC and approved by the Board), such as the Board's composition and size, the Board's access to timely and accurate information, Board processes, internal controls and risk management, Board accountability, standard of conduct, performance of the Board's principal functions and fiduciary duties, and guidance to and communication with Management and stakeholders. The performance criteria do not change unless the NC opines the need for change, for example, in order to align with any changes in the Code.

Individual Director Evaluation

The Individual Director's performance is evaluated annually through a peer and self-evaluation. Performance criteria include factors like Director's attendance, the degree of preparedness, fairness, participation and value of contribution at Board meetings, industry and business knowledge, functional expertise, and commitment. The results of the peer and self-evaluation were compiled by the Company Secretary and given to the NC and Board Chairman, who informally assess the performance of the individual Directors and hold internal discussions if necessary.

6. Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and Executive remuneration, and for fixing the remuneration packages of individual Directors and key Management personnel. No Director is involved in deciding his or her own remuneration.

Remuneration of the Board members, key Management personnel and employees who are related to the substantial shareholders, the CEO, the Directors (if any) are handled by the RC whose responsibilities is to ensure that a formal and transparent procedure is in place on these remuneration matters. The RC also ensures that no Director is involved in deciding his own remuneration.

Remuneration Committee and Terms of Reference

The RC comprises the following three Directors, all of whom are Non-Executive and Independent:

Mr. Ravindran s/o Ramasamy (Chairman of the RC)
Mr. Tan Lye Heng Paul (Independent Director)
Mr. Ng Cher Yan (Independent Director)

During FY2019, the RC has held one scheduled meeting. The RC has its terms of reference which sets out its authority and duties. The functions of the RC include the following:

- Reviews and recommends to the Board a framework of remuneration for Board members and key Management personnel, and the specific remuneration packages for each Director (Executive and Non-Executive) as well as for the key Management personnel;
- Reviews and recommends to the Board on the adequacy and form of compensation of the Board members and key Management personnel of the Group, to ensure that the compensation is commensurated with their responsibilities and performance;

6. **Remuneration Matters** (continued)

Procedures for Developing Remuneration Policies (continued)

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and Executive remuneration, and for fixing the remuneration packages of individual Directors and key Management personnel. No Director is involved in deciding his or her own remuneration. (continued)

- Reviews and proposes to the Board on the fees for Non-Executive Directors, taking into account factors such as the effort, contribution and time spent by and the responsibilities of the Non-Executive Directors;
- Reviews the Company's obligations in the event of termination of the Executive Director's and key Management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous; and
- Performs such other related functions as the Board may determine.

RC's Access to Advice on Remuneration Matters

The RC has full authority to engage any external professional to advise on matters relating to remuneration as and when the need arises. In FY2019, the RC did not require the service of external professionals.

7. **Level and Mix of Remuneration**

Principle 7: The level and structure of remuneration of the Board and key Management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Remuneration of Executive Director and Key Management Personnel

The Board believes that it is imperative to remunerate Executive Directors and key Management personnel equitably to attract and retain individuals with the necessary talents and capabilities.

The Company's structure of remuneration of the Executive Director and key Management personnel ensures that the remuneration of the Executive Director and key Management personnel commensurates with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group, prevailing economic situation, pay and employment conditions within similar industry and in comparable companies. The remuneration package of the Executive Director and key Management personnel comprises both basic salary and variable component. The variable component, which is the annual incentive bonus, is linked to the performance of the Group as a whole and the individual performance of the key Management personnel in respect of the regions or business units they took charge. The remuneration framework is designed to align with the interests of shareholders and some stakeholders so as to promote long-term success and sustainability of the Group.

In FY2019, the RC considered and approved Dr. Derek Goh Bak Heng's specific remuneration package which includes salary, incentive bonus and benefits-in-kind, after considering his performance and the financial performance of the Group. The Company contributed a total of S$782,561 to a long term incentive scheme (deferred compensation) comprising two insurance plans for Dr. Derek Goh Bak Heng which was approved by the RC and the Board as disclosed in the Company's Annual Report for the financial year ended 31 December 2016.

Long Term Incentive Scheme

The Company has in place a Serial System Employee Share Option Scheme 2014 ("2014 Scheme"), duly approved by shareholders at the Extraordinary General Meeting held on 26 April 2014. The 2014 Scheme replaces the previous 2004 scheme which expired on 29 January 2014.

The 2014 Scheme will continue to provide the opportunity presented by the previous 2004 Scheme for all employees who have contributed significantly to the growth and performance of the Group. In particular, it enables the Company to motivate employees to optimize their performance standards and efficiency and to maintain a high level of contribution to the Group and helps to develop a participatory style of management which promotes greater commitment and dedication amongst the employees, thereby instilling loyalty and a stronger sense of identification with the success and long term well-being of the Group. It also makes total employee remuneration sufficiently competitive to recruit and retain key Executives whose contributions are important to the long-term well-being and growth of the Group.

For the year under review, no share options has been granted to Executive Directors and key Management personnel under the 2014 Scheme.

Contractual Provisions Protecting the Company's Interests

Having reviewed and considered the variable components of the Executive Director and key Management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years. In addition, the Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Director in the event of such breach of fiduciary duties.

7. **Level and Mix of Remuneration** (continued)

Principle 7: The level and structure of remuneration of the Board and key Management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company. (continued)

Remuneration of Non-Executive Directors

The Board concurred with the RC that the proposed Non-Executive Directors' fees for FY2019 is appropriate and that the Non-Executive Directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The Board recommends to shareholders for approval at the AGM the fees payable to the Non-Executive Directors.

The Company also extends its 2014 Scheme as mentioned above, to Non-Executive Directors in recognition of their contributions. The provision of share options to the Non-Executive Directors will ensure that the Company will be able to continue to attract onto its Board, Directors who will be able to assist in furthering the business interests of the Group. This will help enhance the growth and long-term profitability of the Company. For the year under review, no share options has been granted to Non-Executive Directors under the 2014 Scheme.

Remuneration of Employees related to the Directors / Group CEO / Substantial Shareholders

The remuneration packages of employees related to the Directors or Group CEO or substantial shareholders of the Company are also in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and level of responsibility.

8. **Disclosure of Remuneration**

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationships between remuneration, performance and value creation.

Disclosure on Remuneration of Directors

Details of the remuneration of Directors for FY2019 are as follows:

Executive Director	Directors' Fees (%)	Salary [1] and AWS [2] (%)	Incentive Bonus (%)	Other Benefits (%)	Total Remuneration (S$)
Derek Goh Bak Heng	2.4	24.2	46.9	26.5	3,038,301 [3]
Non-Executive & Independent Directors					
Teo Ser Luck	100.0	-	-	-	62,000
Tan Lye Heng Paul	100.0	-	-	-	45,000
Ravindran s/o Ramasamy	100.0	-	-	-	45,000
Ng Cher Yan	100.0	-	-	-	45,000
Non-Executive Director					
Goi Kok Ming Kenneth	100.0	-	-	-	27,386 [4]

[1] Included employer's CPF contribution
[2] Annual wage supplement of half-month salary
[3] Included a deferred compensation of S$782,561 as detailed in "Remuneration of Executive Director and Key Management Personnel", above
[4] Fee of S$42,000 is prorated commencing from date of appointment as Director on 8 May 2019

Note: The remuneration disclosed in this report does not include share option expense. No share options were granted to Directors in FY2019.

8. Disclosure of Remuneration (continued)

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationships between remuneration, performance and value creation. (continued)

Disclosure on Remuneration of Key Management Personnel

The Board is aware that the Code requires the remuneration of at least the top five key Management personnel of the Company (excluding the Directors or the CEO) to be disclosed. However, the Board, after careful deliberation, believes that such information is best kept confidential as disclosing the same would be prejudicial to its business given the highly competitive business environment. There are other expected disadvantages such as potential staff motivational and retention issues that such detailed disclosures may bring. The annual aggregate remuneration paid to the top five key Management personnel (excluding the Directors or the CEO) for FY2019 is S$2,639,914 and the remuneration bands for FY2019 are presented as follows:

Remuneration Bands	Number of Executives[1]
S$750,000 to S$999,999	1[2]
S$500,000 to S$749,999	2
S$250,000 to S$499,999	2

[1] *Includes executives of overseas subsidiaries*

[2] *Payable to Mr. Sean Goh Su Teng, Group Chief Operating Officer of the Company, who is the cousin of Dr. Derek Goh Bak Heng, the Executive Chairman and Group CEO of the Company*

Disclosure on Employees related to Directors / Group CEO / Substantial Shareholders

Save for Mr. Sean Goh Su Teng as disclosed above, and Ms. Victoria Goh Si Hui, who is the daughter of Dr. Derek Goh Bak Heng and whose remuneration in FY2019 exceeded S$100,000 but below S$150,000, no other employees of the Company whose remuneration exceeded S$100,000 during the year under review is an immediate family member of a Director or the Group CEO or substantial shareholders.

9. Accountability and Audit

Risk Management and Internal Control

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's businesses. During FY2019, the AC together with the internal auditor assisted the Board in overseeing the Group's risk management framework and policies. The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. However, the Board is also of the view that any internal control system is designed to manage rather than totally eliminate the risk of failure to achieve business objectives. A cost effective internal control system can only provide reasonable and not total assurance against material misstatement or loss.

Risk Management

The Management periodically reviews the Group's business and operational activities to identify areas of significant business risks and the appropriate measures to control and mitigate these risks. The review also takes into account changes in the business and operation environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of the Group over a short-medium term are summarised in the Group's risk register and are ranked according to their likelihood and consequential impact to the Group as a whole. The key risks identified, control measures and management actions are continually identified and monitored by the operational units and reviewed by the Management. Management then applies appropriate controls and mitigating steps to manage the risk to an acceptable level.

The internal auditor also assists the AC to follow up with the Management to ensure that the existing and new counter measures are implemented accordingly. As part of the Group's approach towards risk management, the Group will conduct, on an annual basis, a Risk Assessment exercise which the key risks of the Group will be identified, updated, evaluated and ranked. The exercise also allows the Group to address the changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process on an ongoing basis.

9. Accountability and Audit (continued)

Risk Management and Internal Control (continued)

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders. (continued)

In FY2019, the Group has appointed external consultant, Baker Tilly TFW LLP, to review its risk profile. The external consultant provides an overall scan of the main external environmental risks facing the Group, performs risk prioritisation of risks faced by the Group and establishes risk registers containing descriptions of risks faced by the Group, their counter-measures in place to manage those risks and recommendations to further mitigate these risks. The enterprise risk assessment exercise is carried out based on environmental scanning activities and focused group discussions with Management and the respective risk owners in business units. This facilitates the Management in the identification and documentation of enterprise risks facing the Group that impact on its ability to achieve organisation goals and objectives.

A report is submitted by the external consultant to the Board, which provides a comprehensive review of the risks faced by the Group. The report provides an overview of the Group's key risks, how they are managed, and the key personnel responsible for each identified risk type and the various assurance mechanism in place. The Group's approach to the management of key business risks is set out under "Risk management" in the "Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual" section on page 166 of the Annual Report.

The Group recognises risk management as a collective effort from every subsidiaries, business units, operational units and ultimately Management and the Board, working as a team.

Internal Controls

The AC, together with the assistance of the internal auditor oversee and ensure that the system of internal controls has been appropriately implemented and monitored. On an annual basis, the internal auditor prepares the internal audit plan taking into consideration the risks identified, through enterprise risk assessment, which is approved by the AC. During the year under review, the AC reviewed the reports submitted by the internal auditor relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems that are put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC. A copy of the report is also issued to the relevant departments for their follow-up actions. Major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are also highlighted by external auditors to the AC.

Board's Comments on Adequacy and Effectiveness of Risk Management and Internal Controls

The Board has received assurance from the Group CEO and the Group CFO that the Group's risk management and internal control systems in place are adequate and effective in addressing the key financial, operational and compliance risks of the Group in its current business environment and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as reviews performed by external and internal auditors, the Board, with the concurrence of AC, is of the view that the internal control systems of the Group were adequate as at 31 December 2019 to address the financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

The Board is also of the view that any internal control system is designed to manage rather than totally eliminate the risk of failure to achieve business objectives. A cost effective internal control system can only provide reasonable and not total assurance against the occurrence of material misstatement, poor judgment in decision-making, human error, fraud or other irregularities.

10. Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Audit Committee and Terms of Reference

The AC comprises the following three Directors, all of whom are Non-Executive and Independent:

Mr. Tan Lye Heng Paul (Chairman of the RC)
Mr. Ng Cher Yan (Independent Director)
Mr. Ravindran s/o Ramasamy (Independent Director)

The AC members bring with them professional expertise and experience in the accounting, financial management and legal domains. The NC and Board is satisfied that the members of the AC have sufficient financial management knowledge and experience to discharge the AC's functions.

During FY2019, the AC has held four scheduled meetings. The AC has its terms of reference which sets out its authority and duties. The functions of the AC include the following:

- Reviews with the Group's external auditors, their audit plan, evaluation of the internal accounting controls, audit report, and any matters which the external auditors wish to discuss;
- Reviews the financial reports of the Group to ensure that they comply with the Companies' Act, SGX-ST's Listing Rules, and other regulatory requirements;
- Reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- Reviews adequacy and effectiveness of the Company's internal controls;
- Reviews the audit scope, results and effectiveness of the internal audit function;
- Reviews the audit scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- Makes recommendations to the Board on the appointment, re-appointment, removal, remuneration and terms of engagement of external auditors;
- Oversees the establishment and operation of the whistleblowing process of the Company;
- Oversees any internal investigation into cases of fraud and irregularities;
- Reviews interested person transactions;
- Approves the hiring, removal, evaluation and compensation of the head of the internal audit function; and
- Ensures that the internal audit function is adequately resourced to discharge its functions properly and has an appropriate standing within the Company.

The AC has the authority to investigate any matter within its terms of reference, has full access to and co-operation by Management, and full discretion to invite any key Executive officer to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC has explicit authority to investigate whistle-blowing complaints and all whistle-blower complaints are reviewed by the AC pursuant to the Group's Whistleblowing Policy to ensure independent and thorough investigation and adequate follow-up has been carried out.

The AC has reviewed the financial statements with the Management and external auditors and is of the view that the Company and Group's financial statements for FY2019 are fairly presented in conformity with the Singapore Financial Reporting Standards International ("SFRS(I)") in all material aspects.

AC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfil its responsibility, the AC is kept abreast by the Management, external auditors and internal auditors on changes to accounting standards, SGX-ST's listing rules and other codes and regulations which could have an impact on the Group's business and financial statements.

Independence of External Auditors

The AC confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC has recommended to the Board that the independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

The auditors of the Company's subsidiaries, associated companies and joint ventures are disclosed in Note 20, Note 18 and Note 19 respectively to the financial statements in this annual report. The Company confirms that Listing Rule 712, Rule 715 and Rule 716 of the SGX-ST's Listing Manual are complied with.

10. Audit Committee (continued)

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively. (continued)

Whistle-blowing Policy

As a further enhancement to internal risk control processes, the Company has in place a whistle-blowing policy. Under this whistle-blowing policy, staff can report or raise concerns over any "wrongdoings" across the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment to the chairman of the AC, with the "whistleblower" who has acted in good faith, being provided confidentiality, victimisation and harassment protection. "Wrongdoings" can include fraud, corruption, theft, abuse of authority, breach of regulations or non-compliance with the Group's internal controls and procedures. On an ongoing basis, the whistle-blowing policy is covered during staff training and periodic communication including e-mail sent quarterly to all staff as part of the Group's efforts to promote awareness of fraud prevention. All newly recruited employees are briefed on the whistle-blowing policy during their induction. The whistle-blowing policy is reviewed by the AC periodically to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements.

Cooling off Period for Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or audit's corporation is a member of the AC.

Internal Auditors

The AC's responsibilities over the Group's internal controls and risk management are complemented by the role of the Group's internal auditor ("IA"). The Group has hired an in-house IA who reports directly to the AC. For the year under review, the IA has unrestricted access to all of the Group's documents, records, properties and personnel. The Company's internal audit function is independent of the activities it audits. The internal auditor is a member of the Institute of Internal Auditors Singapore with relevant qualifications and experience.

The AC reviews IA reports on a quarterly basis. The AC also reviews and approves the annual internal audit plans and manpower to ensure that the IA function has the necessary resources. The AC is satisfied that the IA function is adequately resourced, effective and independent of the activities it audits.

Meeting with External and Internal Auditors

The AC meets regularly with the Group's external auditors and internal auditors. At least once a year, the AC would meet with the Group's external auditors and internal auditors without the presence of the Management to ensure that there are no unresolved areas of concern.

11. Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Sufficient Information to Shareholders

It is the Board's policy that all shareholders should be treated equally and timely informed of material developments. The Group does not practise selective disclosure. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and the Company's website, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Providing Opportunity for Shareholders to Participate and Vote Effectively at General Meetings

The Group encourages shareholder participation, and ensures that shareholders have the opportunity to participate effectively at general meetings. Shareholders are informed of general meetings through notices contained in annual reports or circulars sent to all shareholders at least fourteen days before the scheduled dates of such meetings in accordance to the nature of the business to be transacted. These notices are also published in the Business Times and posted on the SGXNET and the Company's website. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Company's Constitution allows each shareholder to appoint up to two proxies to attend its general meetings.

In addition, pursuant to Section 181(1C) of the Companies Act, a shareholder who is a custodial institution or relevant intermediary entitled to attend the meeting and vote, is entitled to appoint more than two proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder appoints more than two proxies, the number and class of shares to be represented by each proxy must be stated.

Resolutions at General Meetings

At the general meetings, the Board ensures separate resolutions are tabled for approval on each substantially separate issue at general meetings to the extent possible, and if not, the appropriate reason(s) and implication to be explained.

Attendees at General Meetings

The Directors attend all general meetings of the Company, and the external auditors will also be present to assist in addressing queries raised by shareholders relating to the conduct of audit and the preparation and the content of the auditor's report. All Directors, except Mr. Goi Kok Ming Kenneth who was appointed as Director on 8 May 2019, and the external auditors were present at the last AGM held on 29 April 2019.

Absentia Voting at General Meetings

Due to security concerns, the Company will not be exercising absentia voting methods such as mail, electronic mail or facsimile.

Minutes of General Meetings

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders at the registered office of the Company at 8 Ubi View, #05-01, Serial System Building, Singapore 408554 during normal business hours upon written request.

Dividend Policy

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends payable each year will take into consideration the Company's actual profitability and ability to pay dividends in the relevant financial year, the operating cash flow requirements, financing commitments, anticipated capital expenditure, any future expansion and investment plans of the Company and its subsidiaries, and such factors that the Board may, in its sole and absolute discretion, deem necessary or appropriate. The Company had proposed a Final Cash Dividend (one-tier tax exempt) of 0.13 Singapore cent per ordinary share for FY2019.

12. Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Communication with Shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST, the Companies Act and the SFRS(I), the Board informs shareholders promptly of all major developments that may have material impact on the Group. Material information including quarterly and full-year results are released through SGXNET and the Company's website.

The Company also holds briefings with analysts to coincide with the release of the Group's quarterly and full-year results, and related presentation slides and press releases are also made available on SGXNET and the Company's website. The Company's annual report and notice of general meetings which contain, amongst others, information required to be disclosed by the SGX-ST, the SFRS(I), and the Companies Act, are accessible by all shareholders via the Company's website and SGXNET. Shareholders can assess information on the Group through the Company's website at www.serialsystem.com which provides the Company's corporate announcements, press releases and profiles.

Timely Information to Shareholders

The Company communicates with its shareholders through timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the end of each financial year. Furthermore, Annual Reports are made available to shareholders at least 14 days before general meetings on the Company's website and SGXNET.

Regular Dialogue with Shareholders and Soliciting and Understanding Views of Shareholders

The Board recognises that the general meetings provide an excellent platform for communicating with shareholders. Besides actively encouraging shareholders to participate during the general meetings, time will also be allocated for greater shareholders' participation at general meetings as well as to provide shareholders the opportunity to communicate their views on matters affecting the Group.

The Company also communicates with its shareholders on regular basis. Notices of general meetings are sent to shareholders through circulars and also advertised in the Business Times. The chairmen of the AC, NC, and RC are normally available at these meetings to address questions. The Company also maintains a corporate website and regularly updating the latest news and results to improve the communication with shareholders and investors.

To promote greater transparency and more equitable participation in general meetings which support listed companies in enhancing their shareholders engagement, the resolutions of the Company transacted at general meetings are carried out and voted by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted in accordance with the provisions of the Company's Constitution. The information on the total number of votes cast for or against each resolution are incorporated into the announcement released on SGXNET and the Company's website after the general meeting.

Investor Relations Policy

The Company has established and adopted an investor relations policy to establish the principles and practices that the Company applies to provide current and prospective investors with accurate and necessary information to make well-informed investment decisions.

In order to facilitate shareholders' access to pertinent information, a dedicated investor relations email: ecomm@serialsystem.com is available to facilitate communication. Alternatively, Shareholders may send their enquires and concerns regarding the Company to the Company's investor relations consultants:

Mr. Lai Kwok Kin, Media and Investor Consultant
Telephone no: (65) 6737 4844
Facsimile no: (65) 6737 4944
Email: laikkin@wer1.net

Mr. Jordan Teo, Media and Investor Consultant
Telephone no: (65) 6737 4844
Facsimile no: (65) 6737 4944
Email: jordanteo@wer1.net

All enquiries will be promptly handled by our dedicated investor relations team.

13. Managing Stakeholders Relationships

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Relationship with Stakeholders

The Board adopts a balanced approach towards the needs and interests of its material stakeholders, taking into account the best interests of the Company. The Company, whilst striving for long-term success of the Group, has engaged its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. More information on how the Group's efforts on sustainability can be found in the sustainability report for FY2019.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely manner via SGXNET. The Company also maintains an updated corporate website, www.serialsystem.com, to communicate and engage with stakeholders.

Other Corporate Governance Matters

Dealing in Securities

In compliance with Listing Rule 1207 (19) of the Listing Manual of SGX-ST, the Group has advised its directors and officers not to deal in the Company's shares during the period commencing two weeks before announcement of the Company's quarterly results and one month before announcement of the Company's full-year results, and ending on the date of such announcements. Directors and officers are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Group's securities on short-term considerations.

Code of Conduct

The Company has established a Code of Conduct which is made available for easy access in the Company's website. The Company's Code of Conduct provides guidance to employees' conduct in areas such as integrity in conducting business, prohibition on disclosure of confidential information relating to the Group, avoidance of conflict of interest, prohibition on accepting gifts/benefits from business associates, etc. The Code of Conduct is presented to all new employees during the induction programme and the Company notifies employees of any subsequent updates via electronic mail.

The Board stresses the importance of professionalism and integrity when conducting business. Employees are required to embrace and practice these values in the course of performing their duties at work, and to act in the best interests of the Group at all time.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC for review that transactions are carried out in a way that is fair and at arms' length.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST. Disclosure on "related party transactions" is set out on pages 159 to 160 of the Annual Report.

FINANCIAL CONTENTS

52 Directors' Statement

58 Independent Auditor's Report

62 Consolidated Income Statement

63 Consolidated Statement of Comprehensive Income

64 Statements of Financial Position

66 Consolidated Statement of Changes in Equity

68 Consolidated Statement of Cash Flows

70 Notes to The Financial Statements

166 Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual

168 Statistics of Shareholdings

170 Notice of Annual General Meeting

176 Notice of Books Closure and Dividend Payment Date

177 Appendix I – The Proposed Renewal of the Share Buyback Mandate

Proxy Form – Annual General Meeting

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Derek Goh Bak Heng
Teo Ser Luck
Tan Lye Heng Paul
Ravindran s/o Ramasamy
Ng Cher Yan
Goi Kok Ming Kenneth (appointed on 8 May 2019)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" in this statement.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, the interests of the directors holding office at the end of the financial year in the issued share capital of the Company and related corporations were as follows:

	Holdings registered in name of director or nominees			Deemed interest holdings		
	At 21.1.2020	At 31.12.2019	At 1.1.2019	At 21.1.2020	At 31.12.2019	At 1.1.2019
The Company						
(Number of ordinary shares)						
Derek Goh Bak Heng	355,090,070	355,090,070	355,090,070	50,000	50,000	50,000
Tan Lye Heng Paul	350,000	350,000	350,000	–	–	–
Ng Cher Yan	150,000	150,000	150,000	–	–	–

(b) None of the directors holding office at the end of the financial year had share options to subscribe for ordinary shares of the Company granted pursuant to the Serial System Employee Share Option Scheme 2014.

Directors' interests in shares or debentures (continued)

(c) Derek Goh Bak Heng, who by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the issued share capital of the Company's wholly owned subsidiaries and in the following partially owned subsidiaries of the Group:

	Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019
Serial Microelectronics (HK) Limited (Number of ordinary shares of HK$1 each)	125,580,000	54,600,000
Serial Microelectronics Inc. (Number of ordinary shares of NT$10 each)	5,348,250	5,348,250
Serial Microelectronics (Shenzhen) Co., Ltd (Capital contribution in HK$)	64,885,417	64,885,417
Serial Design Limited (Number of ordinary shares of HK$1 each)	9,100	9,100
PT. Serial Microelectronics Indonesia (Number of ordinary shares of US$1 each)	99,000	99,000
TeamPal Enterprise Corp. (Number of ordinary shares of NT$10 each)	1,432,500	1,432,500
STech Global Trading Pte. Ltd. (Number of ordinary shares)	450,000	450,000
Serial Automotive Limited (Number of ordinary shares of HK$1 each)	9,100	5,460
Serial Vision Limited (Number of ordinary shares of HK$1 each)	9,100	9,100
Serial Automotive (Shanghai) Co., Ltd (Capital contribution in RMB)	–	546,000
Hydra & Thermal Pte. Ltd. (Number of ordinary shares)	2,147,499	2,147,499
PT. Achieva Technology Indonesia (Number of ordinary shares of IDR1 million each)	6,060	6,060
Serial Factoring (Thailand) Co., Ltd (Number of ordinary shares)	1,470,000	1,470,000
Serial Netcom Co., Ltd (Number of ordinary shares of US$1 each)	42,000	42,000
Hydra & Thermal International (Cambodia) Co., Ltd. (Number of ordinary shares of US$1 each)	700	700
Serial Microelectronics (Beijing) Co., Ltd (Capital contribution in RMB) [1]	–	–
Newstone Technology Limited (Number of ordinary shares of US$1 each)	464,100	464,100
Print-IQ Singapore Pte. Ltd. (Number of ordinary shares)	640,000	140,000

Directors' interests in shares or debentures (continued)

(c) (continued)

	Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019
Bast Investment Pte. Ltd. (Number of ordinary shares)	165,000	165,000
Bast Global Sdn. Bhd. (Number of ordinary shares of RM1 each)	5,500	5,500
Serial Microelectronics India LLP (Capital contribution in INR)	3,300,000	3,267,001
Xuanhong Automotive Electronics Limited (Number of ordinary shares of HK$1 each)	732,550	732,550
Xuanli Automotive Electronics Co., Limited (Capital contribution in RMB)	622,202	622,202
Newstone Technology (Shenzhen) Company Limited (Capital contribution in RMB)	2,320,000	1,485,443
XIN Holdings International Limited (Number of ordinary shares of HK$0.01 each)	910	910
Xin Capital Limited (Number of ordinary shares of US$1 each)	91	91
SB Global Ventures Pte. Ltd. (Number of ordinary shares)	65	65
Serial Consulting Co., Ltd (Number of ordinary shares of THB100 each)	23,765	–
Teampal Microelectronics (Shanghai) Co., Ltd (Capital contribution in RMB) (2)	–	–
UniSerial Electronics Pte. Ltd. (Number of ordinary shares)	10,200,000	–
UniSerial Electronics Limited (Number of ordinary shares of HK$1 each)	3,619,980	–
UniSerial Electronics (Shenzhen) Limited (Capital contribution in RMB)	464,100	–
URG Pte. Ltd. (Number of ordinary shares)	455	–
SG Networks Pte. Ltd. (Number of ordinary shares)	55,000	–

Note:

(1) Capital has not been contributed as at 31 December 2019 and 31 December 2018.

(2) Capital has not been contributed as at 31 December 2019. The company was subsequently struck off on 6 January 2020.

Share options

(a) Serial System Employee Share Option Scheme 2014 (the "2014 Scheme")

The 2014 Scheme was approved by the shareholders at the Extraordinary General Meeting of the Company held on 26 April 2014. It replaced the previous Serial System Executives Share Option Scheme (the "2004 Scheme"), which expired on 29 January 2014. Any share options granted and accepted under the 2004 Scheme have been fully exercised upon expiry of the 2004 Scheme on 29 January 2014.

Under the 2014 Scheme, share options are granted to the following persons at the absolute discretion of the 2014 Scheme's Committee (the "Committee"):

(i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;

(ii) executive directors of the Company;

(iii) non-executive directors of the Company; and

(iv) employees who qualify under (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

For the purpose of paragraph (iv) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased employment as a full-time employee of the Group by reason only of such secondment.

For non-incentive share options, the exercise price of the granted share options is to be determined by the Committee, in its absolute discretion, at a price equal to the average of the last dealt prices of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") for a period of five consecutive trading days ("Market Price") immediately prior to the date of offer of the share options.

For incentive share options, share options are granted at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price; and the shareholders of the Company in a general meeting have authorised, in a separate resolution, the making of offers and grants of such share options under the 2014 Scheme at a discount not exceeding the maximum discount as aforesaid.

The share options are vested one month after the date of offer of the share options. Once the share options are vested, they are exercisable for a term of 10 years, and for non-executive directors of the Company, for a term of 5 years, or such other terms determined by the Committee or prescribed under any relevant law, regulation or rule of the SGX-ST from time to time.

There is no restriction to the eligibility of any persons to whom the share options have been granted, to participate in other share option or share incentive schemes implemented by the Company, subsidiaries or associated companies.

Particulars of the share options granted in the preceding financial years under the previous schemes were set out in the Directors' Statements for the respective financial years.

There were no share options granted pursuant to the 2014 Scheme during the financial year ended 31 December 2019 and 31 December 2018.

(b) Outstanding share options

There are no share options outstanding at the end of the financial year ended 31 December 2019.

Share options (continued)

(c) Other information required by SGX-ST

Pursuant to clause 852(1) of the Listing Manual of the SGX-ST, in addition to information disclosed elsewhere in this statement, the directors report that:

(i) the members of the Committee administering the 2014 Scheme are Ravindran s/o Ramasamy (Chairman), Tan Lye Heng Paul, Ng Cher Yan and Derek Goh Bak Heng.

(ii) there were no outstanding share options granted to and exercised by directors of the Company during the financial year.

(iii) no share options have been granted to controlling shareholders of the Company or their associates, directors and employees of the parent company (as defined in the Listing Manual of the SGX-ST) and its subsidiaries and no employee has received 5% or more of the total number of share options available under the 2014 Scheme during the financial year.

(iv) no other director or employee of the Company and its subsidiaries (as defined in the Listing Manual of the SGX-ST) has received 5% or more of the total number of share options available to all directors and employees of the Company and its subsidiaries under the 2014 Scheme during the financial year.

(v) no share options were granted at a discount during the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Tan Lye Heng Paul (Chairman)
Ravindran s/o Ramasamy
Ng Cher Yan

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Chapter 50 (the "Act"). In performing those functions, the Committee:

- reviews with the Group's external auditors, their audit plan, evaluation of the internal accounting controls, audit report, and any matters which the external auditors wish to discuss;
- reviews the Group's financial reports to shareholders and the general public to ensure that they comply with the Act, SGX-ST's Listing Rules, and other regulatory requirements;
- reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the internal control system;
- reviews assistance given by the Company's officers to the external and internal auditors;
- reviews interested person transactions;
- reviews the adequacy of the Group's whistle-blowing policy and ensure independent investigation and adequate resolution; and
- evaluates the objectivity and independence of the external auditors annually and nominates external auditors for appointment or re-appointment.

The Audit Committee has full access to and cooperation of the Management. It also has full discretion to invite any director or member of the Management to its meetings as well as reasonable resources to enable it to discharge its functions properly.

Audit Committee (continued)

The Audit Committee is satisfied with the independence and objectivity of the external auditors. The Board of Directors with the nomination of the Audit Committee has recommended that the independent auditors, Moore Stephens LLP, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services (if any) would not, in the Audit Committee's opinion, affect the independence of the external auditors.

The Board, with the concurrence of the Audit Committee, is of the view that the system of internal controls were adequate as at the end of the financial year to address financial, operational and compliance risks, which the Group considers relevant and material to its operations.

Independent auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

DEREK GOH BAK HENG
Director

TAN LYE HENG PAUL
Director

2 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERIAL SYSTEM LTD

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the Audit of the Financial Statements (continued)

Key audit matters	How our audit addressed the key audit matter
Valuation of goodwill We refer to Note 2.13(a), Note 4(a)(i) and Note 23(a) to the financial statements. The carrying amount of the Group's goodwill amounted to US$6,958,000 as at 31 December 2019. The Group tested goodwill for impairment at the end of the reporting period. The recoverable amounts of the allocated cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions which involve judgements. Changes to the estimates and assumptions will result in changes in the carrying amount of goodwill recognised at the end of the reporting year end. Based on the impairment test performed by management, the Group recorded an impairment loss amounting to US$2,010,000 for the current financial year.	**Our response** We reviewed the value-in-use calculations of each cash-generating unit prepared by the management. We conducted a detailed discussion with the Group's key management and considered their views on the key estimates and assumptions used in determining the recoverable amounts. We compared the future cash forecast to actual past performance and industry benchmarks and challenged the key estimates and assumptions used by management, which included gross margins, growth rates and discount rates. Based on our understanding of the nature of the Group's businesses and the economic environment in which it operates, we have performed our own sensitivity analysis based on the range of acceptable key estimates and assumptions and analysed the impact to the headroom when breakeven or independently derived rates were applied. **Our findings** We found the estimates and assumptions used by management in the value-in-use calculations to determine the recoverable amounts of the goodwill allocated to each cash-generating unit to be reasonable.
Tax recoverable relating to Transfer Pricing audit between the Group's subsidiary in the People's Republic of China ("China") and Hong Kong We refer to Note 2.5, Note 4(b)(ii) and Note 9(b) to the financial statements. During the previous financial year, as part of the Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiary in China and Hong Kong, the Group paid additional income tax of RMB18,041,000 (US$2,731,000) and interest of RMB4,374,000 (US$652,000) to the China tax authority. As the Transfer Pricing audit was carried out in China, a unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, an independent tax consultant has been engaged to assist the Group's Hong Kong subsidiary to apply for corresponding adjustment to eliminate double taxation, based on current tax rules and regulations in China and Hong Kong. Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that the Hong Kong tax authority will accept the application for the tax refund in principle and amount. Management has applied their judgement and recognised a tax recoverable amount of HK$13,000,000 (US$1,667,000) as at 31 December 2019.	**Our response** We discussed with the component auditors on their work performed. We evaluated the advice obtained by the Group's key management from the independent tax consultant to support the judgement taken by management in recognising the tax recoverable amount, including a detailed discussion with the Group's key management and independent tax consultant to consider their views in reaching the conclusion. **Our findings** We found the tax recoverable recognised to be appropriate and reasonable.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Rouh Ting.

Moore Stephens LLP
Public Accountants and Chartered Accountants

Singapore
2 April 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Sales	5	**791,637**	1,527,107
Cost of sales	6	**(737,446)**	(1,408,498)
Gross profit		**54,191**	118,609
Other income		**35,556**	24,490
Interest	5	**2,614**	2,264
Other operating	5	**32,942**	22,226
Expenses:			
Distribution	6	**(36,011)**	(53,301)
Administrative	6	**(9,396)**	(17,303)
Finance	8	**(8,944)**	(14,318)
Other:			
Loss allowance on trade and other receivables	6	**(3,017)**	(1,965)
Other operating	6	**(25,233)**	(31,171)
Total expenses		**(82,601)**	(118,058)
		7,146	25,041
Share of results of associated companies (after income tax)		**515**	(335)
Share of loss of joint ventures (after income tax)		**(408)**	(543)
Profit before income tax	6	**7,253**	24,163
Income tax expense	9	**(697)**	(5,706)
Profit after income tax		**6,556**	18,457
Attributable to:			
Equity holders of the Company		**8,032**	17,655
Non-controlling interests	34	**(1,476)**	802
		6,556	18,457
Earnings per share attributable to equity holders of the Company:			
Basic	10	**0.90 cent**	1.97 cents
Diluted	10	**0.90 cent**	1.97 cents

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Profit for the year		**6,556**	18,457
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets, at fair value through other comprehensive income	17	**(62)**	(742)
Defined benefit plans' actuarial gains/(loss)	28	**235**	(57)
Share of associated company's other comprehensive loss		**(14)**	–
		159	(799)
Items that may be reclassified subsequently to profit or loss:			
Share of associated companies' other comprehensive income/(loss)		**156**	(365)
Share of associated company's other comprehensive income reclassified from equity upon disposal		**–**	269
Share of joint venture's other comprehensive income/(loss)		**30**	(78)
Currency translation differences		**(12)**	(5,487)
		174	(5,661)
Other comprehensive income/(loss) for the year, net of tax		**333**	(6,460)
Total comprehensive income for the year		**6,889**	11,997
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**8,210**	11,491
Non-controlling interests	34	**(1,321)**	506
		6,889	11,997

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Group		The Company	
		2019	2018	**2019**	2018
		US$'000	US$'000	**US$'000**	US$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**47,106**	59,180	**6,341**	8,057
Trade and other receivables	12	**127,535**	181,161	**23,916**	18,418
Inventories	13	**120,078**	144,995	**–**	–
Financial assets, at fair value through profit or loss	14	**33,917**	70,953	**–**	–
Other current assets	15	**3,581**	2,232	**271**	261
		332,217	458,521	**30,528**	26,736
Non-current assets					
Income tax recoverable	9	**1,667**	1,667	**–**	–
Loans and other receivables	16	**–**	–	**38,278**	34,970
Financial assets, at fair value through profit or loss	14	**3,285**	3,506	**–**	–
Financial assets, at fair value through other comprehensive income	17	**129**	1,995	**–**	–
Investments in associated companies	18	**4,330**	3,742	**1,390**	1,390
Investments in joint ventures	19	**–**	1,815	**–**	–
Investments in subsidiaries	20	**–**	–	**56,574**	68,653
Property, plant and equipment	21	**35,276**	35,323	**534**	720
Investment properties	22	**4,510**	4,402	**–**	–
Intangible assets	23	**7,368**	9,062	**117**	58
Other assets	24	**223**	566	**–**	–
Deferred income tax assets	29	**652**	481	**–**	–
		57,440	62,559	**96,893**	105,791
Total assets		**389,657**	521,080	**127,421**	132,527

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Group		The Company	
		2019	2018	**2019**	2018
		US$'000	US$'000	**US$'000**	US$'000
LIABILITIES					
Current liabilities					
Trade and other payables	25	**109,264**	156,621	**9,964**	13,766
Current income tax liabilities	9	**2,435**	3,438	**93**	163
Borrowings	26	**119,000**	211,443	**2,651**	6,496
		230,699	371,502	**12,708**	20,425
Non-current liabilities					
Other payables	25	**–**	–	**8,794**	12,028
Borrowings	26	**10,372**	3,594	**6,091**	208
Defined benefit plans liabilities	28	**642**	863	**–**	–
Deferred income tax liabilities	29	**710**	660	**334**	288
		11,724	5,117	**15,219**	12,524
Total liabilities		**242,423**	376,619	**27,927**	32,949
NET ASSETS		**147,234**	144,461	**99,494**	99,578
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	**72,648**	72,648	**72,648**	72,648
Treasury shares	30	**(736)**	(736)	**(736)**	(736)
Capital reserve	31	**1,276**	1,276	**180**	180
Defined benefit plans reserve	31	**29**	(206)	**–**	–
Fair value reserve	31	**(804)**	(742)	**–**	–
Revaluation reserve	31	**45**	59	**–**	–
Other reserve	31	**(1,665)**	(765)	**–**	–
Currency translation reserve	32	**4,813**	4,794	**–**	–
Retained earnings	33	**63,689**	60,401	**27,402**	27,486
		139,295	136,729	**99,494**	99,578
Non-controlling interests	34	**7,939**	7,732	**–**	–
TOTAL EQUITY		**147,234**	144,461	**99,494**	99,578

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Note	Attributable to equity holders of the Company											
		Share capital US$'000	Treasury shares US$'000	Capital reserve US$'000	Defined benefit plans reserve US$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Other reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total attributable to equity holders of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019		**72,648**	**(736)**	**1,276**	**(206)**	**(742)**	**59**	**(765)**	**4,794**	**60,401**	**136,729**	**7,732**	**144,461**
Adoption of the SFRS(I) 16	2.1	–	–	–	–	–	–	–	–	(270)	(270)	–	(270)
Balance at 1 January 2019		**72,648**	**(736)**	**1,276**	**(206)**	**(742)**	**59**	**(765)**	**4,794**	**60,131**	**136,459**	**7,732**	**144,191**
Profit for the year		–	–	–	–	–	–	–	–	8,032	8,032	(1,476)	6,556
Other comprehensive income/(loss):													
Defined benefit plans' actuarial gain		–	–	–	235	–	–	–	–	–	235	–	235
Fair value loss on financial assets, at fair value through other comprehensive income	17	–	–	–	–	(62)	–	–	–	–	(62)	–	(62)
Share of associated companies' other comprehensive (loss)/income		–	–	–	–	–	(14)	–	156	–	142	–	142
Share of joint venture's other comprehensive income		–	–	–	–	–	–	–	30	–	30	–	30
Currency translation differences		–	–	–	–	–	–	–	(167)	–	(167)	155	(12)
Other comprehensive income/(loss) for the year, net of tax		–	–	–	235	(62)	(14)	–	19	–	178	155	333
Total comprehensive income/(loss) for the year		–	–	–	235	(62)	(14)	–	19	8,032	8,210	(1,321)	6,889
Contributions by and distributions to owners:													
One-tier tax-exempt final cash dividend for year 2018	35	–	–	–	–	–	–	–	–	(3,026)	(3,026)	–	(3,026)
One-tier tax-exempt interim cash dividend for year 2019	35	–	–	–	–	–	–	–	–	(1,448)	(1,448)	–	(1,448)
Total distributions to owners		–	–	–	–	–	–	–	–	(4,474)	(4,474)	–	(4,474)
Others:													
Subscription of additional interests in subsidiaries by non-controlling interests	34	–	–	–	–	–	–	(900)	–	–	(900)	1,625	725
Acquisition of additional interests in a subsidiary from a non-controlling interest	34	–	–	–	–	–	–	–	–	–	–	(43)	(43)
Dividends paid to non-controlling interests	34	–	–	–	–	–	–	–	–	–	–	(93)	(93)
Closure of a subsidiary	34	–	–	–	–	–	–	–	–	–	–	39	39
Total others		–	–	–	–	–	–	(900)	–	–	(900)	1,528	628
Balance at 31 December 2019		**72,648**	**(736)**	**1,276**	**29**	**(804)**	**45**	**(1,665)**	**4,813**	**63,689**	**139,295**	**7,939**	**147,234**

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		← Attributable to equity holders of the Company →											
	Note	Share capital US$'000	Treasury shares US$'000	Capital reserve US$'000	Defined benefit plans reserve US$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Other reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total attributable to equity holders of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2018		72,648	(736)	1,276	(149)	–	59	(765)	10,159	55,035	137,527	7,488	145,015
Profit for the year		–	–	–	–	–	–	–	–	17,655	17,655	802	18,457
Other comprehensive income/(loss):													
Defined benefit plans' actuarial losses		–	–	–	(57)	–	–	–	–	–	(57)	–	(57)
Fair value loss on financial assets, at fair value through other comprehensive income	17	–	–	–	–	(742)	–	–	–	–	(742)	–	(742)
Share of associated companies' other comprehensive loss		–	–	–	–	–	–	–	(365)	–	(365)	–	(365)
Share of an associated company's other comprehensive income reclassified from equity upon disposal		–	–	–	–	–	–	–	269	–	269	–	269
Share of joint venture's other comprehensive loss		–	–	–	–	–	–	–	(78)	–	(78)	–	(78)
Currency translation differences		–	–	–	–	–	–	–	(5,191)	–	(5,191)	(296)	(5,487)
Other comprehensive loss for the year, net of tax		–	–	–	(57)	(742)	–	–	(5,365)	–	(6,164)	(296)	(6,460)
Total comprehensive income/(loss) for the year		–	–	–	(57)	(742)	–	–	(5,365)	17,655	11,491	506	11,997
Contributions by and distributions to owners:													
One-tier tax-exempt final cash dividend for year 2017	35	–	–	–	–	–	–	–	–	(3,115)	(3,115)	–	(3,115)
One-tier tax-exempt interim cash dividend for year 2018	35	–	–	–	–	–	–	–	–	(2,621)	(2,621)	–	(2,621)
One-tier tax-exempt special interim cash dividend for year 2018	35	–	–	–	–	–	–	–	–	(6,553)	(6,553)	–	(6,553)
Total distributions to owners		–	–	–	–	–	–	–	–	(12,289)	(12,289)	–	(12,289)
Others:													
Subscription of additional interest in a subsidiary by a non-controlling interest	34	–	–	–	–	–	–	–	–	–	–	60	60
Acquisition of additional interest in a subsidiary from non-controlling interests	34	–	–	–	–	–	–	*	–	–	–	(35)	(35)
Dividends paid to non-controlling interests	34	–	–	–	–	–	–	–	–	–	–	(287)	(287)
Total others		–	–	–	–	–	–	–	–	–	–	(262)	(262)
Balance at 31 December 2018		72,648	(736)	1,276	(206)	(742)	59	(765)	4,794	60,401	136,729	7,732	144,461

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit before income tax		**7,253**	24,163
Adjustments for:			
Amortisation of computer software license costs		**144**	266
Amortisation of distribution rights		**13**	14
Depreciation of property, plant and equipment		**4,471**	2,930
Property, plant and equipment written off		**5**	3
Gain on disposal of property, plant and equipment		**–**	(13)
Fair value loss/(gain) on convertible note/bond		**683**	(941)
Fair value (gain)/loss on financial assets, at fair value through profit or loss		**(1,533)**	2,560
Gain on sale of financial assets, at fair value through profit or loss		**(1,024)**	(3)
Dividend income from financial assets, at fair value through profit or loss		**(45)**	(47)
Impairment losses on goodwill arising from acquisition of subsidiaries		**2,010**	4,526
Loss on closure of a subsidiary		**25**	–
Gain on disposal of an associated company		**–**	(18,258)
Impairment losses on investments in associated companies		**–**	5,437
Impairment loss on investment in a joint venture		**1,487**	–
Fair value loss on derivative financial instruments		**516**	666
Amount received/receivable in respect of the transfer of distribution business		**(25,374)**	–
Provision for defined benefit plans liabilities		**643**	497
Interest income		**(2,614)**	(2,264)
Interest expense		**8,944**	14,318
Share of results of associated companies		**(515)**	335
Share of loss of joint ventures		**408**	543
Operating cash flow before working capital changes		**(4,503)**	34,732
Change in working capital			
Trade and other receivables		**59,258**	38,796
Financial assets, at fair value through profit or loss	14	**36,452**	(70,224)
Inventories		**25,374**	23,425
Other current assets		**(1,325)**	444
Other assets (non-current)		**343**	(8)
Trade and other payables		**(28,399)**	(12,028)
Cash from operations		**87,200**	15,137
Income tax paid	9(c)	**(1,828)**	(4,475)
Net cash from operating activities		**85,372**	10,662

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from investing activities			
Payments for intangible assets (computer software license costs)		**(205)**	(265)
Payments for property, plant and equipment		**(326)**	(1,534)
Proceeds from disposal of property, plant and equipment		**1**	92
Proceeds from sale of financial assets, at fair value through profit or loss		**3,251**	542
Proceeds from disposal of an associated company	18(d)	**–**	29,055
Net cash inflow on step up acquisition from an associated company to a subsidiary	20(a)	**216**	–
Payments for financial assets, at fair value through profit or loss		**(583)**	(1,777)
Payment for investment in a joint venture	19(b)	**(49)**	–
Refund/(payments) for financial assets, at fair value through other comprehensive income	17	**1,800**	(1,800)
Dividends received from financial assets, at fair value through profit or loss		**45**	47
Interest received		**2,620**	2,261
Net cash from investing activities		**6,770**	26,621
Cash flows from financing activities			
Subscription of additional interests in subsidiaries by non-controlling interests	34	**525**	60
Payments for acquisition of additional interests in subsidiaries from non-controlling interests	20(b)	**(43)**	(35)
Net cash inflow from a non-controlling interest on closure of a subsidiary	34	**39**	–
Dividends paid	35	**(4,474)**	(12,289)
Dividends paid to non-controlling interests	34	**(93)**	(287)
Proceeds from bank borrowings		**554,894**	969,669
Proceeds from other borrowings		**13,693**	–
Repayment of bank borrowings		**(650,457)**	(993,511)
Repayment of other borrowings		**(6,785)**	–
Principal payments of lease liabilities		**(2,500)**	(44)
Interest paid		**(9,137)**	(14,399)
Net cash used in financing activities		**(104,338)**	(50,836)
Net decrease in cash and cash equivalents held		**(12,196)**	(13,553)
Cash and cash equivalents at the beginning of the year		**58,254**	72,157
Effect of currency translation on cash and cash equivalents		**52**	(350)
Cash and cash equivalents at the end of the year	11	**46,110**	58,254

The accompanying notes form an integral part of these financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

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

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

The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are shown in Note 20.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards International ("SFRS(I)") and the provisions of the Singapore Companies Act, Chapter 50. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The accounting policies adopted are consistent with those of the previous financial year except that for the financial year ended 31 December 2019, the Group has adopted all the new and revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") issued that are relevant to the Group and effective for annual periods beginning 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases*, the effect of which is discussed below, the adoption of the new and revised SFRS(I) has had no material financial impact on the financial statements of the Group.

Adoption of SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use assets are depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group elected a practical expedient offered by SFRS(I) 16, exempting the Group from having to reassess whether pre-existing contracts contains a lease.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

The Group has, on a lease-by-lease basis:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- excluded initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

There are no significant changes to the accounting by the Group as a lessor.

For leases previously classified as operating leases, the Group chose to measure its right-of-use assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. The Group recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. The difference between the carrying amounts of the right-of-use assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained earnings. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased assets and finance lease liabilities as at 1 January 2019 are determined as the carrying amount of the right-of-use assets and lease liabilities.

On 1 January 2019, the Group recognised right-of-use assets of US$4,810,000 and lease liabilities of US$5,080,000, recognising the differences of US$270,000 in retained earnings.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted-average rate applied range from 4.52% to 5.15% per annum.

The difference between the operating lease commitments disclosed applying SFRS(I) 1-17 in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the statements of financial position as at 1 January 2019 is presented below:

	The Group US$'000
Operating lease commitment disclosed as at 31 December 2018	**6,543**
Less: Discounted using the incremental borrowing rate at 1 January 2019	**(361)**
Less: Short-term leases	**(1,221)**
Add: Extension options which are reasonably certain to be exercised	**78**
Add: Adjustments relating to changes in the index or rate affecting variable payments	**41**
Lease liabilities recognised as at 1 January 2019	**5,080**

The adoption of SFRS(I) 16 does not have significant impact on the financial performance and financial position of the Company.

2. Significant accounting policies (continued)

2.2 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary at the acquisition date.

Under the revised SFRS(I) 3 *Business Combinations*, when the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. All subsequent changes in debt contingent consideration are recognised in the income statement, rather than the goodwill.

Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill on the statement of financial position.

(c) Disposals of subsidiaries or businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to the income statement or transferred directly to retained earnings if required by a specific Standard.

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(c) Disposals of subsidiaries or businesses (continued)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the income statement.

(d) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(e) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. Investments in associated companies and joint ventures in the consolidated statement of financial position includes goodwill (net of accumulated amortisation) identified on acquisition. Please refer to the paragraph "Intangible assets - Goodwill" [Note 2.14(a)] for the Group's accounting policy on goodwill arising from the acquisition of associated companies and joint ventures.

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' or joint venture's post-acquisition profits or losses are recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income directly. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company and joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company or joint venture.

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

Investments in associated companies and joint ventures are derecognised when the Group loses significant influence. Any retained equity interest in the equity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value and any proceeds from disposal is recognised in the income statement.

Gains or losses arising from partial disposals or dilutions in investments in associated companies and joint ventures in which significant influence is retained are recognised in the income statement.

2. Significant accounting policies (continued)

2.3 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in 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.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are recognised at the rates of exchange prevailing at the dates of transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the consolidated income statement, unless they arise from borrowings in foreign currencies, and other currency instruments designated and qualified as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in the consolidated financial statement and transferred to consolidated income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity. These currency translation differences are reclassified to the consolidated income statement on disposal (i.e. a disposal involving loss of control) of the entity giving rise to such reserve. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to consolidated income statement.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the reporting date.

2. Significant accounting policies (continued)

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Control of the goods or services is transferred over time if the Group's performance: (i) provides all the benefits received and consumed simultaneously by the customer; (ii) creates or enhances an asset that the customer controls as the Group performs; or (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below.

(a) Sale of goods

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sale contracts, net of estimated volume discounts, if any. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Other income

Income derived from commission and service income, rebate income from suppliers, warehouse management, rental income and advertising and promotion income are recognised when the services are rendered over time, and in accordance with the substance of the relevant agreements. Rental income and advertising and promotion income are recognised on a straight-line basis over the period of the lease term.

(c) Dividend income

Dividend income is recognised at a point in time when the right to receive payment is established.

2.5 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It established provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

2. Significant accounting policies (continued)

2.5 Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax liabilities are recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expenses in the consolidated income statement for the financial period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.6 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; and
- Fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining their cash flows are solely payment of principal and interest.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(a) Classification and measurement (continued)

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

(i) Debt instruments

The subsequent measurement categories depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

For debt instruments measured at amortised cost, these are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

For debt instruments measured at fair value through profit or loss, the movement in fair values and interest income that is not part of a hedging relationship is recognised in the consolidated income statement in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity instruments are classified as fair value through profit or loss with movements in their fair values recognised in the consolidated income statement, except where the Group has elected to classify the investments as fair value through other comprehensive income. Dividends from equity investments are recognised in the consolidated income statement.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments measured at amortised cost and financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime expected credit losses – represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(b) Impairment (continued)

Simplified approach – Trade receivables

The Group applies the simplified approach to provide expected credit losses for all trade receivables as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

General approach – Other financial instruments and financial guarantee contracts

The Group applies the general approach to provide for expected credit losses on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Company considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. The evidence includes the observable data about the significant financial difficulty of the borrower and default or past due event.

Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated income statement.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset measured at amortised cost, the difference between the net sale proceeds and its carrying amount is recognised in the consolidated income statement. On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in the consolidated income statement if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.7 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions, which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position.

2.8 Financial liabilities

Financial liabilities include borrowings, trade payables, derivative financial instruments and other monetary liabilities. They are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities, except for financial liabilities, at fair value through profit or loss, are recognised initially at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised, and through the amortisation process. For financial liabilities, at fair value through profit or loss, they are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the consolidated income statement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are determined using the weighted average basis.

The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of production overhead expenditure. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associated companies, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

2. Significant accounting policies (continued)

2.11 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(b) Depreciation

Freehold land is not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line method or reducing balance method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold land and buildings	2 - 54.5
Freehold buildings	40
Renovations	3 - 5
Furniture and fittings	3 - 5
Office equipment	3 - 5
Other equipment	3 - 8
Motor vehicles	5 - 10
Computers	3 - 5

(c) Subsequent expenditure

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the consolidated income statement during the financial year in which it is incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the consolidated income statement. Any amount in revaluation reserve relating to that item is transferred to retained profit directly.

2.12 Investment properties

Investment properties include those portions of the buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the consolidated income statement.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the consolidated income statement. The cost of maintenance, repairs and minor improvements is charged to the consolidated income statement when incurred.

2. Significant accounting policies (continued)

2.12 Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gain or loss on retirement or disposal of an investment property is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

2.13 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on acquisitions of associated companies and joint ventures represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill arising from the acquisition of subsidiaries is recognised separately as an intangible asset and carried at cost less accumulated impairment losses. Goodwill arising from the acquisition of associated companies and joint ventures is included in the carrying amount of the investments and assessed for impairment as part of the investments.

(b) Computer software

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Acquired computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the consolidated income statement using the straight-line method over their estimated useful lives of three to five years.

(c) Distribution rights

Acquired distribution rights are initially capitalised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the distribution rights over their estimated useful lives of four years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each reporting date. The effects of any revision of the amortisation period or amortisation method are included in the consolidated income statement for the financial year in which the changes arise.

2. Significant accounting policies (continued)

2.14 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested annually for impairment, and whenever there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated from the acquisition date, to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the consolidated income statement and is not reversed in a subsequent period.

(b) Intangible assets (other than goodwill)
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever there is any indication or objective evidence that these assets may be impaired. The recoverable amount (i.e. the higher of the fair value less cost of disposal and the value-in-use) of the asset is estimated in order to determine the extent of impairment loss (if any), on an individual asset.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the consolidated income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in the consolidated income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to the consolidated income statement.

2. Significant accounting policies (continued)

2.15 Borrowings

(a) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the reporting date are presented as non-current borrowings in the statement of financial position.

(b) Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other borrowing costs are recognised on a time-proportion basis in the consolidated income statement using the effective interest method.

2.16 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Derivatives that are disqualified or do not qualify for hedge accounting

The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge its risks associated with foreign currency fluctuations arising from the long-term loan exposure of its foreign subsidiaries. These derivative financial instruments entered into by the Group, while providing economic hedges, are not used for trading purposes.

Derivative financial instruments are recognised initially at fair value on the date the contracts are entered into and are subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement to fair value of derivative financial instruments that are disqualified or do not qualify for hedging accounting is recognised immediately in the consolidated income statement. Derivative financial instruments are carried as financial derivative assets when the fair value is positive and as financial derivative liabilities when the fair value is negative.

2.19 Fair value estimation

The carrying amounts of current financial assets and current financial liabilities, carried at amortised cost, are assumed to approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the current bid prices and the appropriate quoted market prices for financial liabilities are the current asking prices.

2. Significant accounting policies (continued)

2.19 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine fair values of the financial instruments.

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

The fair values of currency forwards are calculated on the present value of the estimated future cash flows discounted using actively quoted forward exchange rates.

2.20 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.21 Financial guarantees

The Company has issued corporate guarantees to banks and suppliers for bank borrowings and purchases respectively of its subsidiaries and suppliers. These guarantees are financial guarantee as they require the Company to reimburse the banks and suppliers if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings and credit.

Financial guarantees are initially recognised at their fair values plus transaction costs and subsequently measured at the higher of: (a) premium received on initial recognition less amortization over the period of the subsidiaries' borrowings; and (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.22 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, Mandatory Provident Fund in Hong Kong, Social Security Fund in China, Thailand, Philippines, Vietnam and Indonesia, Labour Pension Fund in Taiwan, Employees Provident Fund in Malaysia and National Pension Fund in South Korea on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Defined benefit plans – post employment benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Certain entities in the Group have legal obligations to operate severance benefit schemes. Under such schemes, employees and directors with at least one year of service are entitled to receive a lump sum payment upon termination of their employment, based on their length of service and rate of payment at the time of termination.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Defined benefit costs comprise the following: (i) Service cost (ii) Net interest expense or income (iii) Re-measurement.

2. Significant accounting policies (continued)

2.22 Employee compensation (continued)

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in the consolidated income statement. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest expense or income is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognised as expenses or income in the consolidated income statement.

Re-measurement comprising actual gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) is recognised immediately in other comprehensive income in the period in which it arises. Re-measurement is recognised in retained earnings within equity and is not reclassified to the consolidated income statement in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed for some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the consolidated income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the consolidated income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital when new ordinary shares are issued.

2. Significant accounting policies (continued)

2.23 Leases (accounting for leases from 1 January 2019)

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognised right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment" in the statements of financial position. Right-of-use assets which meet the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.12.

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payment included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payment), less any lease incentive receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable under residual value guarantees;
- the exercise price of a purchase option if its reasonably certain to exercise the option; and
- payment or penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

2. Significant accounting policies (continued)

2.23 Leases (accounting for leases from 1 January 2019) (continued)

(a) When the Group is the lessee: (continued)

Where lease liabilities are re-measured, corresponding adjustments are made against the right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero, the adjustments are recorded in the consolidated income statement.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for sub-lease arrangements. Lease payments relating to these leases are expensed to consolidated income statement on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in consolidated income statement in the periods that triggered those lease payments.

(b) When the Group is the lessor:

Leases of investment properties where the Group retains a significant portion of the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in the consolidated income statement on a straight-line basis over the lease term. Contingent rents are recognised as income in the consolidated income statement when earned.

2.24 Leases (accounting for leases up to 31 December 2018)

(a) When the Group is the lessee:

The Group leases certain property, plant and equipment from third parties.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised in the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the consolidated income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the consolidated income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place. Contingent rents are recognised as an expense in the consolidated income statement when incurred.

2. Significant accounting policies (continued)

2.24 Leases (accounting for leases up to 31 December 2018) (continued)

(b) When the Group is the lessor:

The Group leases out certain investment properties to associated companies.

Operating leases

Assets leased out under operating leases are included in investment properties.

Rental from operating leases (net of any incentives given to the lessees) are recognised in the consolidated income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the consolidated income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the consolidated income statement when earned.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When the Company or any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders for payment.

3. New and revised SFRS(I) issued but not yet adopted

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised SFRS(I) that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods beginning on or after 1 January 2020, management is in the process to assess the impact of these new standards on the financial performance or financial positon of the Group.

- Amendments to SFRS(I) 3
  Business Combination: Definition of a business

  The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value assets acquired is concentrated in a single asset or group of similar assets.

- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8
  Presentation of Financial Statements and *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Material

  The amendments refine the definition of "material", provide guidance on its application, and align the definitions used across SFRS(I). Based on the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- Interest Rate Benchmark Reform – Amendments to SFRS(I) Financial Instruments, SFRS(I) 1-39
  Financial Instruments*: Recognition and Measurement and SFRS(I) 7 Financial Instruments: Disclosures*

  The amendments provide temporary relief to allow hedge accounting to continue for certain hedges during the period of certain hedges during the period of uncertainty before replacement of an existing Interbank Offered Rate benchmark (IBOR) with an alternative nearly Risk Free Rates (RFRs). The amendments are mandatory for all hedging relationships directly affected by the IBOR reform. Companies are required to assume that the interest rate benchmark that is the subject of a hedge of interest rate risk is unaltered by the reforms.

4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates and assumptions

(i) Estimated impairment of goodwill arising from acquisition of subsidiaries

The Group tests goodwill for impairment annually in accordance with the accounting policy as disclosed in Note 2.14(a). The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to these estimates and assumptions would result in changes in the carrying amount of goodwill arising from the acquisition of subsidiaries at the reporting date.

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

(a) Critical accounting estimates and assumptions (continued)

(i) Estimated impairment of goodwill arising from acquisition of subsidiaries (continued)

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the CGU is raised by 1.0% (2018: 1.5%), the impairment loss on goodwill would have been increased by approximately US$470,000 (2018: US$421,000).

As at the reporting date, the net carrying amount of goodwill arising from acquisition of subsidiaries amounted to US$6,958,000 (2018: US$8,698,000), net of accumulated impairment loss amounting to US$13,984,000 (2018: US$11,974,000).

(ii) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 2 to 54.5 years. The carrying amount of the Group's property, plant and equipment as at the reporting date was US$35,276,000 (2018: US$35,323,000). The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% (2018: 10%) from management's estimates, the Group's profit after tax will decrease/increase by approximately US$376,000 (2018: US$243,000).

(b) Critical judgements in applying the Group's accounting policies

(i) Loss allowance for receivables

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2.6(b). In making this estimation and judgement, the Group evaluates, among other factors, the ageing analysis of receivables, the financial healthiness and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macro-economic indicators, etc.

The carrying amount of the Group's trade and other receivables at 31 December 2019 amounted to US$127,535,000 (2018: US$181,161,000). The information about the expected credit losses on the Group's trade and other receivables is disclosed in Note 12 and 37(b).

(ii) Tax recoverable

During the financial year ended 31 December 2016, as part of the Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiary in China and Hong Kong, the Group paid additional income tax of RMB18,041,000 (US$2,731,000) and interest of RMB4,374,000 (US$652,000) to the China tax authority. As the Transfer Pricing audit was carried out in China, a unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, an independent tax consultant has been engaged to assist the Group's Hong Kong subsidiary to apply for corresponding adjustment to eliminate double taxation, based on current tax rules and regulations in China and Hong Kong. Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that Hong Kong's tax authority will accept the application for the tax refund in principle and amount. As at 31 December 2019, the carrying amount of the tax recoverable amounted to HK$13,000,000 (US$1,667,000) (2018: US$1,667,000). At the date of this report, the double tax relief application is still under review by the Hong Kong's tax authority.

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

(b) Critical judgements in applying the Group's accounting policies (continued)

(iii) Write down of inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on current market conditions and the historical experience of selling products of similar nature. It could change significantly as a result of changes in end consumer demand and competitor actions in response to changes in market conditions. Management reassess these estimates at each reporting period end.

The Group provided allowances for inventory obsolescence during the financial year amounting to US$7,274,000 (2018: wrote back allowances for inventory obsolescence amounting to US$1,748,000).

Inventory items identified to be obsolete and unusable are also written off and charged as an expense during the financial year. During the financial year, certain inventories which became obsolete and unusable totalling US$233,000 (2018: US$335,000) have been written off. The carrying amount of inventories as at the reporting date was US$120,078,000 (2018: US$144,995,000).

5. Revenue

	The Group	
	2019	2018
	US$'000	US$'000
Sales of goods	**791,637**	1,527,107
Other operating income	**32,942**	22,226
Interest income	**2,614**	2,264
	827,193	1,551,597
Performance obligations satisfied at a point in time		
Sales of goods:		
- electronic components	**749,926**	1,466,398
- consumer products	**36,622**	54,982
Others [Note 40(a)]	**5,089**	5,727
	791,637	1,527,107

Revenue based on the geographical area in which the entities are located are disclosed in Note 40(b).

5. Revenue (continued)

	The Group	
	2019	2018
	US$'000	US$'000
Other operating income:		
Advertising and promotion income	**–**	21
Commission and service income	**1,454**	1,024
Rebate income from suppliers	**2,733**	600
Warehouse management and rental income	**729**	820
Gain on:		
- sale of financial assets, at fair value through profit or loss	**1,024**	3
- disposal of an associated company [Note 18(d)]	**–**	18,258
- disposal of property, plant and equipment	**–**	13
Fair value gain/(loss) on:		
- financial assets, at fair value through profit or loss [Note 14(a)]	**1,533**	–
- convertible bond [Note 14(b) and 18(c)]	**(683)**	941
Dividend income arising from financial assets, at fair value through profit or loss	**45**	47
Amount received/receivable in respect of the transfer of distribution business	**25,374**	–
Foreign exchange gain (net)	**352**	–
Sundry income	**381**	499
Total other operating income	**32,942**	22,226
Interest income:		
- project financing, factoring and leasing	**1,968**	1,633
- bank balances	**393**	315
- loan to a joint venture	**253**	316
Total interest income	**2,614**	2,264

6. Profit before income tax

	Note	The Group 2019 US$'000	2018 US$'000
This is arrived at after charging:			
Amortisation charges for intangible assets*			
- computer software license costs	23(b)	**144**	266
- distribution rights	23(c)	**13**	14
Depreciation of property, plant and equipment*	21	**4,471**	2,930
Property, plant and equipment written off*		**5**	3
Loss on closure of a subsidiary*		**25**	–
Fair value loss on financial assets, at fair value through profit or loss*	14(a)	**–**	2,560
Impairment loss on:			
- goodwill arising from acquisition of subsidiaries*	23(a)	**2,010**	4,526
- investments in associated companies*	18(e)	**–**	5,437
- investment in a joint venture*	19(c)	**1,487**	–
Loss allowance:			
- trade receivables (third parties)	37(b)	**1,370**	1,450
- non-trade receivables (third parties)	37(b)	**1,647**	515
Inventories:			
- cost of inventories recognised as an expense (included in'cost of sales')		**737,446**	1,408,498
- allowances/(write-back of allowances) for inventory obsolescence*	13	**7,274**	(1,748)
- write-off of inventories*		**233**	335
Fair value loss on derivative financial instruments*		**516**	666
Foreign exchange loss (net)*		**–**	4,375
Employee benefits expense	7	**34,667**	44,705
Rental expense - operating leases		**1,707**	5,118
Freight and handling charges		**4,326**	8,096
Travelling and transportation expenses		**2,363**	3,478
Sales commission expense		**2,575**	3,536
Hong Kong IPO expenses		**–**	3,082
Other expenses (included in distribution, administrative and other expenses)		**8,824**	14,396
Total cost of sales, distribution, administrative and other expenses		**811,103**	1,512,238

***** Included in "other operating expenses"

7. Employee benefits expense

	The Group	
	2019	2018
	US$'000	US$'000
Wages, salaries and bonuses	**29,605**	39,438
Employer's contribution to defined contribution plans	**3,763**	4,069
Defined benefit plans [Note 28(b)]	**643**	497
Other long term benefits	**656**	701
Total (Note 6)	**34,667**	44,705

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

8. Finance expense

	The Group	
	2019	2018
	US$'000	US$'000
Interest expense:		
Bank borrowings	**1,773**	2,901
Trust receipts	**4,078**	7,058
Factoring	**2,880**	4,352
Lease liabilities/finance lease liabilities	**213**	7
	8,944	14,318

9. Income taxes

(a) Income tax expense

	The Group	
	2019	2018
	US$'000	US$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	**108**	534
Current income tax – Foreign	**1,250**	5,099
	1,358	5,633
Deferred income tax (Note 29)	**(120)**	332
	1,238	5,965
(Over)/under provision in preceding financial years		
Current income tax [Note 9(c)]	**(543)**	(290)
Deferred income tax (Note 29)	**2**	31
	697	5,706

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on the profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2019	2018
	US$'000	US$'000
Profit before income tax	**7,253**	24,163
Tax calculated at applicable tax rates	**1,177**	4,023
Effects of:		
Income not subject to tax	**(4,598)**	(3,105)
Expenses not deductible for tax purposes	**2,301**	4,618
Utilisation of previously unrecognised deferred income tax assets	**(288)**	(435)
Deferred income tax assets not recognised	**2,107**	453
Tax effect on share of results of associated companies and joint ventures	**(19)**	149
Withholding tax - foreign	**558**	262
Over provision of current income tax in preceding financial years	**(543)**	(290)
Under provision of deferred income tax in preceding financial years	**2**	31
Tax expense	**697**	5,706

The income not subject to tax mainly relates to other operating income arising from the gain for transfer of distribution business, gain on disposal of an associated company, fair value gain and gain on sales of financial assets, at fair value through profit or loss and fair value gain on convertible bond.

The expenses not deductible for tax purposes mainly relate to impairment loss on goodwill arising from acquisition of subsidiaries, investments in associated companies and a joint venture, fair value loss on financial assets, at fair value through profit or loss, loss allowance on financial assets, exchange loss arising from revaluation of non-trade balances, fair value loss on derivative financial instruments, private car expenses, interest expenses relating to non-income producing assets, professional fees incurred on capital transactions and restriction on deduction for entertainment expenses incurred by the Group's South Korea and China subsidiaries.

The corporate income tax rates for the Group's subsidiaries, are calculated at the tax rates applicable in the country/region in which these subsidiaries are assessable for tax, based on existing legislation, interpretations and practices in respect thereof. The corporate income tax rates for the Group's subsidiaries which were subject to tax are as follows:

	2019	2018
Country/region of the subsidiaries:		
Singapore	**17.0%**	17.0%
China	**25.0%**	25.0%
Hong Kong	**16.5%**	16.5%
Malaysia	**20.0%**	20.0%
South Korea	**20.0%**	20.0%
Taiwan	**20.0%**	20.0%
Thailand	**20.0%**	20.0%
India	**30.0%**	30.0%

9. Income taxes (continued)

(b) Income tax recoverable

	The Group	
	2019	2018
	US$'000	US$'000
Classified as		
Non-current	**1,667**	1,667

During the financial year ended 31 December 2016, as part of the Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiary in China and Hong Kong, the Group paid additional income tax of RMB18,041,000 (US$2,731,000) and interest of RMB4,374,000 (US$652,000) to the China tax authority. As the Transfer Pricing audit was carried out in China, a unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, an independent tax consultant has been engaged to assist the Group's Hong Kong subsidiary to apply for corresponding adjustment to eliminate double taxation, based on current tax rules and regulations in China and Hong Kong. Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that Hong Kong's tax authority will accept the application for the tax refund in principle and amount. Up to the date of this report, the double tax relief application is still under review by the Hong Kong's tax authority and the amount is classified as non-current in the statement of financial position.

(c) Movements in current income tax liabilities are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**3,438**	2,861	**163**	106
Income tax (paid)/refund	**(1,828)**	(4,475)	**10**	46
Tax expense on profit [Note 9(a)]	**1,358**	5,633	**75**	198
Over provision in preceding financial years [Note 9(a)]	**(543)**	(290)	**(155)**	(187)
Currency translation differences	**10**	(291)	**–**	–
End of financial year	**2,435**	3,438	**93**	163

10. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

	The Group	
	2019	2018
Net profit attributable to equity holders of the Company (US$'000)	**8,032**	17,655
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**895,842**	895,842
Basic earnings per share (US$)	**0.90 cent**	1.97 cents

10. Earnings per share (continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, net profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue are adjusted for the effects of all potential dilutive ordinary shares.

There are no potential dilutive shares during the financial year ended 31 December 2019 and 31 December 2018. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for financial year ended 31 December 2019 and 31 December 2018.

11. Cash and cash equivalents

	The Group		**The Company**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**40,303**	52,425	**1,079**	2,808
Short-term bank deposits	**6,803**	6,755	**5,262**	5,249
Cash and bank balances	**47,106**	59,180	**6,341**	8,057
Less: Bank deposits pledged for overdraft facility	**(996)**	(926)	**–**	–
Cash and cash equivalents per consolidated cash flows	**46,110**	58,254	**6,341**	8,057

(a) As at the reporting date, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately US$2,375,000 (2018: US$3,742,000). The Chinese Renminbi is not freely convertible into other currencies. However under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

(b) As at the reporting date, short-term bank deposits matured on varying dates within one month to twelve months (2018: one week to twelve months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		**The Company**	
	2019	2018	**2019**	2018
Singapore Dollar	**0.10%**	0.10%	**0.10%**	0.10%
New Taiwan Dollar	**0.68%**	0.63%	**–**	–
United States Dollar	**1.82%**	2.55%	**1.87%**	2.62%
Thailand Baht	**1.45%**	1.45%	**–**	–
Korean Won	**–**	2.50%	**–**	–

12. Trade and other receivables

	The Group		The Company	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Trade receivables:				
Third parties	**118,660**	177,405	**–**	–
Subsidiaries	**–**	–	**2,122**	1,659
	118,660	177,405	**2,122**	1,659
Loss allowance	**(13,050)**	(11,871)	**–**	–
Net trade receivables	**105,610**	165,534	**2,122**	1,659
Other receivables:				
Third parties	**15,858**	8,488	**159**	72
Loss allowance	**(1,773)**	(126)	**–**	–
	14,085	8,362	**159**	72
Due from:				
Subsidiaries	**–**	–	**19,913**	14,970
Associated companies	**2,237**	2,287	**1,722**	1,717
Joint ventures	**6,118**	5,493	**–**	–
Loss allowance	**(515)**	(515)	**–**	–
Net other receivables	**21,925**	15,627	**21,794**	16,759
Total	**127,535**	181,161	**23,916**	18,418

(a) The Group has 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 amount 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, when they are recognised at fair value. Loss allowance for trade receivables are measured at an amount equal to lifetime expected credit losses. Details are disclosed in Note 37(b) to the consolidated financial statements.

(b) Included in the trade receivables are notes receivables amounting to US$3,840,600 (2018: US$11,921,800) which matured within 9 months from 31 December 2019 (2018: within 9 months from 31 December 2018).

(c) Other receivables (including amount due from subsidiaries, associated companies and joint ventures) are considered to have low credit risk as there are no significant increase in the risk of default on the receivables since initial recognition. The loss allowances are measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures, except for an amount of US$1,647,000 which are recognised based on lifetime expected credit loss in line with the significant change in credit risks of the debtors [Note 18(d)]. Details of the loss allowance for other receivables are disclosed in Note 37(b) to the consolidated financial statements.

Included in other receivables is an unsecured loan receivable of US$1,000,000 (2018: Nil), which is unsecured, interest-free and repayable by cash, on demand.

(d) As at the reporting date, the amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US$6,787,000 (2018: US$10,993,000) which bears interest at a weighted average of 6.18% (2018: 5.90%) per annum.

(e) As at the reporting date, the amounts due from associated companies are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand. As at 31 December 2019, there was a loss allowance for amount due from an associated company amounting to US$515,000 (2018: US$515,000) due to changes in credit risk.

(f) As at the reporting date, the amounts due from joint ventures are non-trade in nature, unsecured and are repayable in cash, on demand except for an amount of US$3,945,000 (2018: US$5,493,000) which bears interest at a weighted average of 5.89% (2018: 5.00%) per annum.

13. Inventories

	The Group	
	2019	2018
	US$'000	US$'000
Finished goods	**119,160**	144,032
Work in progress	**47**	10
Raw materials	**871**	953
	120,078	144,995

During the financial year, the Group provided allowances for inventory obsolescence amounting to US$7,274,000. During the previous financial year ended 31 December 2018, the Group wrote back allowances for inventory obsolescence amounting to US$1,748,000 (Note 6).

The written back of allowances for inventory obsolescence in the previous financial year ended 31 December 2018 mainly resulted from the termination of the distributorship agreement with a supplier and the Group subsequently recovered from the supplier the inventories at cost. Accordingly, the net realisable value of such inventories was reversed to their cost and the provision made for certain aged inventories up to 31 December 2018 was written back to the consolidated income statement.

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

	The Group	
	2019	2018
	US$'000	US$'000
Classified as:		
Current	**33,917**	70,953
Non-current	**3,285**	3,506
	37,202	74,459
Comprised:		
Listed equity securities/assets [Note 14(a)]:		
- Singapore	**1,365**	382
- South Korea	**1,348**	2,553
- Indonesia	**2**	2
- Taiwan	*****	*
	2,715	2,937
Convertible bond [Note 14(b)]:		
- United States	**100**	–
- Singapore	**–**	683
	100	683
Trade receivables [Note 14(c)]	**33,772**	70,224
Other investment - Cambodia [Note 14(d)]	**615**	615
Total	**37,202**	74,459

* Less than US$1,000

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

(a) Movements in listed equity securities/assets are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**2,937**	5,998
Additions	**483**	–
Fair value gain/(loss) (Note 5 and Note 6)	**1,533**	(2,560)
Disposals	**(2,227)**	(470)
Currency translation differences	**(11)**	(31)
End of financial year	**2,715**	2,937

(b) As at the reporting date, the Group has an unsecured convertible bond of US$100,000 issued by a third party entity incorporated in the United States. The bond bears an interest at the rate of 2% per annum and matures on 2 December 2021. The Group has an option to convert the debt instrument to the ordinary shares of the bond issuer prior to the maturity date according to the terms and conditions of the debt instrument.

As at the reporting date, the Group has an unsecured convertible bond with a principal amount of US$683,000 issued by a third party entity incorporated in Singapore. The convertible bond bears interest at the rate of 7% per annum. The Group has called for redemption of the convertible bond. During the financial year, the Group recognised fair value loss amounting to US$683,000 (2018: Nil) in the consolidated income statement as the fair value less cost of disposal is expected to be minimal (Level 3 of fair value measurement).

(c) The Group entered into factoring agreements with certain banks so as to obtain bank financing. Financial assets, at fair value through profit or loss are trade receivables that do not meet the criteria for measurement at either amortised cost or fair value through other comprehensive income as the objective of the Group's business model is achieved by selling these assets. As at the reporting date, the fair value of the trade receivables amounted to US$33,772,000 (2018: US$70,224,000). During the financial year, changes in fair values of financial assets, at fair value through profit or loss amounted to US$243,000 (2018: US$359,000) are recorded under finance expenses in the consolidated income statement.

As at the reporting date, trade receivables of US$33,945,000 (2018: US$76,306,000) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements. Under these arrangements, the Group is not exposed to default risks of the trade receivables after the transfer and subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. Accordingly these trade receivables measured at fair value through profit or loss as at 31 December 2019 and 31 December 2018, were de-recognised.

(d) Other investment relates to an interest in a residential and commercial property development investment on two pieces of land located in Phnom Penh, Cambodia. This investment was fully recovered by the Group subsequent to the reporting date.

15. Other current assets

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**1,151**	619	**–**	–
Prepayments	**2,430**	1,613	**271**	261
	3,581	2,232	**271**	261

(a) Prepayments are denominated in the following currencies:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Singapore Dollar	**803**	297	**164**	156
United States Dollar	**531**	242	**107**	105
Hong Kong Dollar	**66**	86	**–**	–
New Taiwan Dollar	**232**	329	**–**	–
Korean Won	**530**	417	**–**	–
Chinese Renminbi	**255**	176	**–**	–
Indonesian Rupiah	**–**	34	**–**	–
Others	**13**	32	**–**	–
	2,430	1,613	**271**	261

(b) The currency exposure for deposits is disclosed in Note 37(a)(i) to the financial statements under "other financial assets".

16. Loans and other receivables

	The Company	
	2019	2018
	US$'000	US$'000
Non-current		
Loans to subsidiaries:		
Interest bearing		
Gross amount	**21,161**	28,554
Loss allowance	**(370)**	–
	20,791	28,554
Non-interest bearing		
Gross amount	**18,237**	7,182
Loss allowance	**(225)**	–
Less: Fair value adjustment to investments in subsidiaries	**(1,606)**	(1,606)
Add: Imputed interest recognised in Company's income statement	**1,081**	840
	17,487	6,416
Total	**38,278**	34,970

As at the reporting date, the weighted average effective interest rate of the interest bearing unsecured loans to subsidiaries based on prevailing market interest rates is 5.22% (2018: 5.43%) per annum.

As at the reporting date, the non-interest bearing loans to subsidiaries of US$18,237,000 (2018: US$7,182,000) are repayable on 31 December 2021 (2018: 31 December 2021). The amounts are adjusted to be measured at fair value at date of inception.

17. Financial assets, at fair value through other comprehensive income

	The Group	
	2019	2018
	US$'000	US$'000
Non-current		
Unlisted equity securities:		
- United States	**–**	1,800
- China	**129**	195
Total	**129**	1,995

Financial assets, at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant.

Movements in financial assets, at fair value through other comprehensive income are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**1,995**	951
Additions	**–**	1,800
Refund of investment	**(1,800)**	–
Fair value loss recognised in other comprehensive income	**(62)**	(742)
Currency translation differences	**(4)**	(14)
End of financial year	**129**	1,995

18. Investments in associated companies

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Quoted equity shares, at cost	**10,205**	10,205	**1,390**	1,390
Unquoted equity shares, at cost	**37**	5,206	**–**	–
	10,242	15,411	**1,390**	1,390
Share of post-acquisition results and reserves	**(5,624)**	(5,963)	**–**	–
Impairment loss	**–**	(5,437)	**–**	–
Currency translation differences	**(288)**	(269)	**–**	–
	4,330	3,742	**1,390**	1,390
Market value of quoted equity shares	**5,835**	8,555	**1,552**	1,390

18. Investments in associated companies (continued)

(a) The details of the associated companies held directly by the Group and the Company are as follows:

	Name of associated companies	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by the Group and Company				
(2)	Bull Will Co., Ltd	Manufacturing and sale of electronic components with focus on passive components	Taiwan	**19.0**	19.0
	Held by the Group				
(1)	Globaltronics International Pte. Ltd.	Investment holding	Singapore	**45.0**	45.0
(3)	PT Sentral Mitra Informatika	Provision of managed print services and distribution of copiers and printers	Indonesia	**20.0**	20.0
(4)	UniSerial Electronics Limited (Formerly known as Unitrontech China Co., Ltd)	Distribution of electronic and electrical components	Hong Kong	**–**	41.0
(5)	Tong Chiang Group Pte. Ltd.	Manufacture of food products and provision of food catering business	Singapore	**–**	21.0
(5)	Edith-United International Pte Ltd	Investment holding and rental of investment properties	Singapore	**21.0**	21.0
(5)	Eunice Food Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	**21.0**	21.0
(5)	Imperial Kitchen Catering Pte. Ltd.	Investment holding and rental of investment properties	Singapore	**21.0**	21.0

(1) Audited by Moore Stephens LLP, Singapore
(2) Audited by member firms of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member for current financial year. Audited by ShineWing Taiwan, CPAs, Taipei, Taiwan for financial year ended 31 December 2018.
(3) Audited by Crowe Indonesia
(4) Audited by PricewaterhouseCoopers, Hong Kong
(5) Reviewed by Moore Stephens LLP, Singapore for consolidation purposes. These entities are not considered significant associate companies pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

(b) On 25 September 2019, the Group's 91.0% owned subsidiary, Serial Microelectronics (HK) Limited, acquired an additional 6% equity interest in 45.0% owned UniSerial Electronics Limited from the existing shareholder. UniSerial Electronics Limited becomes a partially-owned subsidiary of the Group, as the Group obtained the control of UniSerial Electronics Limited by majority of shareholding. For details of the acquisition, please refer to Note 20(a).

18. Investments in associated companies (continued)

(c) On 28 November 2018, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired an equity interest of 20.0% in a company incorporated in Indonesia, PT Sentral Mitra Informatika ("PT SMI") through the conversion of convertible bond issued by PT SMI of IDR 25 billion (US$1,777,000), following the listing of PT SMI on the Development Board of the Stock Exchange of Indonesia. The Group recognised a fair value gain of US$941,000 in the consolidated income statement (Note 5) prior to the conversion of the convertible bond to equity shares.

(d) On 14 August 2018, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. ("SCE"), together with the other shareholders of SPL Holdings (Australia) Pty Ltd ("SPL"), entered into a conditional share sale agreement to dispose of the entire issued share capital of SPL to a third party. The total cash consideration for SCE's 27.3% interest in SPL was AUD 40,157,000 (US$29,055,000). The total cash consideration was adjusted for differences between the estimated working capital and net debt of SPL as set out in the conditional share sale agreement and the final actual capital and net debt of SPL following the completion of the disposal. The Group recognised a gain on disposal of an associated company of US$18,258,000 in the consolidated income statement during the financial year ended 31 December 2018 (Note 5). As at the reporting date, an amount of US$1,647,000 (2018: US$1,658,000) included in trade and other receivables remains outstanding, pending fulfillment of certain conditions. The Group provided loss allowance of US$1,647,000 during the financial year [Note 12(c)].

(e) During the financial year ended 31 December 2018, the Group made full impairment losses of US$5,437,000 on its 21.0% equity interests in Tong Chiang Group Pte. Ltd. ("TCGPL"), Edith-United International Pte Ltd, Eunice Food Catering Pte. Ltd. and Imperial Kitchen Catering Pte. Ltd. ("Tong Chiang Group") respectively. Creditors have filed application with the High Court of Singapore to wind up TCGPL. The Group recognised full impairment losses as the recoverable amount of the investment in the Tong Chiang Group would likely to be minimal based on its fair value less cost of disposal (Level 3 of fair value measurement). TCGPL was ordered to be wound up by an order of the High Court of Singapore on 1 March 2019.

(f) The Group has not recognised losses relating to Globaltronics International Pte. Ltd. where its share of losses exceeds the Group's interest in this associated company. The Group's cumulative share of unrecognised losses of Globaltronics International Pte. Ltd. as at the reporting date was US$183,000 (2018: US$241,000), after the share of the current year's profit of US$58,000 (2018: US$5,000). The Group has no obligation in respect of these unrecognised losses.

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

	The Group	
	2019	2018
	US$'000	US$'000
The Group's share of:		
Profit/(losses) from continuing operations	**515**	(335)
Other comprehensive income/(loss)	**142**	(365)
Total comprehensive income/(loss)	**657**	(700)
Aggregate carrying amount of the Group's interests in the associated companies	**4,330**	3,742

19. Investments in joint ventures

	The Group	
	2019	2018
	US$'000	US$'000
Unquoted equity shares, at cost	**2,393**	2,344
Share of post-acquisition results and reserves	**(907)**	(529)
Impairment loss	**(1,487)**	–
Currency translation differences	**1**	–
	–	1,815

(a) The details of the joint ventures held directly by the Group are as follows:

	Name of joint ventures	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by the Group				
(1)	Musang Durians Frozen Food (M) Sdn. Bhd.	Manufacturing, processing, trading and exporting of durian puree and durian related products	Malaysia	**27.5**	27.5
(2)	Lierda Serial China Limited	Distribution of electronic and electrical components	Hong Kong	**49.0**	–

(1) Audited by Sha, Tan & Co., Chartered Accountants, Kuala Lumpur, Malaysia.
(2) Audited by PricewaterhouseCoopers, Hong Kong.

(b) On 8 February 2019, the Group's 91.0% owned subsidiary, Serial Microelectronics (HK) Limited, acquired 49% equity interests in newly incorporated Lierda Serial China Limited by subscribing for 49,000 new ordinary shares for US$49,000. The investment in Lierda Serial China Limited was classified as investment in a joint venture as the Group and the independent third party jointly control Lierda Serial China Limited and unanimous consent from all joint venture partners are required to make significant operating decisions.

(c) During the financial year, the Group carried out its annual impairment review and recorded an impairment loss of US$1,487,000 on its 27.5% equity interests in Musang Durians Frozen Food (M) Sdn. Bhd (Note 6). The recoverable amount was determined based on fair value less cost of disposal, which approximates to its adjusted net assets at reporting date (Level 3 of fair value measurement).

(d) The following table summarises, in aggregate, the carrying amount, share of loss and other comprehensive income/(loss) of the joint venture that is not material to the Group and accounted for using the equity method:

	The Group	
	2019	2018
	US$'000	US$'000
The Group's share of:		
Loss from continuing operations	**(408)**	(543)
Other comprehensive income/(loss)	**30**	(78)
Total comprehensive loss	**(378)**	(621)
Aggregate carrying amount of the Group's interests in the joint ventures	**–**	1,815

20. Investments in subsidiaries

	The Company	
	2019	2018
	US$'000	US$'000
Equity investments at cost:		
Beginning of financial year	**74,387**	74,365
Additions [Note 20(c)]	**499**	–
Accounting for financial guarantee contracts	**285**	466
Fair value adjustment to loans from subsidiaries	**–**	(444)
End of financial year	**75,171**	74,387
Accumulated impairment losses:		
Beginning of financial year	**(5,734)**	(1,576)
Additions	**(12,863)**	(4,158)
End of financial year	**(18,597)**	(5,734)
Net investment	**56,574**	68,653

(a) Business combinations

On 25 September 2019, the Group's 91% owned subsidiary, Serial Microelectronics (HK) Limited, acquired an additional 6% equity interest from 45% to 51% in UniSerial Electronics Limited from an existing shareholder for a total consideration of HK$2,194,000 (US$281,000), represented by cash consideration of HK$205,000 (US$26,000) and deemed settlement of receivable from the existing shareholder of HK$1,989,000 (US$255,000).

The Group's effective interest in UniSerial Electronics Limited increased from 41.0% to 46.4% after the acquisition. UniSerial Electronics Limited becomes a partially-owned subsidiary of the Group, as the Group obtained the control of UniSerial Electronics Limited by majority of shareholding.

20. Investments in subsidiaries (continued)

(a) Business combinations (continued)

Details of the purchase consideration, the net results acquired and goodwill are as follows:

	The Group
	2019
	US$'000
Purchase consideration:	
Cash paid	**26**
Deemed settlement of receivable	**255**
Total	**281**
Identified assets acquired and liabilities assumed:	
Cash and cash equivalents	**242**
Inventories	**552**
Trade and other receivables	**115**
Other current assets	**646**
Trade and other payables	**(902)**
Other borrowings	**(245)**
Total identifiable net assets acquired	**408**
Less: Non-controlling interest	**(200)**
Less: Previously held investment recognised as investment in an associated company	**(69)**
Add: Goodwill recognised [Note 23(a)]	**142**
Total consideration	**281**
Effect on cash flow of the Group:	
Cash paid (as above)	**(26)**
Less: Cash and cash equivalents acquired	**242**
Cash inflow on acquisition	**216**

There were no significant acquisition related costs incurred by the Group for the acquisition of UniSerial Electronics Limited. The trade and other receivables acquired in this transaction with a fair value of US$115,000 had a gross contractual amount of US$115,000. At the acquisition date, none of the contractual cash flows pertaining to the trade receivables are not expected to be collected.

The goodwill of US$142,000 arising from the acquisition of UniSerial Electronics Limited is computed as excess of the fair value of the net identifiable assets of the subsidiary acquired over the sum of the consideration transferred and the acquisition date fair value of previously held equity interest in the acquiree.

Since the acquisition, UniSerial Electronics Limited contributed US$1,117,000 and US$40,000 to the Group's revenue and net profits respectively, included in the consolidated income statement for the current financial year. Had the business combination taken place at 1 January 2019, the consolidated revenue and net profit for the current financial year would have been US$792,870,000 and US$6,271,000 respectively.

20. Investments in subsidiaries (continued)

(b) Additional interests in subsidiaries

(i) On 31 May 2019, the Group's 91.0% owned subsidiary, Serial Microelectronics (HK) Limited acquired the remaining 40.0% equity interests in Serial Automotive Limited via the purchase of an additional 4,000 ordinary shares at HK$338,000 (US$43,000) from an existing shareholder. The Group's effective equity interest in Serial Automotive Limited increased from 54.6% to 91.0% upon completion of the acquisition.

(ii) On 4 June 2019, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired 0.99% equity interest in Serial Microelectronics India LLP via the transfer of INR 33,000 (US$473) capital from the resigning partner. The Group's effective equity interest in Serial Microelectronics India LLP increased from 99.0% to 99.99% upon completion of the transfer.

(iii) On 13 July 2018, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd acquired an additional 20.0% equity interest in STECH Global Trading Pte. Ltd. ("STECH Global") via the purchase of an additional 100,000 ordinary shares of STECH Global at a consideration of S$48,362 (US$35,493) from an existing shareholder. The Group's effective equity interest in STECH Global increased from 70.0% to 90.0% upon completion of the acquisition. The Group recognised a decrease in other reserve and a decrease in non-controlling interests of US$116 and US$35,000 respectively.

(c) Additional investments in subsidiaries

(i) On 14 February 2019, the Group's 46.4% owned subsidiary, Newstone Technology Limited increased its paid up capital of its wholly owned subsidiary, Newstone Technology (Shenzhen) Company Limited from RMB 3,201,000 (US$459,000) to RMB 5,000,000 (US$717,000).

(ii) On 14 August 2019, the Company's wholly owned subsidiary, UniSerial Electronics Pte. Ltd. increased its paid up share capital from US$654,000 to US$1,000,000 pursuant to the issuance of 10,000,000 new ordinary shares for a cash consideration of US$989,000. The Company has subscribed to 200,000 ordinary shares for a cash consideration of US$499,000, with the remaining 9,800,000 shares for cash consideration of US$490,000, taken up by Unitrontech Co., Ltd, a company in which the Group has a 2.3% equity interest. The Company's equity interest in UniSerial Electronics Pte. Ltd. was diluted from 100.0% to 51.0% following the additional investment.

(iii) On 24 October 2019, the Group's wholly owned subsidiary, Serial System International Pte. Ltd. transferred its entire 100.0% equity interest in its dormant subsidiary, URG Pte. Ltd. to the Group's 65.0% owned subsidiary, SB Global Ventures Pte. Ltd, for a cash consideration of S$1 (US$0.72).

Following the transfer, URG Pte. Ltd. increased its paid up share capital from S$1 (US$0.72) to S$1,000 (US$723) pursuant to the issuance of 999 new ordinary shares for a cash consideration of S$999 (US$723). SB Global Ventures Pte. Ltd. subscribed to 699 ordinary shares for a cash consideration of S$699 (US$506), with the remaining 300 shares subscribed by an unrelated third party for a cash consideration of S$300 (US$217). The Group's effective equity interest in URG Pte. Ltd. was diluted from 100.0% to 45.5% following the additional investment.

(iv) On 30 December 2019, the Group's 70.0% owned subsidiary, Print-IQ Singapore Pte. Ltd. increased its paid up share capital from S$200,000 (US$148,000) to S$700,000 (US$519,000) pursuant to the issuance of 500,000 new ordinary shares for a cash consideration of S$500,000 (US$371,000). The Group's wholly owned subsidiary, Serial System International Pte. Ltd. has subscribed to the entire 500,000 ordinary shares for a cash consideration of S$500,000 (US$371,000). The Group's effective equity interest in Print-IQ Singapore Pte. Ltd. increased from 70.0% to 91.4% following the additional investment.

(v) On 9 March 2018, the Group's wholly owned subsidiary, Serial I-Tech (Far East) Pte. Ltd. reduced its share capital from US$11,053,000 to US$1,053,000 via a capital reduction exercise to cancel part of its issued and fully paid-up capital amounting to US$10,000,000, which has been lost and unrepresented by available assets.

20. Investments in subsidiaries (continued)

(c) Additional investments in subsidiaries (continued)

(vi) On 23 March 2018 and 25 October 2018, the Group's 80% owned subsidiary, PT. Achieva Technology Indonesia, increased its issued and paid up share capital from IDR 2.5 billion (US$250,000) to IDR 7.575 billion (US$549,000) pursuant to the issuance of 5,075 new ordinary shares for a cash consideration of IDR 5.075 billion (US$299,000), of which the 80% capital contribution by the Group's wholly owned subsidiary, SCE Enterprise Pte. Ltd. amounted to IDR 4.06 billion (US$239,000).

(vii) On 31 December 2018, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. increased the issued and paid up share capital of its wholly owned subsidiary, Serial I-Tech (Far East) Pte. Ltd., from US$1,053,000 to US$2,553,000 pursuant to the issuance of 2,056,500 new ordinary shares via the capitalisation of a loan amount for US$1,500,000.

(d) Incorporation of subsidiaries

(i) On 18 January 2019, the Group's 49.0% owned subsidiary, Serial Factoring (Thailand) Co., Ltd acquired a 97% equity interest in a newly incorporated company, Serial Consulting Co., Ltd in Thailand for an initial cash consideration of THB1,213,000 (US$38,000), which approximates its net carrying amount.

(ii) On 23 April 2019, the Group's 91.0% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd incorporated a wholly owned subsidiary, Teampal Microelectronics (Shanghai) Co., Ltd in China with a registered capital of RMB1,000,000 (US$145,000). As at 31 December 2019, the share capital of RMB1,000,000 (US$145,000) remains unpaid.

(iii) On 26 April 2019, the Company's wholly owned subsidiary, Serial Investment Pte Ltd incorporated a wholly owned subsidiary, Serial Investment Korea Limited in South Korea with an issued and paid up capital of KRW100,000,000 (US$95,000).

(iv) On 25 September 2019, the Group's 46.4% owned subsidiary, UniSerial Electronics Limited incorporated a wholly owned subsidiary, UniSerial Electronics (Shenzhen) Limited in China with a registered capital of RMB1,000,000 (US$145,000).

(v) On 7 November 2019, the Group's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a 55.0% equity interest in a newly incorporated company, SG Networks Pte. Ltd. in Singapore for an initial cash consideration of S$55,000 (US$41,000).

(vi) On 9 April 2018, the Company's wholly owned subsidiary, Serial Microelectronics Pte Ltd incorporated a wholly owned subsidiary, Serial Electronics Investment Limited in the British Virgin Islands with a registered capital of US$100.

(vii) On 16 April 2018, the Group's wholly owned subsidiary, Serial Electronics Investment Limited incorporated a 91% owned subsidiary, XIN Holdings International Limited in the Cayman Islands with a registered capital of HK$10 (US$1.28). The remaining 9% interest is held by WY Capital Limited, a company wholly owned by the previous 9% non-controlling shareholder of Serial Microelectronics (HK) Limited [Note 20(d)(viii)].

(viii) On 17 April 2018, the Group's 91.0% owned subsidiary, XIN Holdings International Limited incorporated a wholly owned subsidiary, Xin Capital Limited in the British Virgin Islands with a registered capital of US$100. Pursuant to a reorganisation, Serial Microelectronics (HK) Limited, previously 91.0% owned by Serial Microelectronics Pte Ltd was transferred to be wholly owned by Xin Capital Limited during the financial year ended 31 December 2018. The Group's effective interest in Serial Microelectronics (HK) Limited remained unchanged at 91.0% after the reorganisation.

(ix) On 8 August 2018, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a 65.0% equity interest in a newly incorporated company, SB Global Ventures Pte. Ltd. in Singapore for an initial cash consideration of US$100.

20. Investments in subsidiaries (continued)

(e) Closure of a subsidiary

During the financial year, the Group struck off its 54.6% owned subsidiary, Serial Automotive (Shanghai) Co., Ltd. As a result of the closure, a loss of US$25,000 has been recognised in the consolidated income statement.

(f) Impairment of subsidiaries

During the financial year, the Company conducted impairment review and recognised impairment losses of US$12,863,000 (2018: US$4,158,000) in its investments in subsidiaries, based on fair value less costs of disposal, which approximates to its adjusted net assets after considering relevant internal and external factors (Level 3 of the fair value measurement).

(g) The details of the subsidiaries held by the Group and the Company are as follows:

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by the Company				
(1)	Serial Microelectronics Pte Ltd	Investment holding and distribution of electronic and electrical components	Singapore	**100.0**	100.0
(1)	SCE Enterprise Pte. Ltd.	Investment holding and trading	Singapore	**100.0**	100.0
(1)	Serial Investment Pte Ltd	Investment holding and trading and rental of investment properties	Singapore	**100.0**	100.0
(3)(5)	Serial Investment (Taiwan) Inc.	Investment holding and rental of investment properties	Taiwan	**100.0**	100.0
(1)	Serial System International Pte. Ltd.	Investment holding	Singapore	**100.0**	100.0
(1)	Swift-Value Business Pte. Ltd.	Distribution of printer accessories	Singapore	**100.0**	100.0
(1)	UniSerial Electronics Pte. Ltd. (Formerly known as Teampal (S) Pte. Ltd.)	Distribution of electronic and electrical components	Singapore	**51.0**	100.0

20. Investments in subsidiaries (continued)

(g) The details of the subsidiaries held by the Group and the Company are as follows (continued):

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by Serial Microelectronics Pte Ltd				
(3)	Serial Microelectronics Korea Limited	Distribution of electronic and electrical components	South Korea	**100.0**	100.0
(3)(5)	Serial Microelectronics Inc.	Investment holding and distribution of electronic and electrical components	Taiwan	**95.5**	95.5
(4)	PT. Serial Microelectronics Indonesia	In process of liquidation	Indonesia	**99.0**	99.0
(3)	Serial Microelectronics Sdn. Bhd.	Provision of management, marketing and administrative services	Malaysia	**100.0**	100.0
(1)	STECH Global Trading Pte. Ltd.	Inactive	Singapore	**90.0**	90.0
(3)	Serial Microelectronics India LLP	Provision of management, marketing and administrative services	India	**99.9**	99.0
(4)	Serial Electronics Investment Limited	Investment holding	British Virgin Islands	**100.0**	100.0
	Held by Serial Electronics Investment Limited				
(4)	XIN Holdings International Limited	Investment holding	Cayman Islands	**91.0**	91.0
	Held by XIN Holdings International Limited				
(4)	Xin Capital Limited	Investment holding	British Virgin Islands	**91.0**	91.0
	Held by Xin Capital Limited				
(2)	Serial Microelectronics (HK) Limited	Investment holding and distribution of electronic and electrical components	Hong Kong	**91.0**	91.0
	Held by SCE Enterprise Pte. Ltd.				
(1)	Serial Multivision Pte. Ltd.	Hospitality and healthcare solutions	Singapore	**100.0**	100.0
(1)	Contract Sterilization Services Pte Ltd	Assembly and distribution of medical devices and ethylene oxide sterilization	Singapore	**100.0**	100.0
(1)	Serial I-Tech (Far East) Pte. Ltd.	Investment holding and trading and distribution of consumer products, IT and photographic products	Singapore	**100.0**	100.0

20. Investments in subsidiaries (continued)

(g) The details of the subsidiaries held by the Group and the Company are as follows (continued):

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by SCE Enterprise Pte. Ltd. (continued)				
(1)	Hydra & Thermal Pte. Ltd.	Inactive	Singapore	**70.0**	70.0
(4)	PT. Achieva Technology Indonesia	Inactive	Indonesia	**80.0**	80.0
(1)	Achieva Technology Pte Ltd	Investment holding and distribution and marketing of information technology, computer peripherals, parts, software and related products	Singapore	**100.0**	100.0
	Held by Serial Investment Pte. Ltd.				
(4)	Serial Investment (Korea) Limited	Investment holding	South Korea	**100.0**	–
	Held by Serial System International Pte. Ltd.				
(3)	Serial Factoring (Thailand) Co., Ltd.	Provision of project financing in the form of leasing, hire purchase, factoring and loan	Thailand	**49.0**	49.0
(1)	Print-IQ Singapore Pte. Ltd.	Provision of managed print services and the administrative, maintenance and distribution of copier and printers	Singapore	**91.4**	70.0
(1)	Bast Investment Pte. Ltd.	Investment holding	Singapore	**55.0**	55.0
(1)	URG Pte. Ltd. (Formerly known as Musang Durian King Pte. Ltd.)	Trading of consumer products	Singapore	**–**	100.0
(1)	SB Global Ventures Pte. Ltd.	Investment holding	Singapore	**65.0**	65.0
(4)	SG Networks Pte. Ltd.	Communications and power line construction	Singapore	**55.0**	–
	Held by Serial Factoring (Thailand) Co., Ltd				
(3)	Serial Consulting Co., Ltd	Provision of financial and legal consultancy services	Thailand	**47.5**	–
	Held by Bast Investment Pte. Ltd.				
(3)	Bast Global Sdn. Bhd.	Investment holding	Malaysia	**55.0**	55.0

20. Investments in subsidiaries (continued)

(g) The details of the subsidiaries held by the Group and the Company are as follows (continued):

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by SB Global Ventures Pte. Ltd.				
(1)	URG Pte. Ltd. (Formerly known as Musang Durian King Pte. Ltd.)	Trading of consumer products	Singapore	**45.5**	–
	Held by Serial Microelectronics (HK) Limited				
(2)	Serial Design Limited	Distribution of electronic and electrical components	Hong Kong	**91.0**	91.0
(2)	Serial Microelectronics (Shenzhen) Co., Ltd	Distribution of electronic and electrical components	China	**91.0**	91.0
(2)	Serial Automotive Limited	Inactive	Hong Kong	**91.0**	54.6
(2)	Serial Vision Limited	Distribution of electronic and electrical components	Hong Kong	**91.0**	91.0
(2)	Serial Microelectronics (Beijing) Co., Ltd	Investment holding	China	**91.0**	91.0
(2)	Newstone Technology Limited	Investment holding and marketing, promotion, sale, export and distribution of semiconductor components	Hong Kong	**46.4**	46.4
(2)	Xuanhong Automotive Electronics Limited	Inactive	Hong Kong	**63.7**	63.7
(2)	UniSerial Electronics Limited. (Formerly known as Unitrontech China Co., Ltd)	Distribution of electronic and electrical components	Hong Kong	**46.4**	–
	Held by Serial Microelectronics (Shenzhen) Co., Ltd				
(2)	Teampal Microelectronics (Shanghai) Co., Ltd	Dormant	China	**91.0**	–
	Held by Serial Automotive Limited				
(2)	Serial Automotive (Shanghai) Co., Ltd.	Dissolved	China	**–**	54.6
	Held by Newstone Technology Limited				
(2)	Newstone Technology (Shenzhen) Company Limited	Marketing, promotion, sale, export and distribution of semiconductor components	China	**46.4**	46.4
	Held by Xuanhong Automotive Electronics Limited				
(2)	Xuanli Automotive Electronics Co., Limited	Inactive	China	**63.7**	63.7

20. Investments in subsidiaries (continued)

(g) The details of the subsidiaries held by the Group and the Company are as follows (continued):

	Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
				2019	2018
				%	%
	Held by UniSerial Electronics Limited				
(2)	UniSerial Electronics (Shenzhen) Limited	Distribution of electronic and electrical components	China	**46.4**	–
	Held by Serial Microelectronics Inc.				
(3)(5)	TeamPal Enterprise Corp.	Inactive	Taiwan	**95.5**	95.5
	Held by Serial I-Tech (Far East) Pte. Ltd.				
(4)	Serial I-Tech (ME) Pte. Ltd.	Inactive	British Virgin Islands	**100.0**	100.0
(4)	Serial I-Tech (Cambodia) Pte Ltd	In process of liquidation	Cambodia	**100.0**	100.0
(4)	JEL Trading (Bangladesh) Ltd	Dormant	Bangladesh	**100.0**	100.0
(1)	Inkcarts Pte. Ltd.	Trading and distribution of computers and peripheral equipment, IT and electronic products	Singapore	**100.0**	100.0
	Held by Achieva Technology Pte Ltd				
(3)	Achieva Technology Sdn. Bhd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Malaysia	**100.0**	100.0
(4)	Achieva Technology Australia Pty Ltd	Inactive	Australia	**100.0**	100.0
	Held by Hydra & Thermal Pte. Ltd.				
(4)	Hydra & Thermal International (Cambodia) Co., Ltd	Inactive	Cambodia	**70.0**	70.0
(4)	Serial Netcom Co., Ltd	Inactive	Cambodia	**42.0**	42.0

(1) Audited by Moore Stephens LLP, Singapore.
(2) Audited by PricewaterhouseCoopers, Hong Kong.
(3) Audited by member firms of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.
(4) Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.
(5) Audited by ShineWing Taiwan CPAs, Taipei, Taiwan for financial year ended 31 December 2018.

21. Property, plant and equipment

The Group	Leasehold land US$'000	Leasehold buildings US$'000	Freehold land US$'000	Freehold buildings US$'000	Renovations US$'000	Furniture and fittings US$'000	Office equipment US$'000	Other equipment US$'000	Motor vehicles US$'000	Computers US$'000	Total US$'000
2019											
Cost											
At 1 January 2019	1,551	26,078	1,815	7,686	5,561	1,643	2,071	801	1,371	4,129	52,706
Adoption of SFRS(I) 16 (Note 2.1)	–	8,685	–	–	–	–	–	–	–	–	8,685
	1,551	34,763	1,815	7,686	5,561	1,643	2,071	801	1,371	4,129	61,391
Additions	–	57	–	–	38	23	37	40	12	176	383
Adjustments	–	(386)	–	–	–	–	–	–	–	–	(386)
Disposals/write-off	–	–	–	–	(577)	(185)	(257)	(24)	(17)	(452)	(1,512)
Currency translation differences	21	(296)	(54)	(14)	(19)	(9)	(3)	6	(6)	(3)	(377)
At 31 December 2019	1,572	34,138	1,761	7,672	5,003	1,472	1,848	823	1,360	3,850	59,499
Accumulated depreciation											
At 1 January 2019	413	3,951	–	732	4,710	1,469	1,513	675	534	3,386	17,383
Adoption of SFRS(I) 16 (Note 2.1)	–	3,875	–	–	–	–	–	–	–	–	3,875
	413	7,826	–	732	4,710	1,469	1,513	675	534	3386	21,258
Depreciation charges (Note 6)	29	2,882	–	129	358	80	257	73	158	505	4,471
Disposals/write-off	–	–	–	–	(574)	(185)	(257)	(23)	(16)	(452)	(1,507)
Currency translation differences	5	30	–	(7)	(14)	(7)	(2)	4	(7)	(1)	1
At 31 December 2019	447	10,738	–	854	4,480	1,357	1,511	729	669	3,438	24,223
Net book value											
At 31 December 2019	1,125	23,400	1,761	6,818	523	115	337	94	691	412	35,276

21. Property, plant and equipment (continued)

The Group	Leasehold land US$'000	Leasehold buildings US$'000	Freehold land US$'000	Freehold buildings US$'000	Renovations US$'000	Furniture and fittings US$'000	Office equipment US$'000	Other equipment US$'000	Motor vehicles US$'000	Computers US$'000	Total US$'000
2018											
Cost											
At 1 January 2018	1,585	27,001	1,904	7,962	5,584	1,629	1,851	764	1,242	4,011	53,533
Additions	–	–	–	–	347	49	262	53	688	486	1,885
Disposals/write-off	–	–	–	–	(228)	(2)	(12)	(3)	(536)	(317)	(1,098)
Currency translation differences	(34)	(923)	(89)	(276)	(142)	(33)	(30)	(13)	(23)	(51)	(1,614)
At 31 December 2018	1,551	26,078	1,815	7,686	5,561	1,643	2,071	801	1,371	4,129	52,706
Accumulated depreciation											
At 1 January 2018	393	3,334	–	624	4,238	1,361	1,275	614	854	3,210	15,903
Depreciation charges (Note 6)	29	768	–	134	820	134	279	74	155	537	2,930
Disposals/write-off	–	–	–	–	(228)	(1)	(12)	(2)	(457)	(316)	(1,016)
Currency translation differences	(9)	(151)	–	(26)	(120)	(25)	(29)	(11)	(18)	(45)	(434)
At 31 December 2018	413	3,951	–	732	4,710	1,469	1,513	675	534	3,386	17,383
Net book value											
At 31 December 2018	1,138	22,127	1,815	6,954	851	174	558	126	837	743	35,323

21. Property, plant and equipment (continued)

The Company	Renovations US$'000	Furniture and fittings US$'000	Office equipment US$'000	Other equipment US$'000	Motor vehicles US$'000	Computers US$'000	Total US$'000
2019							
Cost							
At 1 January 2019	**403**	**554**	**259**	**105**	**437**	**1,557**	**3,315**
Additions	**–**	**1**	**–**	**–**	**–**	**5**	**6**
At 31 December 2019	**403**	**555**	**259**	**105**	**437**	**1,562**	**3,321**
Accumulated depreciation							
At 1 January 2019	**395**	**548**	**250**	**89**	**3**	**1,310**	**2,595**
Depreciation charges	**2**	**3**	**5**	**12**	**44**	**126**	**192**
At 31 December 2019	**397**	**551**	**255**	**101**	**47**	**1,436**	**2,787**
Net book value							
At 31 December 2019	**6**	**4**	**4**	**4**	**390**	**126**	**534**
2018							
Cost							
At 1 January 2018	403	548	255	105	403	1,390	3,104
Additions	–	6	4	–	435	167	612
Disposals	–	–	–	–	(401)	–	(401)
At 31 December 2018	403	554	259	105	437	1,557	3,315
Accumulated depreciation							
At 1 January 2018	392	544	238	72	323	1,180	2,749
Depreciation charges	3	4	12	17	36	130	202
Disposals	–	–	–	–	(356)	–	(356)
At 31 December 2018	395	548	250	89	3	1,310	2,595
Net book value							
At 31 December 2018	8	6	9	16	434	247	720

(a) As at the reporting date, the carrying amount of office equipment and motor vehicles held under leasing arrangement for the Group and the Company amounted to US$488,000 (2018: US$663,000) and US$390,000 (2018: US$436,000) respectively [Note 26(a)(vii)].

Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class. During the financial year, the additions to property, plant and equipment included US$57,000 acquired under right-of-use assets under leasing arrangement (Note 27).

During the financial year ended 31 December 2018, the Group and the Company acquired motor vehicles amounting to US$351,000 and US$262,000 respectively under finance lease agreements.

(b) The Group's leasehold land and building at 8 Ubi View, Serial System Building, Singapore used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US$7,043,000 (2018: US$7,122,000).The leasehold land and building is held as security for bank borrowings of the Company amounting to US$5,934,000 (2018: US$6,442,000) as disclosed in Note 26(a)(i).

21. Property, plant and equipment (continued)

(c) The Group's freehold building in Taipei, Taiwan, used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US$3,294,000 (2018: US$3,241,000). The freehold building is held as security for the Group's bank borrowings of US$4,960,000 (2018: US$5,113,000) as disclosed in Note 26(a)(ii). See Note 22(a) for the portion of the freehold building included as investment properties.

(d) The Group's freehold land and building in Seoul, South Korea used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US$4,508,000 (2018: US$4,730,000). The freehold land and building, is held as security for the Group's bank borrowings of US$3,961,000 (2018: Nil) as disclosed in Note 26(a)(iii).

(e) The Group's freehold building in Penang, Malaysia used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US$777,000 (2018: US$799,000). The freehold building is held as security for the Group's bank borrowings of US$406,000 (2018: US$449,000) as disclosed in Note 26(a)(iv).

22. Investment properties

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**4,402**	4,534
Currency translation differences	**108**	(132)
End of financial year	**4,510**	4,402

(a) The Group's freehold building in Taipei, Taiwan which is leased to an associated company, Bull Will Co., Ltd, with fair value of US$4,510,000 (2018: US$4,402,000) is held as security for the Group's borrowings of US$4,960,000 (2018: US$5,113,000) as disclosed in Note 26(a)(ii).

(b) The Group has no restrictions on the reliability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(c) As at the reporting date, investment properties are carried at fair values, determined by independent professional valuers. Valuations are performed annually based on the investment properties' highest-and-best use value using the Direct Market Comparison Method.

The following amounts in respect of the investment properties are recognised in the consolidated income statement:

	The Group	
	2019	2018
	US$'000	US$'000
Rental income	**70**	70
Direct operating expenses on investment properties that generated rental income	**(6)**	(6)

23. Intangible assets

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Goodwill arising from acquisition of subsidiaries	**6,958**	8,698	**–**	–
Computer software license costs	**398**	339	**117**	58
Distribution rights	**12**	25	**–**	–
	7,368	9,062	**117**	58

(a) Goodwill arising from acquisition of subsidiaries

	The Group	
	2019	2018
	US$'000	US$'000
Cost		
Beginning of financial year	**20,672**	20,880
Acquisition of a subsidiary [Note 20(a)]	**142**	–
Currency translation differences	**128**	(208)
End of financial year	**20,942**	20,672
Accumulated impairment loss		
Beginning of financial year	**11,974**	7,448
Impairment losses (Note 6)	**2,010**	4,526
End of financial year	**13,984**	11,974
Net book value	**6,958**	8,698

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to geographical and business segments.

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

	Electronic components distribution		Consumer products distribution		Other businesses		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
The Group	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Singapore	**–**	–	**3,190**	5,091	**1,474**	1,455	**4,664**	6,546
Hong Kong	**1,434**	1,292	**–**	–	**–**	–	**1,434**	1,292
South Korea	**860**	860	**–**	–	**–**	–	**860**	860
	2,294	2,152	**3,190**	5,091	**1,474**	1,455	**6,958**	8,698

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period to the fifth year were extrapolated using the estimated growth rates stated below. The forecasted growth rates are based on management's best estimates from industry research and do not exceed the long-term average growth rate for the electronic components distribution, consumer products distribution and other businesses in which the CGU operated.

23. Intangible assets (continued)

(a) Goodwill arising from acquisition of subsidiaries (continued)

Key assumptions used for value-in-use calculations:

Electronic components distribution

	Electronic components distribution				Consumer products distribution		Other businesses	
	Hong Kong		South Korea		Singapore		Singapore	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Gross margin[1]	**6.8%**	7.0%	**8.6%**	8.6%	**5.6%**	19.7%	**56.7%**	56.6%
Growth rate[2]	**2.2%**	2.0%	**2.0%**	2.0%	**6.1%**	11.4%	**2.9%**	3.0%
Discount rate[3]	**11.5%**	9.3%	**11.5%**	9.3%	**11.5%**	9.3%	**11.5%**	9.3%

(1) Budgeted gross margin based on management's assumptions with reference to past and expected future performance.
(2) Weighted average growth rate used to extrapolate cash flows for the first five-year period. Thereafter, the terminal growth rate used beyond the fifth year is zero.
(3) Pre-tax discount rate applied to the pre-tax cash flow projections estimated based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital.

These assumptions were used for the analysis of each CGU. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflect specific risks relating to the relevant segment.

Impairment charges of US$2,010,000 (2018: US$4,526,000) were provided during the financial year. The impairment charges arose mainly from the consumer products distribution's CGU in Singapore where the carrying amount of each CGU exceeds the recoverable amount of each CGU as the environment became more competitive coupled with rising business costs.

(b) Computer software license costs

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**339**	338	**58**	248
Additions	**205**	265	**147**	21
Amortisation (Note 6)	**(144)**	(266)	**(88)**	(211)
Currency translation differences	**(2)**	2	**–**	–
End of financial year	**398**	339	**117**	58
Cost	**3,486**	3,283	**2,753**	2,606
Accumulated amortisation	**(3,088)**	(2,944)	**(2,636)**	(2,548)
Net book value	**398**	339	**117**	58

23. Intangible assets (continued)

(c) Distribution rights

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**25**	39
Amortisation (Note 6)	**(13)**	(14)
End of financial year	**12**	25
Cost	**11,233**	11,233
Accumulated amortisation	**(11,221)**	(11,208)
Net book value	**12**	25

24. Other assets

	The Group	
	2019	2018
	US$'000	US$'000
Club memberships [Note 24(a)]	**132**	136
Deposits [Note 24(b)]	**91**	430
	223	566

(a) The club memberships are denominated in Korean Won.

(b) Deposits relate mainly to refundable deposits placed for the rental of office units for certain subsidiaries. These deposits are refundable upon termination of the tenancy agreements and the Company does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be refunded. The currency exposure for deposits is disclosed in Note 37(a)(i) to the financial statements under "other financial assets".

25. Trade and other payables

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Current				
Trade payables:				
Third parties	**68,591**	93,012	**–**	–
Other payables and accrued operating expenses [Note 25(a)]	**36,992**	62,444	**922**	2,010
Derivative financial instruments [Note 25(b)]	**1,681**	1,165	**–**	–
Due to subsidiaries [Note 25(c)]	**–**	–	**6,522**	10,920
Due to an associated company [Note 25(d)]	**2,000**	–	**2,000**	–
Financial guarantee contracts	**–**	–	**520**	836
Total	**109,264**	156,621	**9,964**	13,766

25. Trade and other payables (continued)

	The Company	
	2019	2018
	US$'000	US$'000
Non-current		
Due to subsidiaries [Note 25(e)]		
Interest bearing	**8,794**	12,028
Non-interest bearing		
Gross amount	**–**	–
Less: Fair value adjustment to investment in subsidiaries	**–**	(185)
Add: Imputed interest recognised in Company's income statement	**–**	185
Total	**8,794**	12,028

(a) As at 31 December 2018, included in other payables and accrued operating expenses was a contingent consideration amounting to US$20,000,000 received under the Business Transfer Agreement executed between one of the Group's subsidiary and a third party distributor.

(b) The Group used foreign exchange forward contracts to manage exposures to currency risks arising from assets and liabilities denominated in Singapore Dollar, Australian Dollar, Chinese Renminbi, Korean Won, Malaysian Ringgit and New Taiwan Dollar. As at the reporting date, the outstanding non-hedging derivative financial instruments comprised:

	The Group			
	2019		2018	
	Contract notional amount	Fair value liability	Contract notional amount	Fair value liability
	US$'000	**US$'000**	US$'000	US$'000
Foreign exchange forward contracts	**48,033**	**1,681**	29,013	1,165

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

	2019	2018
	Buy United States Dollar	Buy United States Dollar
Against Australian Dollar	**1.427 to 1.463**	1.361
Against Singapore Dollar	**1.373 to 1.380**	–

These foreign exchange forward contracts have maturity dates within eight months (2018: eight months) from the reporting date.

(c) As at the reporting date, the amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for an amount of US$4,066,000 (2018: US$9,102,000) due to a subsidiary which bears interest at 4.87% (2018: 5.25%) per annum.

(d) As at the reporting date, the amount due to an associated company is non-trade in nature, unsecured, repayable in cash, on demand, and bears interest at 4.80% per annum.

25. Trade and other payables (continued)

(e) As at the reporting date, the amount due to a subsidiary is non-trade in nature, unsecured, bears interest at 4.85% per annum and is repayable on 31 December 2021. As at 31 December 2018, the amounts due to subsidiaries comprising US$8,828,000 and US$3,200,000 were non-trade in nature, unsecured, bore interest at 4.94% and 5.56% per annum respectively and were repayable on 31 December 2021.

26. Borrowings

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Current				
Bank borrowings	**30,036**	67,832	**–**	6,442
Trust receipts	**76,922**	140,052	**–**	–
Lease liabilities/finance lease liabilities	**1,919**	89	**54**	54
Other borrowings	**10,123**	3,470	**2,597**	–
	119,000	211,443	**2,651**	6,496
Non-current				
Bank borrowings	**8,964**	3,282	**5,934**	–
Lease liabilities/finance lease liabilities	**863**	312	**157**	208
Other borrowings	**545**	–	**–**	–
	10,372	3,594	**6,091**	208
Total	**129,372**	215,037	**8,742**	6,704

(a) Security granted/corporate guarantees granted

(i) As at the reporting date, the balance of a term loan re-financed to be payable on 31 May 2021 by the Company amounting to US$5,934,000 included in non-current borrowings (2018: current borrowings amounting to US$6,442,000) of the Group and the Company is secured by the following:

- a first legal mortgage of the leasehold land and building at 8 Ubi View, Serial System Building, Singapore ("Mortgaged Property") [Note 21(b)];
- an assignment of all rights and benefits relating to the Mortgaged Property;
- an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
- an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
- joint and several guarantees of certain subsidiaries of the Group.

(ii) As at the reporting date, bank borrowing amounting to US$4,960,000 (2018: US$5,113,000), included in current borrowings of US$2,281,000 (2018: US$2,226,000) and non-current borrowings of US$2,679,000 (2018: US$2,887,000), is due by a wholly owned subsidiary, Serial Investment (Taiwan) Inc. to partially finance the acquisition of a freehold building and for working capital of the Group. The bank borrowing is secured by a first legal mortgage of the freehold building [Note 21(c) and Note 22(a)].

26. Borrowings (continued)

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

(iii) As at the reporting date, bank borrowing amounting to US$3,961,000 included in current borrowings (2018: Nil), due by a wholly owned subsidiary, Serial Microelectronics Korea Limited to two banks for working capital, are secured by a first legal mortgage of the freehold land and building [Note 21(d)]. The amount of US$3,455,000 (2018: Nil) is also obtained with corporate guarantee of the Company.

(iv) As at the reporting date, the balance of the MYR2,247,000 (US$542,000) ten-year term loan drawn down by a wholly owned subsidiary, Serial Microelectronics Sdn. Bhd. to partially finance the acquisition of a property in Malaysia amounting to US$406,000 (2018: US$449,000) included in current borrowings of US$55,000 (2018: US$54,000) and non-current borrowings of US$351,000 (2018: US$395,000) is secured by a first legal mortgage of the freehold building [Note 21(e)].

(v) Other than disclosed in Note 26(a)(i), (ii), (iii) and (iv) above, current bank borrowings amounting to US$10,375,000 (2018: US$28,272,000) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. The remaining current borrowings of US$13,364,000 (2018: US$30,838,000) are unsecured.

(vi) Trust receipts amounting to US$70,015,000 (2018: US$128,288,000) of the Group are obtained with the corporate guarantees of the Company. The remaining trust receipts of US$6,907,000 (2018: US$11,764,000) are unsecured.

(vii) As at the reporting date, lease liabilities amounting to US$211,000 (2018: US$262,000) of the Company and US$315,000 (2018: US$401,000) of the Group are secured on office equipment and motor vehicles, which have been acquired under leasing arrangements [Note 21(a)].

(viii) As at the reporting date, other borrowings of US$10,668,000 (2018: US$3,470,000) included in current borrowings of US$10,123,000 (2018: US$3,470,000) and non-current borrowings of US$545,000 (2018: Nil) are unsecured except for an amount of US$3,291,000 (2018: Nil) included in current borrowing due to a third party which is secured on trade receivables with carrying amount of US$3,650,000.

(b) Maturity of borrowings

The maturity of the borrowings is as follows:

	The Group		**The Company**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**119,000**	211,443	**2,651**	6,496
Between one and five years	**9,091**	1,947	**6,091**	208
Over five years	**1,281**	1,647	**–**	–

26. Borrowings (continued)

(c) Interest rate risk

The weighted average effective interest rates of the borrowings as at the reporting date are as follows:

The Group	Singapore Dollar	United States Dollar	Hong Kong Dollar	New Taiwan Dollar	Korean Won	Malaysian Ringgit	Thailand Baht	Chinese Renminbi
2019								
Bank borrowings	**3.54%**	**3.52%**	**3.38%**	**1.88%**	**3.66%**	**5.03%**	**–**	**–**
Trust receipts	**3.85%**	**4.01%**	**–**	**1.61%**	**–**	**5.19%**	**–**	**–**
Lease liabilities	**4.45%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other borrowings	**4.50%**	**4.00%**	**–**	**–**	**–**	**–**	**10.00%**	**7.00%**
2018								
Bank borrowings	3.52%	4.25%	3.38%	1.81%	4.08%	3.04%	2.50%	–
Trust receipts	3.83%	4.93%	–	1.68%	–	–	–	–
Finance lease liabilities	4.40%	–	–	–	–	–	–	–

	Singapore Dollar	
The Company	**2019**	2018
Bank borrowing	**3.54%**	3.52%
Lease liabilities/finance lease liabilities	**5.19%**	5.19%
Other borrowing	**4.50%**	–

(d) Carrying amounts and fair values

As at the reporting date, the carrying amounts of current borrowings approximate their fair values.

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

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Borrowings				
The Group	**10,372**	3,594	**9,939**	3,543
The Company	**6,091**	208	**5,777**	199

The fair values are determined from discounted cash flows analysis, discounted at the borrowing rates which the management expects to be available to the Group and the Company at the reporting date.

(e) 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 the reporting date, the Group complied with financial covenants entered with various banks, except for certain banks, which have the right to call for the immediate repayment of the outstanding borrowings of US$8,750,000 (2018: US$15,388,000). The Group obtained waivers from compliance from the relevant banks for borrowings of US$8,750,000 (2018: US$15,388,000) subsequent to the financial year end.

26. Borrowings (continued)

(f) Changes in liabilities arising from Financing Activities

The Group	Bank borrowings US$'000	Trust receipts US$'000	Lease liabilities/ Finance lease liabilities US$'000	Other borrowings US$'000	Total US$'000
At 1 January 2019	**71,114**	**140,052**	**401**	**3,470**	**215,037**
Adoption of SFRS(I) 16	**–**	**–**	**5,080**	**–**	**5,080**
	71,114	**140,052**	**5,481**	**3,470**	**220,117**
Proceeds	**88,037**	**466,857**	**–**	**13,693**	**568,587**
Repayment	**(120,156)**	**(530,301)**	**(2,500)**	**(6,785)**	**(659,742)**
Non-cash changes					
Adjustment to property, plant and equipment	**–**	**–**	**(386)**	**–**	**(386)**
Interest expense	**–**	**–**	**213**	**–**	**213**
Acquisition of a subsidiary [Note 20(a)]	**–**	**–**	**–**	**245**	**245**
Currency translation differences	**5**	**314**	**(26)**	**45**	**338**
At 31 December 2019	**39,000**	**76,922**	**2,782**	**10,668**	**129,372**
At 1 January 2018	63,492	172,450	95	3,545	239,582
Proceeds	74,189	895,480	–	–	969,669
Repayment	(65,681)	(927,830)	(44)	–	(993,555)
Non-cash changes					
Additions of property, plant and equipment	–	–	351	–	351
Currency translation differences	(886)	(48)	(1)	(75)	(1,010)
At 31 December 2018	71,114	140,052	401	3,470	215,037

27. Lease liabilities and finance lease liabilities

(a) The Group as a lessee

The Group and the Company have made periodic lease payments for buildings for the purpose of office usage, office equipment and motor vehicles. These are recognised within property, plant and equipment (Note 21).

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	The Group	
	31 December 2019	1 January 2019
	US$'000	US$'000
Leasehold buildings	**12,799**	15,998
Office equipment and motor vehicles	**488**	663

Additions of right-of-use assets classified within property, plant and equipment during the financial year are US$57,000.

27. Lease liabilities and finance lease liabilities (continued)

(a) The Group as a lessee (continued)

Depreciation charges on right-of-use assets classified within property, plant and equipment during the financial year are as follows:

	The Group
	2019
	US$'000
Leasehold buildings	**2,547**
Office equipment and motor vehicles	**83**

Amounts recognised in the consolidated income statement and consolidated statements of cash flows are as follows:

	The Group
	2019
	US$'000
Interest expense on lease liabilities	**213**
Expenses relating to short-term leases	**1,707**
Total cash outflows for leases	**2,500**

The Group recognised lease liabilities as follows:

	The Group
	2019
	US$'000
Lease liabilities:	
Current	**1,919**
Non-current	**863**
	2,782

(b) The Group as a lessor

The Group has leased out its freehold building in Taipei, Taiwan to an associated company, Bull Will Co., Ltd. Undiscounted lease payments from the operating leases to be received after the reporting date are set out in Note 36(b) to the consolidated financial statements.

27. Lease liabilities and finance lease liabilities (continued)

(c) 31 December 2018 - Finance lease liabilities

The Group and the Company have finance leases for buildings for the purpose of office usage, office equipment and motor vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the options of the specific entity that holds the lease.

	The Group	The Company
	2018	2018
	US$'000	US$'000
Minimum lease payments due:		
Within one year	101	61
Between one and five years	357	236
	458	297
Less: Future finance charges	(57)	(35)
Present value of finance lease liabilities	401	262

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

	The Group	The Company
	2018	2018
	US$'000	US$'000
Within one year (Note 26)	89	54
Between one and five years (Note 26)	312	208
	401	262

28. Defined benefit plans liabilities

The Group has defined benefit pension plans for certain subsidiaries which require contributions to be made to separately administered funds. The Group provides employees with a minimum severance lump sum benefit equivalent to one month salary for each year of service upon termination for any reason. It is permissible under the current severance pay system for the employer to cash out in whole or in part of the accrued severance benefits to employees who remain in service. The Group funds the employee benefits by setting aside external funds via insurance policies ("plan assets").

(a) The amounts recognised in the statements of financial position are determined as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Present value of defined benefit obligations	**1,622**	2,088
Fair value of plan assets	**(980)**	(1,225)
	642	863

28. Defined benefit plans liabilities (continued)

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

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**2,088**	2,115
Interest costs – charged to consolidated income statement	**39**	47
Current service costs – charged to consolidated income statement	**643**	497
Remeasurement (gain)/loss arising from changes in:		
- demographic assumptions	**(214)**	(87)
- financial assumptions	**(41)**	114
Benefits paid	**(415)**	(248)
Currency translation differences	**(478)**	(350)
End of financial year	**1,622**	2,088

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

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**1,225**	1,284
Interest income – credited to consolidated income statement	**25**	38
Remeasurement losses – return on plan assets	**(20)**	(30)
Contribution by the Group	**200**	235
Benefits paid	**(415)**	(248)
Currency translation differences	**(35)**	(54)
End of financial year	**980**	1,225

(d) Independent actuarial valuation of the defined benefit plans liabilities was performed and the principal actuarial assumptions used in the actuarial valuation are as follows:

	The Group	
	2019	2018
Discount rate	**1.7% - 3.1%**	2.0% - 7.3%
Future salary increases	**4.0% - 5.0%**	4.5% - 7.0%

28. Defined benefit plans liabilities (continued)

(e) The sensitivity analysis determined based on reasonably possible changes of each significant assumption by 0.25% (2018: 0.25%) on the defined benefit plans liabilities is as follows:

	The Group	
	Defined benefit plans liabilities increase/(decrease)	
	2019	2018
	US$'000	US$'000
Discount rate		
- increase	**(57)**	(70)
- decrease	**60**	74
Future salary		
- increase	**64**	72
- decrease	**(59)**	(69)

The methods and types of assumptions used in preparing the sensitivity analysis during the financial year did not change as compared to the financial year ended 31 December 2018.

(f) The Group expects to contribute US$234,000 to the defined benefit plans in 2020 (2018: US$335,000 in 2019).

(g) The average duration of the defined benefit obligation as at the reporting date is 6.2 years (2018: 6.1 years) for the defined benefit plans.

29. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statements of financial position as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Recovered/settled after one year				
- Deferred income tax assets	**(652)**	(481)	**–**	–
- Deferred income tax liabilities	**710**	660	**334**	288
	58	179	**334**	288

29. Deferred income taxes (continued)

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

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**179**	(286)	**288**	249
Tax (credited)/charged to consolidated income statement [Note 9(a)]	**(120)**	332	**46**	39
Under provision in preceding financial years [Note 9(a)]	**2**	31	**–**	–
Currency translation differences	**(3)**	102	**–**	–
End of financial year	**58**	179	**334**	288

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has the following unrecognised tax losses and capital allowances as at the reporting date, which can be carried forward and used to offset against future taxable income, subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

	The Group	
	2019	2018
	US$'000	US$'000
Tax losses	**37,373**	27,018
Capital allowances	**2,661**	2,801
	40,034	29,819

The tax losses and capital allowances that are available for offset against future taxable profits, are subject to the agreement of the tax authorities and compliance with the relevant tax provisions. Included in the tax losses as at the reporting date are US$2,464,000 (2018: US$1,774,000) arising in China that will expire in one to five years after 31 December 2019. The deferred tax assets arising from these unutilised tax losses and capital allowances have not been recognised because it is not probable that future taxable profits will be available against which the entities can utilise.

As at the reporting date, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries of the Group for which no deferred tax liability has been recognised amounted to US$14,421,000 (2018: US$16,519,000) based on the Group's policy as stated in Note 2.5. The deferred tax liability not recognised is estimated to be US$1,595,000 (2018: US$1,958,000).

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

Deferred income tax assets

	Provisions	
	2019	2018
The Group	**US$'000**	US$'000
Beginning of financial year	**(481)**	(841)
(Credited)/charged to consolidated income statement	**(168)**	203
Currency translation differences	**(3)**	157
End of financial year	**(652)**	(481)

29. Deferred income taxes (continued)

Deferred income tax liabilities

The Group	Investment properties US$'000	Others US$'000	Total US$'000
2019			
Beginning of financial year	**185**	**475**	**660**
Charged to consolidated income statement	**–**	**48**	**48**
Under provision in preceding financial years	**4**	**(2)**	**2**
End of financial year	**189**	**521**	**710**
2018			
Beginning of financial year	155	400	555
Charged to consolidated income statement	–	129	129
Under provision in preceding financial years	31	–	31
Currency translation differences	(1)	(54)	(55)
End of financial year	185	475	660
The Company			
2019			
Beginning of financial year	**–**	**288**	**288**
Charged to income statement	**–**	**46**	**46**
End of financial year	**–**	**334**	**334**
2018			
Beginning of financial year	–	249	249
Charged to income statement	–	39	39
End of financial year	–	288	288

30. Share capital and treasury shares

	Issued number of shares		Total share capital	
	Share capital	Treasury shares	Share capital	Treasury shares
The Group and The Company	**'000**	**'000**	**US$'000**	**US$'000**
2019				
1 January 2019 and 31 December 2019	**905,788**	**(9,946)**	**72,648**	**(736)**
2018				
1 January 2018 and 31 December 2018	905,788	(9,946)	72,648	(736)

(a) All issued shares are fully paid and do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

30. Share capital and treasury shares (continued)

(b) Share options

The Serial System Employee Share Option Scheme 2014 (the "2014 Scheme") was approved by the shareholders at the Extraordinary General Meeting of the Company held on 26 April 2014. It replaced the previous Serial System Executives Share Option Scheme (the "2004 Scheme"), which expired on 29 January 2014. Any share options granted and accepted under the 2004 Scheme have been fully exercised upon expiry of the 2004 Scheme on 29 January 2014.

Under the 2014 Scheme, share options are granted to the following persons at the absolute discretion of the 2014 Scheme's committee (the "Committee"):

(i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;

(ii) executive directors of the Company;

(iii) non-executive directors of the Company; and

(iv) employees who qualify under sub-paragraph (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

For the purpose of paragraph (iv) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased employment as a full-time employee of the Group by reason only of such secondment.

For non-incentive share options, the exercise price of the granted share options is to be determined by the Committee, in its absolute discretion, at a price equal to the average of the last dealt prices of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") for a period of five consecutive trading days ("Market Price") immediately prior to the date of offer of the share options.

For incentive share options, share options are granted at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price; and the shareholders of the Company in a general meeting have authorised, in a separate resolution, the making of offers and grants of such share options under the 2014 Scheme at a discount not exceeding the maximum discount as aforesaid.

The share options are vested one month after the date of offer of the share options. Once the share options are vested, they are exercisable for a term of 10 years, and for non-executive directors of the Company, for a term of 5 years, or such other terms determined by the Committee or prescribed under any relevant law, regulation or rule of the SGX-ST from time to time.

No share options were granted during the financial year ended 31 December 2019 and 31 December 2018.

31. Reserves

The Company	Capital reserve US$'000
2019	
1 January 2019 and 31 December 2019	**180**
2018	
1 January 2018 and 31 December 2018	180

The movements in the reserves for the Group are set out in the Consolidated Statement of Changes in Equity.

(a) Capital reserve

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

(b) Defined benefit plans reserve

Defined benefit plans reserve represents movements in the net defined benefit plans liabilities or assets resulting from remeasurements at each financial year end.

(c) Fair value reserve

Fair value reserve represents the cumulative fair value changes of financial assets.

(d) Revaluation reserve

Revaluation reserve represents increases in the fair value of investment properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(e) Other reserve

Other reserve represents the equity recognised on differences between the amount by which the non-controlling interests are adjusted and the fair value of any consideration paid or received, and attributes to the Group when the proportion of the equity held by non-controlling interests changes.

32. Currency translation reserve

The movements in the currency translation reserve for the Group are set out in the Consolidated Statement of Changes in Equity.

33. Retained earnings

(a) Included in the Group's retained earnings of US$63,689,000 (2018: US$60,401,000) as at the reporting date are legal reserves amounting to US$534,000 (2018: US$357,000) which are set aside in compliance with local laws of certain overseas subsidiaries and are non-distributable. These legal reserves can only be used upon approval by the relevant authorities, to offset accumulated losses (if any) or increase capital.

33. Retained earnings (continued)

(b) Movements in retained earnings for the Company are as follows:

	The Company	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**27,486**	35,284
Total profit	**4,390**	4,491
Dividends paid (Note 35)	**(4,474)**	(12,289)
End of financial year	**27,402**	27,486

The movements in the retained earnings for the Group are set out in the Consolidated Statement of Changes in Equity.

34. Non-controlling interests

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**7,732**	7,488
Share of results of subsidiaries	**(1,476)**	802
Share of currency translation reserve	**155**	(296)
	(1,321)	506
Acquisition of subsidiaries	**–**	*
Subscription of additional interests in subsidiaries by non-controlling interests [Notes 34(a)-(e), 34(g) and 34(h)]	**1,625**	60
Acquisition of additional interests in subsidiaries from non-controlling interests [Notes 34(f) and 34(i)]	**(43)**	(35)
Dividends paid to non-controlling interests	**(93)**	(287)
Closure of a subsidiary	**39**	–
End of financial year	**7,939**	7,732

* Amount less than US$1,000

(a) On 18 January 2019, the non-controlling interests of Serial Consulting Co., Ltd subscribed for a 3% equity interest in the newly incorporated company for a cash consideration of THB37,500 (US$1,200).

(b) On 14 August 2019, UniSerial Electronics Pte. Ltd. issued 10,000,000 new ordinary shares for a cash consideration of US$989,000. The non-controlling interest subscribed for 9,800,000 shares for a 49% equity interest for a cash consideration of US$490,000.

(c) On 24 October 2019, the non-controlling interest subscribed for 300 shares for a 30% equity interest in URG Pte. Ltd. for a cash consideration of S$300 (US$223).

(d) On 7 November 2019, the non-controlling interests subscribed for 45,000 shares for a 45% equity interest in SG Networks Pte. Ltd. for a cash consideration of S$45,000 (US$33,000).

(e) In December 2019, the non-controlling interest in Serial Microelectronics (HK) Limited increased by US$900,000 pursuant to an increase in its issued and paid up capital by the Group via loan capitalisation.

34. Non-controlling interests (continued)

(f) On 31 May 2019, Serial Microelectronic (HK) Limited increased the equity interest in Serial Automative Limited from 60% to 100% by acquiring the remaining 40% equity interests from the non-controlling interest for a cash consideration of HK$338,000 (US$43,000) [Note 20(b)(i)].

(g) On 25 September 2019, Serial Microelectronics (HK) Limited increased its equity interest in UniSerial Electronics Limited from 45% to 51% by acquiring an additional 6% equity interests from a non-controlling interest [Note 20(a)].

(h) On 23 March 2018 and 25 October 2018, the non-controlling interest subscribed for additional 1,015 new ordinary shares at IDR 1.015 billion (US$60,000) in the issued and paid up share capital of PT. Achieva Technology Indonesia.

(i) On 13 July 2018, Serial Microelectronics Pte Ltd, increased the equity interest in STECH Global Trading Pte. Ltd. from 70% to 90% by acquiring an additional 20% equity interests from a non-controlling interest for a cash consideration of US$35,000.

35. Dividends

	The Group and the Company	
	2019	2018
	US$'000	US$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of 0.46 SGD cent (0.34 USD cent) per share paid in respect of the financial year ended 31 December 2018	**3,026**	–
One-tier tax-exempt interim cash dividend of 0.22 SGD cent (0.16 USD cent) per share paid in respect of the financial year ended 31 December 2019	**1,448**	–
One-tier tax-exempt final cash dividend of 0.46 SGD cent (0.35 USD cent) per share paid in respect of the financial year ended 31 December 2017	**–**	3,115
One-tier tax exempt interim cash dividend of 0.40 SGD cent (0.29 USD cent) per share paid in respect of the financial year ended 31 December 2018	**–**	2,621
One-tier tax exempt special interim cash dividend of 1.00 SGD cent (0.73 USD cent) per share paid in respect of the financial year ended 31 December 2018	**–**	6,553
Total	**4,474**	12,289

At the forthcoming Annual General Meeting on 30 April 2020, a one-tier tax-exempt final cash dividend of 0.13 SGD cent (0.10 USD cent) per share will be recommended for approval by shareholders of the Company. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020, subject to shareholders' approval at the forthcoming Annual General Meeting on 30 April 2020.

36. Commitments and contingencies

(a) Guarantees

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Unsecured guarantees provided by the Company for/to:				
- banking facilities of subsidiaries	**–**	–	**85,126**	156,560
- suppliers of subsidiaries	**–**	–	**13,143**	4,929
Unsecured bank guarantees provided by the subsidiaries for/to:				
- suppliers of subsidiaries	**972**	3,457	**–**	–
- customers of a subsidiary	**31**	47	**–**	–
	1,003	3,504	**98,269**	161,489

(b) Operating lease commitments - where the Group is a lessor

The Group leases out certain investment properties to an associated company and non-related parties under non-cancellable operating leases. These leases have varying terms and renewal rights but no purchase options clauses. As at the reporting date, undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Within one year	**567**	726
One to two years	**–**	495
Total undiscounted lease payments	**567**	1,221

(c) Operating lease commitments - where the Group is a lessee

The Group has entered into several non-cancellable operating lease agreements. These leases have varying terms and renewal rights but no purchase options clauses. As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	The Group
	2018
	US$'000
Within one year	3,615
Between one and five years	2,912
More than five years	16
	6,543

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low value leases.

37. Financial risk management

The Group's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provide guidelines for overall risk management. Management reviews and agrees on policies for managing the various financial risks.

(a) Market risk

(i) Currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group.

The Group's businesses conduct the majority of their sale and purchase transactions in the same currency, mainly United States Dollar (US$). The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases.

In addition, the Group operates internationally and is exposed to currency translation risk arising from various currency exposures, primarily with respect to the Singapore Dollar (S$), Korean Won (KRW), Hong Kong Dollar (HK$), Chinese Renminbi (RMB), New Taiwan Dollar (NT$), Malaysian Ringgit (MYR), Thailand Baht (THB), Indonesian Rupiah (IDR), and Australian Dollar (AUD). Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure is as follows:

The Group	United States Dollar US$'000	Singapore Dollar US$'000	Korean Won US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	New Taiwan Dollar US$'000	Malaysian Ringgit US$'000	Thailand Baht US$'000	Indonesian Rupiah US$'000	Others US$'000	Total US$'000
2019											
Financial assets:											
Cash and cash equivalents, financial assets, at fair value through profit or loss and at fair value through other comprehensive income	68,953	5,289	1,750	702	2,503	1,101	1,518	2,158	28	435	84,437
Trade and other receivables	65,815	4,861	2,944	207	29,299	1,428	8,193	14,451	95	242	127,535
Other financial assets	501	153	118	312	2	58	62	20	–	16	1,242
	135,269	10,303	4,812	1,221	31,804	2,587	9,773	16,629	123	693	213,214
Financial liabilities:											
Borrowings	(83,038)	(19,925)	(3,961)	(4,500)	–	(12,114)	(5,114)	(720)	–	–	(129,372)
Trade and other payables	(85,397)	(4,147)	(368)	(7,620)	(8,957)	(1,970)	(12)	(663)	(47)	(83)	(109,264)
	(168,435)	(24,072)	(4,329)	(12,120)	(8,957)	(14,084)	(5,126)	(1,383)	(47)	(83)	(238,636)
Net financial (liabilities)/assets	(33,166)	(13,769)	483	(10,899)	22,847	(11,497)	4,647	15,246	76	610	(25,422)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	12,360	5,030	(1,974)	12,883	(65,681)	11,498	(5,023)	(6,826)	(76)	(107)	(37,916)
Currency exposure	(20,806)	(8,739)	(1,491)	1,984	(42,834)	1	(376)	8,420	–	503	(63,338)

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group	United States Dollar US$'000	Singapore Dollar US$'000	Korean Won US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	New Taiwan Dollar US$'000	Malaysian Ringgit US$'000	Thailand Baht US$'000	Indonesian Rupiah US$'000	Others US$'000	Total US$'000
2018											
Financial assets:											
Cash and cash equivalents, financial assets, at fair value through profit or loss and at fair value through other comprehensive income	120,918	3,178	2,857	324	3,937	1,700	976	1,112	254	378	135,634
Trade and other receivables	67,647	7,793	12,576	603	57,443	8,947	8,477	14,900	660	2,115	181,161
Other financial assets	13	122	458	311	9	57	51	15	1	12	1,049
	188,578	11,093	15,891	1,238	61,389	10,704	9,504	16,027	915	2,505	317,844
Financial liabilities:											
Borrowings	(159,922)	(18,890)	(7,239)	(5,118)	–	(18,694)	(4,609)	(565)	–	–	(215,037)
Trade and other payables	(127,004)	(6,907)	(465)	(8,486)	(8,071)	(2,893)	(17)	(561)	(271)	(1,946)	(156,621)
	(286,926)	(25,797)	(7,704)	(13,604)	(8,071)	(21,587)	(4,626)	(1,126)	(271)	(1,946)	(371,658)
Net financial (liabilities)/assets	(98,348)	(14,704)	8,187	(12,366)	53,318	(10,883)	4,878	14,901	644	559	(53,814)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	110,302	5,057	(5,634)	13,498	(47,261)	10,908	(5,289)	(5,343)	(233)	(93)	75,912
Currency exposure	11,954	(9,647)	2,553	1,132	6,057	25	(411)	9,558	411	466	22,098

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure is as follows:

The Company	United States Dollar **US$'000**	Singapore Dollar **US$'000**	Thailand Baht **US$'000**	New Taiwan Dollar **US$'000**	Total **US$'000**
2019					
Financial assets:					
Cash and cash equivalents	**5,592**	**722**	**1**	**26**	**6,341**
Trade and other receivables	**19,172**	**3,370**	**1,374**	**–**	**23,916**
Loans and other receivables	**23,333**	**7,347**	**7,598**	**–**	**38,278**
	48,097	**11,439**	**8,973**	**26**	**68,535**
Financial liabilities:					
Borrowings	**–**	**(8,742)**	**–**	**–**	**(8,742)**
Trade and other payables	**(5,447)**	**(13,311)**	**–**	**–**	**(18,758)**
	(5,447)	**(22,053)**	**–**	**–**	**(27,500)**
Net financial assets/(liabilities)	**42,650**	**(10,614)**	**8,973**	**26**	**41,035**
Less: Net financial assets denominated in the Company's functional currency	**(42,650)**	**–**	**–**	**–**	**(42,650)**
Currency exposure	**–**	**(10,614)**	**8,973**	**26**	**(1,615)**
2018					
Financial assets:					
Cash and cash equivalents	7,652	371	1	33	8,057
Trade and other receivables	12,145	1,937	4,336	–	18,418
Loans and other receivables	22,656	7,104	5,210	–	34,970
	42,453	9,412	9,547	33	61,445
Financial liabilities:					
Borrowings	–	(6,704)	–	–	(6,704)
Trade and other payables	(9,308)	(16,486)	–	–	(25,794)
	(9,308)	(23,190)	–	–	(32,498)
Net financial assets/(liabilities)	33,145	(13,778)	9,547	33	28,947
Less: Net financial assets denominated in the Company's functional currency	(33,145)	–	–	–	(33,145)
Currency exposure	–	(13,778)	9,547	33	(4,198)

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the foreign currencies strengthen/weaken against the United States Dollar by the following percentages:

	The Group	
	2019	2018
Singapore Dollar	**5%**	5%
Korean Won	**5%**	5%
Hong Kong Dollar	**1%**	1%
Chinese Renminbi	**5%**	5%
New Taiwan Dollar	**5%**	5%
Malaysian Ringgit	**10%**	10%
Thailand Baht	**10%**	10%
Indonesian Rupiah	**5%**	5%

with all other variables including the tax rate being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

	Profit after income tax	Equity	Profit after income tax	Equity
	← Increase/(Decrease) →			
	2019		2018	
The Group	**US$'000**	**US$'000**	US$'000	US$'000
Singapore Dollar against United States Dollar				
- strengthened	**(366)**	**(252)**	(402)	(253)
- weakened	**366**	**252**	402	253
Korean Won against United States Dollar				
- strengthened	**(62)**	**99**	106	282
- weakened	**62**	**(99)**	(106)	(282)
Hong Kong Dollar against United States Dollar				
- strengthened	**17**	**(129)**	9	(135)
- weakened	**(17)**	**129**	(9)	135
Chinese Renminbi against United States Dollar				
- strengthened	**(1,794)**	**3,284**	252	2,363
- weakened	**1,794**	**(3,284)**	(252)	(2,363)
New Taiwan Dollar against United States Dollar				
- strengthened	*	**(575)**	1	(545)
- weakened	*	**575**	(1)	545
Malaysian Ringgit against United States Dollar				
- strengthened	**(31)**	**502**	(34)	529
- weakened	**31**	**(502)**	34	(529)

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Profit after income tax	Equity	Profit after income tax	Equity
	← Increase/(Decrease) →			
	2019		2018	
The Group	**US$'000**	**US$'000**	US$'000	US$'000
Thailand Baht against United States Dollar				
- strengthened	**745**	**683**	797	534
- weakened	**(745)**	**(683)**	(797)	(534)
Indonesian Rupiah against United States Dollar				
- strengthened	**–**	**4**	17	12
- weakened	**–**	**(4)**	(17)	(12)

* Amount less than US$1,000.

	Profit after income tax	
	← Increase/(Decrease) →	
	2019	2018
The Company	**US$'000**	US$'000
Singapore Dollar against United States Dollar		
- strengthened	**(440)**	(572)
- weakened	**440**	572
Thailand Baht against United States Dollar		
- strengthened	**745**	792
- weakened	**(745)**	(792)
New Taiwan Dollar against United States Dollar		
- strengthened	**1**	1
- weakened	**(1)**	(1)

(ii) Price risk

The Group is exposed to market risk of its listed equity securities/assets which are classified on the consolidated statement of financial position as financial assets, at fair value through profit or loss. These investments are not hedged.

37. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

If prices for equity securities increase/decrease by 10% (2018: 10%), with all other variables including tax rate being held constant, the profit after income tax and equity will increase/decrease by:

	Profit after income tax	
	2019	2018
The Group	**US$'000**	US$'000
Financial assets, at fair value through profit or loss		
Listed in:		
Singapore	**115**	32
South Korea	**113**	191
Indonesia	*****	*

* Amount less than US$1,000.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk mainly arises from bank borrowings and various trade and loan financing facilities. These facilities are from reputable banks with favourable interest rates available in the market. The Group has funds that are placed with reputable banks. The interest rates of these funds are at prevailing rates.

For the Group's borrowings at variable rates on which effective hedges have not been entered into, if the interest rates increase/decrease by 1% (2018: 1%) with all other variables including the tax rate being held constant, the profit after income tax will decrease/increase by approximately US$1,063,000 (2018: US$1,667,000) as a result of higher/lower interest expense on these borrowings.

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	← Variable rates →				← Fixed rates →			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
The Group	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019									
Assets:									
Cash and cash equivalents	–	–	–	–	5,797	1,006	–	40,303	47,106
Trade and other receivables	16,225	–	–	–	6,118	–	–	105,192	127,535
Financial assets, at fair value through profit or loss	–	–	–	–	–	–	100	37,102	37,202
Financial assets, at fair value through other comprehensive income	–	–	–	–	–	–	–	129	129
Other financial assets	–	–	–	–	–	–	–	1,242	1,242
Total financial assets	16,225	–	–	–	11,915	1,006	100	183,968	213,214
Liabilities:									
Borrowings	102,784	4,174	7,327	1,638	4,052	2,882	4,049	2,466	129,372
Trade and other payables	–	–	–	–	–	–	–	109,264	109,264
Total financial liabilities	102,784	4,174	7,327	1,638	4,052	2,882	4,049	111,730	238,636

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates				Fixed rates			Non-interest bearing	Total
The Group	Less than 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	More than 5 years US$'000	Less than 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	US$'000	US$'000
2018									
Assets:									
Cash and cash equivalents	–	–	–	–	5,588	1,167	–	52,425	59,180
Trade and other receivables	14,858	–	–	–	5,493	–	–	160,810	181,161
Financial assets, at fair value through profit or loss	–	–	–	–	683	–	–	73,776	74,459
Financial assets, at fair value through other comprehensive income	–	–	–	–	–	–	–	1,995	1,995
Other financial assets	–	–	–	–	–	–	–	1,049	1,049
Total financial assets	14,858	–	–	–	11,764	1,167	–	290,055	317,844
Liabilities:									
Borrowings	181,818	16,926	1,362	1,920	9,172	57	312	3,470	215,037
Trade and other payables	–	–	–	–	–	–	–	156,621	156,621
Total financial liabilities	181,818	16,926	1,362	1,920	9,172	57	312	160,091	371,658

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates			Fixed rates			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
The Company	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019								
Assets:								
Cash and cash equivalents	–	–	–	5,262	–	–	1,079	6,341
Trade and other receivables	–	1,510	–	–	5,277	–	17,129	23,916
Loans and other receivables	–	–	13,193	–	–	7,598	17,487	38,278
Other financial assets	–	–	–	–	–	–	3	3
Total financial assets	–	1,510	13,193	5,262	5,277	7,598	35,698	68,538
Liabilities:								
Borrowings	–	–	5,934	28	2,623	157	–	8,742
Trade and other payables	–	4,066	8,794	–	2,000	–	3,898	18,758
Total financial liabilities	–	4,066	14,728	28	4,623	157	3,898	27,500

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	Variable rates			Fixed rates			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
The Company	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2018								
Assets:								
Cash and cash equivalents	–	–	–	5,130	–	–	2,927	8,057
Trade and other receivables	–	1,909	–	–	9,084	–	7,425	18,418
Loans and other receivables	–	–	20,944	–	–	7,610	6,416	34,970
Total financial assets	–	1,909	20,944	5,130	9,084	7,610	16,768	61,445
Liabilities:								
Borrowings	6,442	–	–	27	27	208	–	6,704
Trade and other payables	–	9,103	12,028	–	–	–	4,663	25,794
Total financial liabilities	6,442	9,103	12,028	27	27	208	4,663	32,498

37. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's and Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, and loans and other receivables.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables. As at the reporting date, the Group's trade receivables comprised nine debtors (2018: six debtors) that individually represented 2.2% to 11.3% (2018: 2.2% to 8.9%) of the Group's total trade receivables.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective heads of operations, and finance departments and at the Group level by the corporate finance and management team.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as disclosed in the financial statements and as follows:

(i) 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$370,000 (2018: US$1,308,000) are mitigated because these are secured by properties with fair value estimated to be approximately US$710,000 (2018: US$881,000).

The Group is not permitted to sell or repledge the properties in the absence of default.

(ii) The Group purchased credit insurance to reduce credit risk from extension of credit to the majority of its customers in the electronic components distribution business.

The credit risk for trade receivables is as follows:

	The Group	
	2019	2018
	US$'000	US$'000
By geographical areas:		
South Asia	**41,911**	37,569
Hong Kong	**28,733**	44,449
China	**24,782**	57,115
South Korea	**2,635**	11,918
Taiwan	**7,549**	14,483
	105,610	165,534

37. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk grading guideline

The internal credit risk grading which is used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades		Definition	Basis of recognition of expected credit loss
(i)	Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
(ii)	Under-performing	There has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit impaired)
(iii)	Non-performing	There is evidence indicating that the asset is credit impaired	Lifetime ECL (credit impaired)
(iv)	Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty	Asset is written off

Except as disclosed in the financial statements, the Group has no under-performing and non-performing financial assets. The credit quality of the Group's financial assets, as well as maximum exposure to credit risk rating rates are presented as follows:

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Cash and cash equivalents are entered into with bank and financial institution counterparties, assessed as low credit risks and rated BBB+ to A1, based on rating agency's ratings. The amount of the allowance on cash and cash equivalents was immaterial. The gross and net carrying amount of cash and cash equivalents are set out in Note 11 to the financial statements.

Trade receivables

For trade receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit ratings based on in-house credit assessments performed in accordance to corporate credit policies and procedures and if available, professional credit reports and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with good credit quality counterparties.

The Group applies the SFRS(I) 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables carried at amortised cost. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor.

37. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

On that basis, the loss allowance as at reporting date was determined as follows for trade receivables carried at amortised cost:

The Group	Lifetime expected loss rate **%**	Gross carrying amount **US$'000**	Lifetime expected credit losses **US$'000**	Net carrying amount **US$'000**
2019				
Individual assessment	**100%**	**12,142**	**(12,142)**	**–**
Collective assessment				
Current	**0.3%**	**64,762**	**(178)**	**64,584**
Past due:				
1 to 30 days	**0.2%**	**23,806**	**(44)**	**23,762**
31 to 60 days	**0.6%**	**4,347**	**(28)**	**4,319**
Over 61 days	**4.8%**	**13,603**	**(658)**	**12,945**
		118,660	**(13,050)**	**105,610**
2018				
Individual assessment	100%	11,131	(11,131)	–
Collective assessment				
Current	0.1%	117,678	(130)	117,548
Past due:				
1 to 30 days	0.2%	27,040	(53)	26,987
31 to 60 days	1.1%	11,365	(130)	11,235
Over 61 days	4.2%	10,191	(427)	9,764
		177,405	(11,871)	165,534

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recovery of amounts previously written off is credited against the same line item.

37. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The movements in the allowance for impairment losses on trade receivables are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**11,871**	11,575
Loss allowance made (Note 6)	**1,370**	1,450
Impairment written off	**(228)**	(1,224)
Currency translation differences	**37**	70
End of financial year (Note 12)	**13,050**	11,871

The Company does not recognise expected credit loss on trade amounts due from subsidiaries as it is not material.

Other receivables

For other receivables, the Group and the Company categorised them as performing debts where the counterparties have a low risk of default and do not have any past-due amounts. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. The gross and net carrying amount of other receivables are set out in Note 12 to the financial statements.

The movements in the allowance for impairment losses on other receivables are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**641**	379
Loss allowance made (Note 6)	**1,647**	515
Impairment written off	**–**	(253)
End of financial year (Note 12)	**2,288**	641

The Company does not recognise any allowance for impairment of other receivables as the other receivables are low credit risk and the impact of expected credit loss is not material.

37. Financial risk management (continued)

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

		Cash flow			
	Carrying amount[1]	Contractual cash flow	Less than 1 year	1 to 5 years	More than 5 years
The Group	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019					
Trade and other payables	**109,264**	**109,360**	**109,360**	**–**	**–**
Borrowings	**129,372**	**134,642**	**123,876**	**9,428**	**1,338**
Financial guarantee contracts	**1,003**	**1,003**	**1,003**	**–**	**–**
	239,639	**245,005**	**234,239**	**9,428**	**1,338**
2018					
Trade and other payables	156,621	156,621	156,621	–	–
Borrowings	215,037	224,964	215,686	7,616	1,662
Financial guarantee contracts	3,504	3,504	3,504	–	–
	375,162	385,089	375,811	7,616	1,662

		Cash flow		
	Carrying amount[1]	Contractual cash flow	Less than 1 year	1 to 5 years
The Company	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019				
Trade and other payables	**18,758**	**19,912**	**10,688**	**9,224**
Borrowings	**8,742**	**9,168**	**2,974**	**6,194**
Financial guarantee contracts	**98,269**	**98,269**	**98,269**	**–**
	125,769	**127,349**	**111,931**	**15,418**
2018				
Trade and other payables	25,794	28,295	14,918	13,377
Borrowings	6,704	6,966	6,730	236
Financial guarantee contracts	161,489	161,489	161,489	–
	193,987	196,750	183,137	13,613

[1] Includes financial guarantee commitments

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

As at the reporting date, the Group had at its disposal cash and cash equivalents amounting to US$46,110,000 (2018: US$58,254,000).

The amount included for financial guarantee contracts is the maximum amount the Group and the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantees. Based on expectations as at the reporting date, the Group and the Company consider that it is unlikely that such an amount will be payable under the arrangement. However, this estimate is subjected to change depending on the probability of the counterparties claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

37. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a net gearing ratio. Management's strategy, which was unchanged from the financial year ended 31 December 2018, is to maintain a net gearing ratio not exceeding 150% for the Group and the Company.

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

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings	**129,372**	215,037	**8,742**	6,704
Less: Cash and cash equivalents	**(47,106)**	(59,180)	**(6,341)**	(8,057)
Net debts/(cash)	**82,266**	155,857	**2,401**	(1,353)
Total equity	**147,234**	144,461	**99,494**	99,578
Net gearing ratio	**55.9%**	107.9%	**2.4%**	NA

NA – Not applicable as the Company is in net cash position

As disclosed in Note 33(a), certain overseas subsidiaries of the Group are required to contribute and maintain a non-distributable reserve fund whose utilisation is subject to approval by the relevant authorities. The Group are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2019 and 31 December 2018, except as disclosed in Note 26(e).

38. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

38. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

The following table presents the assets and liabilities measured at fair value as at the reporting date:

The Group	Quoted prices in active markets for identical instruments Level 1 US$'000	Significant observable inputs other than quoted prices Level 2 US$'000	Significant unobservable inputs Level 3 US$'000	Total US$'000
2019				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	**2,715**	**–**	**–**	**2,715**
Convertible bond	**–**	**–**	**100**	**100**
Other investment – land development in Cambodia	**–**	**–**	**615**	**615**
Trade receivables	**–**	**–**	**33,772**	**33,772**
Financial assets, at fair value through other comprehensive income				
Unlisted securities	**–**	**–**	**129**	**129**
Total financial assets	**2,715**	**–**	**34,616**	**37,331**
Non-financial assets				
Investment properties – Freehold building	**–**	**4,510**	**–**	**4,510**
Total non-financial assets	**–**	**4,510**	**–**	**4,510**
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	**–**	**(1,681)**	**–**	**(1,681)**
Total financial liabilities	**–**	**(1,681)**	**–**	**(1,681)**
2018				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Quoted securities	2,937	–	–	2,937
Convertible bond	–	683	–	683
Other investment – land development in Cambodia	–	–	615	615
Trade receivables	–	–	70,224	70,224
Financial assets, at fair value through other comprehensive income				
Unlisted securities	–	–	1,995	1,995
Total financial assets	2,937	683	72,834	76,454
Non-financial assets				
Investment properties – Freehold building	–	4,402	–	4,402
Total non-financial assets	–	4,402	–	4,402
Liabilities				
Derivative financial instruments				
Foreign exchange forward contracts	–	(1,165)	–	(1,165)
Total financial liabilities	–	(1,165)	–	(1,165)

38. Fair value of assets and liabilities (continued)

(c) Level 1 fair value measurements

The fair values of quoted securities traded in active markets are based on quoted market prices as at the reporting date. The quoted market prices used for the quoted securities held by the Group are the closing prices as at the reporting date. These financial assets are included in Level 1.

(d) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Convertible bond

The fair value of convertible bond that is not traded in an active market is determined by using a valuation technique. The Group uses estimated discounted cash flows technique and makes assumptions that are based on market conditions existing as at the reporting date. The model incorporates various inputs including current and expected future credit losses, and market rates of interest.

Freehold building

The valuation of investment properties is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts with short term maturities and that are not traded in an active market are determined using forward market exchange rates as at the reporting date.

(e) Level 3 fair value measurements

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

Convertible bond

The fair value of convertible bond that is not traded in an active market is determined by using a valuation technique. The Group uses estimated discounted cash flows technique and makes assumptions that are based on market conditions existing as at the reporting date. The model incorporates various inputs including current and expected future credit losses, and market rates of interest.

Other investment - land development in Cambodia and unlisted securities

As at the reporting date, for the investment in land development in Cambodia and unlisted securities, the Group estimates that the cost represents the fair value based on recent available information and transaction prices.

Trade receivables

The fair value of these financial assets represents the expected net proceeds to be received from the banks by selling these assets and is measured at fair value hierarchy level 3 as at the reporting date. The valuation technique is income approach and the most significant unobservable input would be the expected factoring charges for the factoring arrangements. The higher the factoring charges, the lower the fair values of these financial assets.

There was no transfer between Level 1, Level 2 and Level 3 during the financial year ended 31 December 2019 and 31 December 2018.

38. Fair value of assets and liabilities (continued)

(e) Level 3 fair value measurements (continued)

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

The following table presents the changes in Level 3 instruments:

The Group	Financial assets, at fair value through profit or loss **US$'000**	Financial assets, at fair value through other comprehensive income **US$'000**
2019		
Beginning of financial year	**70,839**	**1,995**
Redemption	**(36,595)**	**(1,800)**
Fair value adjustment	**243**	**–**
Fair value loss recognised in other comprehensive income	**–**	**(62)**
Currency translation differences	**–**	**(4)**
End of financial year	**34,487**	**129**
2018		
Beginning of financial year	–	–
Reclassified from amortised cost	70,839	–
Investments reclassified from available-for-sale	–	1,995
End of financial year	70,839	1,995

(iii) Valuation policies and procedures

The Chief Financial Officer ("CFO") oversees the financial reporting valuation process and is responsible for setting and documenting the valuation policies and procedures, including the measurement of Level 3 fair values.

The CFO's team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, the team assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified. The CFO reports to the Audit Committee for significant valuation issues.

38. Fair value of assets and liabilities (continued)

(f) Assets and liabilities not carried at fair value but for which fair value is disclosed

The Group	Quoted prices in active markets for identical instruments Level 1 US$'000	Significant observable inputs other than quoted prices Level 2 US$'000	Significant unobservable inputs Level 3 US$'000	Total US$'000	Carrying amount US$'000
2019					
Assets					
Investments in associated companies	**5,835**	**–**	**–**	**5,835**	**4,330**
Financial liabilities					
Borrowings (non-current)	**–**	**–**	**9,939**	**9,939**	**10,372**
2018					
Assets					
Investments in associated companies	8,555	–	–	8,555	3,544
Financial liabilities					
Borrowings (non-current)	–	–	3,543	3,543	3,594
The Company					
2019					
Assets					
Investment in an associated company	**1,552**	**–**	**–**	**1,552**	**1,390**
Financial liabilities					
Borrowings (non-current)	**–**	**–**	**5,777**	**5,777**	**6,091**
2018					
Assets					
Investment in an associated company	1,390	–	–	1,390	1,390
Financial liabilities					
Borrowings (non-current)	–	–	199	199	208

(i) The fair values of bank borrowings and lease liabilities/finance lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar type borrowings or leasing arrangements at the reporting date.

(ii) The carrying amounts of other financial assets and liabilities recognised as at the reporting date with maturity of less than one year approximate their fair values due to their short term maturities.

(iii) The carrying amounts of the non-current loans to subsidiaries as at the reporting date, which bear interest at prevailing market interest rates (Level 2), are approximation of fair values.

39. 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.

(a) Sales and purchases of goods and services

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

	The Group	
	2019	2018
	US$'000	US$'000
With associated companies:		
Sales of goods to associated companies	**1**	3
Purchases of goods from associated companies	**4**	5
Purchases of goods from a joint venture	**114**	–
Rental received from an associated company	**70**	70
Interest expense paid to an associated company	**43**	–
Interest income received from a joint venture	**69**	–
With director/substantial shareholder:		
Fees paid to a firm of which a director of the Company is a member, director or shareholder	**59**	61
Interest expense paid to a substantial shareholder of the Company*	**3**	–

Sales and purchases of goods and services were carried out on commercial terms and conditions as agreed between the parties. Outstanding balances as at the reporting date arising from sales/purchases of goods and services, are set out in Note 12 and Note 25 respectively.

* Interest expense on unsecured principal amount of S$3,500,000 (US$2,597,000) (2018: Nil) included in current other borrowings of the Group and the Company as at the reporting date.

(b) Share options granted/exercised by directors of the Company

There were no share options granted to or exercised by directors of the Company during the financial year ended 31 December 2019 and 31 December 2018. There were no outstanding share options granted to the directors of the Company as at 31 December 2019 and 31 December 2018.

39. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Salaries and other short-term employees' benefits	**4,234**	3,881
Post employment benefits contribution to defined contribution plans	**51**	55
Other long term benefits	**574**	588
	4,859	4,524

Included in the above are remuneration (salaries, bonuses, other long term benefits, directors' fees and other emoluments) paid/payable to Directors of the Company. Fees payable to Directors of the Company amounted to US$196,000 (2018: US$207,000).

The banding of Directors' remuneration is disclosed in Note 1 of the Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual.

40. Segment information

(a) Operating segments

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

– Electronic components distribution
– Consumer products distribution
– Other businesses

Other businesses include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, provision of laundry services in the hospitality industry, project financing, trading of consumer products and manufacturing, processing, trading and exporting of durian puree and durian related products.

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 its 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 CEO and CFO 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.

Segment assets comprise primarily cash and cash equivalents, trade and other receivables, inventories, financial assets, at fair value through profit or loss, other current assets, loans to associated companies and joint ventures, financial assets, at fair value through other comprehensive income, investments in associated companies, investments in joint ventures, property, plant and equipment, investment properties, intangible assets and other assets. Segment assets exclude deferred income tax assets.

40. Segment information (continued)

(a) Operating segments (continued)

Segment liabilities comprise primarily trade and other payables, defined benefit plans liabilities and borrowings. Segment liabilities exclude items such as current income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets such as computer software license costs and distribution rights.

The investments in associated companies and joint ventures, as disclosed in Note 18(a) and Note 19(a), are accounted for by the equity method. The investments and the share of results of Bull Will Co., Ltd, Globaltronics International Pte. Ltd., UniSerial Electronics Limited (formerly known as Unitrontech China Co., Ltd) and Lierda Serial China Limited are shown separately in conjunction with data for the electronic components distribution business. The investment and the share of results of PT Sentral Mitra Informatika is shown separately in conjunction with data for the consumer products distribution business. The investments and the share of results of SPL Holdings (Australia) Pty Ltd, Tong Chiang Group Pte. Ltd., Edith-United International Pte Ltd, Eunice Food Catering Pte. Ltd., Imperial Kitchen Catering Pte. Ltd. and Musang Durians Frozen Food (M) Sdn. Bhd. are shown separately in conjunction with data for other businesses.

40. Segment information (continued)

(a) 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
2019					
Sales – external	757,183	36,622	5,089	(7,257)	791,637
Segment results - operating profit/(loss)	18,965	(3,598)	(1,891)	–	13,476
Finance income	1,332	641	2,458	(1,817)	2,614
Finance costs	(8,312)	(973)	(1,476)	1,817	(8,944)
Share of results of associated companies (after income tax)	426	89	–	–	515
Share of loss of joint ventures (after income tax)	(49)	–	(359)	–	(408)
Profit before income tax					7,253
Income tax expense					(697)
Profit after income tax					6,556
Segment assets	357,239	38,457	50,891	(61,912)	384,675
Investments in associated companies	1,309	3,021	–	–	4,330
Investments in joint ventures	–	–	–	–	–
Deferred income tax assets					652
Consolidated total assets					389,657
Segment liabilities	118,367	11,559	41,892	(61,912)	109,906
Borrowings	91,013	23,904	14,455	–	129,372
Current and deferred income tax liabilities					3,145
Consolidated total liabilities					242,423
Capital expenditure on property, plant and equipment	84	187	55	–	326
Capital expenditure on intangible assets (computer software license costs)	205	–	–	–	205
Amount received/receivable in respect of the transfer of distribution business	(25,374)	–	–	–	(25,374)
Investment in financial assets, at fair value through profit or loss	583	–	–	–	583
Investment in joint venture	49	–	–	–	49
Impairment loss on investment in a joint venture	–	–	1,487	–	1,487
Depreciation of property, plant and equipment	2,702	1,082	687	–	4,471
Amortisation of computer software license costs	139	4	1	–	144
Amortisation of distribution rights	13	–	–	–	13
Fair value loss on convertible bond	–	–	683	–	683
Fair value gain on financial assets, at fair value through profit or loss	(337)	–	(1,196)	–	(1,533)
Gain on sale of financial assets, at fair value through profit or loss,net	(967)	–	(57)	–	(1,024)
Impairment losses on goodwill arising from acquisition of subsidiaries	–	2,010	–	–	2,010
Loss allowance on trade receivables	1,020	299	51	–	1,370
Loss allowance on non-trade receivables (third parties)	–	–	1,647	–	1,647

40. Segment information (continued)

(a) 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
2018					
Sales – external	1,472,291	54,982	5,727	(5,893)	1,527,107
Segment results - operating profit/(loss)	30,422	(6,232)	12,905	–	37,095
Finance income	2,503	602	2,127	(2,968)	2,264
Finance costs	(13,919)	(788)	(2,579)	2,968	(14,318)
Share of results of associated companies (after income tax)	(272)	14	(77)	–	(335)
Share of loss of joint venture (after income tax)	–	–	(543)	–	(543)
Profit before income tax					24,163
Income tax expense					(5,706)
Profit after income tax					18,457
Segment assets	487,582	34,162	50,818	(57,520)	515,042
Investments in associated companies	914	2,828	–	–	3,742
Investment in joint venture	–	–	1,815	–	1,815
Deferred income tax assets					481
Consolidated total assets					521,080
Segment liabilities	161,603	10,169	43,232	(57,520)	157,484
Borrowings	179,549	23,361	12,127	–	215,037
Current and deferred income tax liabilities					4,098
Consolidated total liabilities					376,619
Capital expenditure on property, plant and equipment	1,474	360	51	–	1,885
Capital expenditure on intangible assets (computer software license costs)	265	–	–	–	265
Investment in financial assets, at fair value through profit or loss	–	–	1,777	–	1,777
Gain on disposal of an associated company	–	–	(18,258)	–	(18,258)
Impairment loss on investment in associated companies	–	–	5,437	–	5,437
Depreciation of property, plant and equipment	1,877	465	588	–	2,930
Amortisation of computer software license costs	247	18	1	–	266
Amortisation of distribution rights	14	–	–	–	14
Fair value gain on convertible bond	–	–	(941)	–	(941)
Fair value loss on financial assets, at fair value through profit or loss	2,554	–	6	–	2,560
Impairment losses on goodwill arising from acquisition of subsidiaries	–	4,526	–	–	4,526
Loss allowance/(write-back of loss allowance) on trade receivables	1,484	(93)	59	–	1,450
Loss allowance on non-trade receivables (third parties)	–	–	515	–	515

40. Segment information (continued)

(b) Geographical segments

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

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

Consumer products distribution in South Asia consists mainly Singapore, Malaysia and Indonesia.

Other businesses in South Asia (mainly Singapore, Malaysia, Thailand and Indonesia), Taiwan, China and Australia include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, provision of laundry services in the hospitality industry, project financing, trading of consumer products, and manufacturing, processing, trading and exporting of durian puree and durian related 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*	
	2019	2018	**2019**	2018
The Group	**US$'000**	US$'000	**US$'000**	US$'000
South Asia	**238,484**	311,570	**16,403**	16,665
Hong Kong	**375,883**	891,527	**4,647**	3,368
China	**92,031**	164,955	**15,742**	17,014
South Korea	**26,302**	65,399	**5,599**	6,173
Taiwan	**58,937**	93,656	**6,653**	7,800
Indonesia - Associated company	**–**	–	**3,022**	2,828
Taiwan - Associated company	**–**	–	**1,308**	716
Hong Kong - Associated company	**–**	–	**–**	198
Malaysia - Joint venture	**–**	–	**–**	1,815
	791,637	1,527,107	**53,374**	56,577

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

(c) Information about major customers

Sales of approximately US$54,831,000 (2018: US$42,386,000) during the financial year were derived from a single external customer. These sales were attributable to the electronic components distribution segment in Hong Kong.

41. Contingent liabilities

On 23 February 2017, the Group received notice that the Securities and Futures Investors Protection Center of Taiwan has filed a civil suit against the Company and three of its senior executives amounting to US$3.63 million (NT$113.7 million) ("Suit"). The Suit arose due to charges brought by the public prosecutor of New Taipei District Prosecutor Office against Bull Will Co., Ltd's former chairman, Peter Ho I-Chin, concerning alleged financial statement fraud. Bull Will Co., Ltd has insured its directors and supervisors with a US$5 million liability insurance which is more than adequate to cover the claims under the Suit. Proceedings in the Suit are currently in progress. The Group has been advised by its lawyers in Taiwan that the Suit is without merit and unlikely to succeed. Accordingly, no provision for any liability has been made in these financial statements.

42. Events after the reporting date

(a) On 6 January 2020, the Group's 91% owned China subsidiary, Serial Microelectronics (Shenzhen) Co. Ltd, struck off its wholly owned dormant China subsidiary, Teampal Microelectronics (Shanghai) Co, Ltd.

(b) On 17 February 2020, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a 49% equity interest in a newly incorporated company, Print IQ Co., Ltd in Thailand with an issued and paid up capital of THB 6,000,000 (US$192,000) for a cash consideration of THB 2,940,000 (US$94,000). The principal activities of Print IQ Co., Ltd are managed print services and supply of printers and toners.

43. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors of Serial System Ltd on 2 April 2020.

1. Directors' remuneration

The following information relates to remuneration of Directors of the Company during the financial year:

	2019	2018
Number of Directors of the Company in remuneration bands:		
S$3,000,000 to S$3,249,999	**1***	–
S$2,750,000 to S$2,999,999	**–**	1*
S$0 to S$249,999	**5**	5
Total	**6**	6

* Includes deferred compensation of S$782,561 (2018: S$790,985)

2. Auditors' remuneration

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

	2019 US$'000	2018 US$'000
Auditors' remuneration paid/payable to:		
- auditors of the Company	**185**	220
- other auditors*	**194**	254
Other fees paid/payable to:		
- other auditors*	**12**	14

* Includes member firms of Moore Global Network Limited outside Singapore of which the auditors of the Company is a member.

3. Risk management

(a) Operational risk

The Group's electronic components distribution business, consumer products distribution and other businesses face constant market risks from technology obsolescence, competition, business and market condition changes. As the Group is engaged in a wide range of products and has a good mix of business serving various industries, it is unlikely that there is a significant concentration of risks in any particular area. The Group operates primarily in Singapore, Hong Kong, China, South Korea, Taiwan, Malaysia, Thailand, Philippines, India, Indonesia and Vietnam. The Group has no reasons to believe these regions/countries are politically unstable. The Group's corporate management team oversees and manages the operations closely with regular business reviews and meetings with operation executives.

(b) Investment risk

The Group invests to enhance growth as well as for strategic alliances and risk diversifications. The corporate management team and key executives of its subsidiaries constantly review its investment portfolios. The Group's non-executive directors serve as advisors and collectively the board of directors of the Company reviews and approves all investment decisions. Impairment in investment is constantly reviewed and necessary allowances are made as recommended where applicable.

3. Risk management (continued)

(b) Investment risk (continued)

As in all business acquisitions, there is always an adjustment period before the systems of the new business can be fully integrated into the Group's operations. To minimise disruption and to ensure continuity in the operations of the Group's acquired entities after the acquisitions, the Group takes appropriate steps to ensure minimum disruptions to the existing business structure of the acquired entities and that key personnel will continue to be employed by the Group where appropriate.

4. Material contracts

There is no material contract entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder of the Company, either still subsisting at the end of the year or entered into since the end of the previous financial year, except for a loan agreement dated 10 December 2019 between the Company and Mr. Goi Seng Hui, a substantial shareholder of the Company for an aggregate principal amount of S$5,000,000 (US$3,710,000) at an interest rate of 4.5% per annum. S$3,500,000 (US$2,597,000) was drawdown and outstanding by the Company as at 31 December 2019.

5. Investment Property of the Group

Major property held for investment as at 31 December 2019 was:

Location	Description	Existing Use	Tenure	Unexpired term of lease
3rd Floor No.193,195,197,199, Ruei Hu Street Neihu,Taipei Taiwan	1 storey of a 5-storey commercial building	Commercial	Freehold	–

STATISTICS OF SHAREHOLDINGS

As at 2 April 2020

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	US$ 72,648,475
Issued and Fully Paid-Up Capital (excluding Treasury Shares)	:	US$ 71,912,470
Number of Issued Shares (excluding Treasury Shares)	:	895,841,914
Number/Percentage of Treasury Shares	:	9,946,000 (1.11%)
Number/Percentage of Subsidiary Holdings	:	0 (0%)
Class Of Shares	:	Ordinary share
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	407	7.53	9,686	0.00
100 – 1,000	667	12.34	403,075	0.05
1,001 - 10,000	2,342	43.33	10,328,463	1.15
10,001- 1,000,000	1,943	35.95	126,297,887	14.10
1,000,001 and above	46	0.85	758,802,803	84.70
Total	5,405	100.00	895,841,914	100.00

Top Twenty Largest Shareholders

Name of Shareholder	Number of Shares	%
Derek Goh Bak Heng	143,919,054	16.06
Goi Seng Hui	119,772,438	13.37
DB Nominees (S) Pte Ltd	82,837,000	9.25
Hong Leong Finance Nominees Pte Ltd	80,960,000	9.04
UOB Nominees (2006) Pte Ltd	51,334,016	5.73
Raffles Nominees (Pte) Ltd	40,726,592	4.54
Tee Yih Jia Food Manufacturing Pte Ltd	24,862,800	2.78
Ho Yung	24,576,200	2.74
Goh Tiong Yong	23,800,000	2.66
United Overseas Bank Nominees Pte Ltd	14,479,850	1.62
DBS Nominees Pte Ltd	14,136,268	1.58
Tan Cheng Hwee or Tan Chiew Peng	12,500,000	1.39
Citibank Nominees Singapore Pte Ltd	12,345,224	1.38
Chin Yeow Hon	11,076,542	1.24
Kim Sang Yeol	10,807,920	1.21
Yu Jie	8,649,064	0.96
Goh Lip Ming	7,500,000	0.84
OCBC Securities Private Ltd	7,086,873	0.79
Phillip Securities Pte Ltd	6,986,797	0.78
Chng Seng Chye @ Chng Hung Seng	5,919,900	0.66
Total	704,276,538	78.62

STATISTICS OF SHAREHOLDINGS

As at 2 April 2020

Substantial Shareholders
(including shares held under nominees accounts)

Name of Substantial Shareholder	Direct Interest Number of Shares	Deemed Interest Number of Shares	Total Interest Number of Shares	%
Derek Goh Bak Heng	355,090,070	50,000	355,140,070	39.64
Goi Seng Hui	119,772,438	24,862,800*	144,635,238	16.15

* Goi Seng Hui is deemed to have an interest in 24,862,800 shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

As at 2 April 2020, approximately 38.90% of the Company's ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Serial System Ltd (the "Company") will be held at 8 Ubi View #05-01 Serial System Building Singapore 408554, on Thursday, 30 April 2020 at 11.00 a.m. (of which there will be a live webcast) to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2019 and Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a one-tier tax-exempt Final Cash Dividend of 0.13 Singapore cent per ordinary share for the financial year ended 31 December 2019 (2018: One-tier tax-exempt Final Cash Dividend of 0.46 Singapore cent per ordinary share). **(Resolution 2)**

3. To approve the payment of Directors' Fees of S$225,000 (US$158,000) for the financial year ending 31 December 2020 payable quarterly in arrears [2019: S$266,000 (US$196,000)]. **(Resolution 3)**

4. To re-elect Mr. Derek Goh Bak Heng as Director, who retires by rotation pursuant to Article 89 of the Company's Constitution.

   Mr. Derek Goh Bak Heng will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Company and CEO of the Group. **(Resolution 4)**

5. To re-elect Mr. Tan Lye Heng Paul as Director, who retires by rotation pursuant to Article 89 of the Company's Constitution.

   Mr. Tan Lye Heng Paul will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. **(Resolution 5)**

6. To re-elect Mr. Goi Kok Ming Kenneth as Director, who retires by rotation pursuant to Article 88 of the Company's Constitution.

   Mr. Goi Kok Ming Kenneth will, upon re-election as a Director of the Company, remain as Non-Executive Director of the Company and will be considered non-independent. **(Resolution 6)**

7. To re-appoint Messrs Moore Stephens LLP as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting, and to authorize the Directors to fix their remuneration **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution No. 8, Resolution No. 9 and Resolution No. 10 as Ordinary Resolutions, with or without any modifications:

8. Share Issue Mandate

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or grant offers, agreements of options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options outstanding at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the term of such convertible securities.

(See Explanatory Note (i) below) **(Resolution 8)**

9. Authority to offer and grant share options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant share options in accordance with the provisions of the Serial System Employee Share Option Scheme 2014 (the "2014 Scheme"), and to allot and issue from time to time such number of Shares in the Company as may be required to be issued pursuant to the exercise of share options granted under the 2014 Scheme, provided that the aggregate number of Shares issued and issuable pursuant to the 2014 Scheme, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per centum (15%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.

(See Explanatory Note (ii) below) **(Resolution 9)**

10. Proposed renewal of the Share Buyback Mandate

That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws, regulations and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company ("AGM") is held or is required by law to be held;

(ii) the date on which the share buybacks have been carried out to the full extent of the Share Buyback Mandate; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(c) in this Resolution:

"Prescribed Limit" means 80,632,791 Shares;

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

(See Explanatory Note (iii) below) **(Resolution 10)**

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
15 April 2020

Measures to Minimise Risk of Community Spread of COVID-19:

The Board would normally welcome the Annual General Meeting (the "AGM") as an opportunity to present to shareholders on the Group's strategy and performance, and listen and respond to their questions, in person. However, due to the current COVID-19 situation and the guidance issued by SGX on safe distancing measures when conducting general meetings, this year the Board is asking that shareholders do not attend the AGM in person. Instead, shareholders who have successfully pre-registered with the Company prior to the AGM date, will be able to participate in the AGM electronically through webcast via their mobile phones, tablets or computers.

FOR THE SAFETY OF SHAREHOLDERS, THE COMPANY WILL NOT ACCEPT ANY PHYSICAL ATTENDANCE BY SHAREHOLDERS. ANY SHAREHOLDERS SEEKING TO ATTEND THE AGM PHYSICALLY IN PERSON WILL BE TURNED AWAY FOR THEIR OWN SAFETY.

The Company will ensure it has the requisite quorum to satisfy requirements for purposes of the AGM, which will take place in the Company's premises at 8 Ubi View #05-01 Serial System Building Singapore 408554, with stringent controlled access for the safety of the Company's personnel.

NOTICE OF ANNUAL GENERAL MEETING

As the COVID-19 situation continues to evolve, we seek Shareholders' understanding that further measures and/or changes to the AGM arrangements may be made in the ensuing days up to the day of the AGM. We will post updates on SGXNET and our corporate website at www.serialsystem.com.

Participate in the AGM via live webcast

Shareholders will be able to watch the proceedings through a live webcast via their mobile phones, tablets or computers. To do so, they need to complete the following steps:

(a) Pre-register at the following website https://agm-serialsystem.com/ ("**AGM webcast registration and Q&A Link**") no later than seventy-two (72) hours before the time appointed for holding the AGM ("**Registration Deadline**") to enable the Company to verify their shareholders status. Shareholders may also submit questions in relation to the AGM through the **AGM webcast registration and Q&A Link** at the time of registration. All questions must be submitted by the **Registration Deadline**. We will endeavor to address these questions during the AGM proceedings, and post such questions from shareholders and responses by the Company as well as minutes of the AGM proceedings on the SGXNET subsequent to the AGM.

(b) Authenticated shareholders will receive an email by **29 April 2020** which contains a unique link, which they can click on to access the webcast of the AGM proceedings. Shareholders must not forward the unique link to third persons who are not shareholders and who are not entitled to attend the AGM proceedings. This is also to avoid any technical disruptions or overload to the AGM proceedings.

(c) Shareholders who register by the **Registration Deadline** but do not receive an email response by **29 April 2020** may contact the Company for assistance at (65) 6510 2435.

(d) The Constitution of the Company currently does not allow shareholders to submit their votes online. Shareholders who wish to vote on any of the resolutions at the AGM will need to appoint the "**Chairman of the Meeting**" as their proxy to do so on their behalf. This is also a safety measure to avoid physical congregation of persons at the AGM.

(e) The proxy form must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554 or emailed to ecomm@serialsystem.com no later than seventy-two (72) hours before the time appointed for holding the AGM.

(f) Shareholders would have received a hard copy of the proxy form together with the notice of the AGM. Shareholders may utilise the hard copy of the proxy form they have received to cast their votes.

Explanatory Notes on Special Business to be transacted:

(i) The proposed Ordinary Resolution No. 8, if passed, will empower the Directors of the Company from date of the above Annual General Meeting until the date of next Annual General Meeting, to allot and issue ordinary shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options outstanding at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The proposed Ordinary Resolution No. 9, if passed, will empower the Directors of the Company to offer and grant share options under the 2014 Scheme (which was approved at an Extraordinary General Meeting of the Company held on 26 April 2014) and to allot and issue Shares pursuant to the exercise of share options under the 2014 Scheme up to an amount which, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.

(iii) The proposed Ordinary Resolution No. 10, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Buyback Mandate does not exceed the Prescribed Limit, and at such price or prices as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Appendix I enclosed together with the Annual Report.

Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy needs not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554 or sent via email to ecomm@serialsystem.com no later than seventy-two (72) hours before the time appointed for holding the Annual General Meeting. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxies to vote on its behalf. If the member is a corporation, the instrument appointing a proxy must be executed under common seal or the hand of its duly authorised officer or attorney.

5. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for the holding of the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 19 May 2020 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building Singapore 048544 up to 5.00 p.m. on 18 May 2020 will be registered to determine shareholders' entitlements to the proposed dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 18 May 2020 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting to be held on 30 April 2020, will be paid on 26 May 2020.

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
15 April 2020

APPENDIX TO SHAREHOLDERS DATED 15 APRIL 2020

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Appendix is circulated to the shareholders (the "**Shareholders**") of Serial System Ltd (the "**Company**") together with the Company's annual report for the financial year ended 31 December 2019 (the "**Annual Report 2019**"). Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval for, the renewal of the Share Buyback Mandate (as defined in this Appendix) to be tabled at the annual general meeting ("**AGM**") of the Company to be held on 30 April 2020 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration.

The ordinary resolution proposed to be passed in respect of the renewal of the Share Buyback Mandate is set out in the notice of AGM. The notice of the AGM and a proxy form are enclosed with the Annual Report 2019.

Your attention is drawn to page 197 of this Appendix in respect of actions to be taken if you wish to attend and vote at the AGM.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

If you have sold all your Shares (as defined in this Appendix), you should immediately forward this Appendix, the Annual Report 2019 and proxy form to the purchaser or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

SERIAL
新曄集團

SERIAL SYSTEM LTD
(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

CONTENTS

DEFINITIONS 179

1. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE 182

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS 196

3. ACTION TO BE TAKEN BY SHAREHOLDERS 197

4. DIRECTORS' RECOMMENDATIONS 197

5. ABSTENTION FROM VOTING 198

6. DIRECTORS' RESPONSIBILITY STATEMENT 198

7. DOCUMENTS FOR INSPECTION 198

DEFINITIONS

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

"2011 EGM"	:	The extraordinary general meeting of the Company held on 23 April 2011
"2020 AGM"	:	The annual general meeting of the Company to be held on 30 April 2020 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration, notice of which is enclosed with the Annual Report 2019
"AGM"	:	The annual general meeting of the Company
"Annual Report 2019"	:	The annual report of the Company for FY2019
"Approval Date"	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
"Associates"	:	Shall bear the meaning assigned to it by the Listing Manual
"Average Closing Price"	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
"Board"	:	The board of the Directors of the Company for the time being
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"Company"	:	Serial System Ltd
"Constitution"	:	The Constitution of the Company
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company
"date of the making of the offer"	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
"Directors"	:	Directors of the Company for the time being
"EPS"	:	Earnings per Share
"Full Share Purchase"	:	Has the meaning ascribed to it in Section 1.9.4.2 of this Appendix
"FY"	:	Financial year ended or ending 31 December, as the case may be
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	2 April 2020, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	:	Has the meaning ascribed to it in Section 1.3.3(a) of this Appendix
"Maximum Price"	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
"NTA"	:	Net tangible assets
"Off-Market Purchase"	:	Has the meaning ascribed to it in Section 1.3.3(b) of this Appendix

"Ordinary Resolution"	:	The ordinary resolution relating to the renewal of the Share Buyback Mandate, as set out in the notice of the 2020 AGM
"Prescribed Limit"	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
"public"	:	Persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Group, and their Associates
"Registrar"	:	Has the meaning ascribed to it in Section 1.10 of this Appendix
"Relevant Period"	:	Has the meaning ascribed to it in Section 1.3.2 of this Appendix
"Securities Account"	:	Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
"Securities and Futures Act"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Buyback"	:	The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
"Share Buyback Mandate"	:	The general mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Section 1 of this Appendix
"Shareholders"	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term "**Shareholders**" shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
"Shares"	:	Ordinary shares in the capital of the Company
"SIC"	:	The Securities Industry Council
"subsidiaries"	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and "**subsidiary**" shall be construed accordingly
"Substantial Shareholder"	:	A Shareholder whose interests in the Company's issued share capital is equal to or more than 5%
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
Currencies and others		
"S$", "$" and "cents"	:	Singapore dollars and cents respectively
"US$"	:	United States dollar, being the lawful currency of the United States of America
"%" or "per cent"	:	Per centum or percentage

Any references in this Appendix to: (a) Dr. Derek Goh shall refer to Dr. Derek Goh Bak Heng; (b) Ms. Victoria Goh shall refer to Ms. Victoria Goh Si Hui (c) Mr. Sean Goh shall refer to Mr. Sean Goh Su Teng; and (d) Mr. Sean Goh's spouse shall refer to Mdm. Ho Chi Chia Brenda, respectively.

The terms "**Depositor**", "**Depository Register**" and "**Depository Agent**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term "**treasury share**" shall have the meaning ascribed to it in Section 4 of the Companies Act.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Appendix is a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

SERIAL SYSTEM LTD

(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

Directors:

Dr. Derek Goh Bak Heng (Executive Chairman and Group CEO)
Mr. Teo Ser Luck (Non-Executive Independent Deputy Chairman)
Mr. Tan Lye Heng Paul (Non-Executive and Lead Independent Director)
Mr. Ravindran s/o Ramasamy (Non-Executive and Independent Director)
Mr. Ng Cher Yan (Non-Executive and Independent Director)
Mr. Goi Kok Ming Kenneth (Non-Executive Director)

Registered Office:

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

15 April 2020

To: The Shareholders of Serial System Ltd

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

Dear Shareholder,

1. The proposed renewal of the Share Buyback Mandate

1.1 Introduction

The purpose of this Appendix is to provide Shareholders with relevant information pertaining to, and to seek Shareholders' approval at the 2020 AGM for, *inter alia*, the renewal of the Share Buyback Mandate.

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Constitution of the Company and such other laws and regulations as may for the time being be applicable.

At the 2011 EGM, the Shareholders had approved the Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares. The mandate was last renewed at the AGM held on 29 April 2019, and will unless renewed again, expire on the date of the 2020 AGM.

In this regard, approval is now being sought from Shareholders for the renewal of the Share Buyback Mandate at the 2020 AGM. The Ordinary Resolution will be proposed, pursuant to which authority will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate.

If approved, the renewal of the Share Buyback Mandate will take effect from the date of the 2020 AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, whichever is the earlier, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

The SGX-ST takes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

1.2 Rationale

The Directors are of the view that a Share Buyback, conducted at an appropriate price level, may enhance the return on equity of the Group and increase Shareholders' value. Share Buybacks are a cost-efficient and effective method of returning to the Shareholders surplus cash over and above the Company's ordinary capital requirements, and provide the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA value per Share.

The Directors are also of the view that Share Buybacks may help mitigate short-term market volatility and offset the effects of short-term speculation, as well as bolster the confidence of Shareholders.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via Market Purchases or Off-Market Purchases, after taking into account the amount of cash available and the prevailing market conditions. The Directors do not propose to carry out Share Buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity, the orderly trading of the Shares and/or the financial position of the Group, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Directors, are from time to time appropriate for the Company.

1.3 Terms of the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

1.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The Companies Act provides that the total number of shares that may be purchased or acquired by a company shall not exceed that number of shares representing not more than 10% of the issued ordinary share capital of the company (excluding treasury shares and subsidiary holdings) as at the date of the general meeting at which the renewal of its share buyback mandate is approved (the "**Approval Date**") (unless the company has effected a reduction of the share capital of the company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the company shall be taken to be the number of the issued ordinary shares of the company as altered, excluding any treasury shares and subsidiary holdings that may be held by the company from time to time). Shares which are held as treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, assuming that the Company has 895,841,914 Shares as at the date of the 2020 AGM (being the number of Shares as at the Latest Practicable Date, excluding treasury shares and subsidiary holdings and assuming no change in the number of Shares on or prior to the date of the 2020 AGM), not more than 89,584,191 Shares representing approximately 10% of the Company's existing issued ordinary share capital (excluding treasury shares and subsidiary holdings) may be purchased or acquired by the Company, pursuant to the limits set out in the Companies Act.

Notwithstanding the above, subject to the limits under Section 76I(1) of the Companies Act in respect of a company's shares held in treasury, the maximum number of Shares that the Company can purchase or acquire and hold in treasury (assuming no change in the number of Shares held in treasury on or prior to the 2020 AGM) will be 80,632,791 Shares, instead of the aforesaid 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), i.e. 89,584,191 Shares. As such, the Company is seeking a Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares of up to a maximum of 80,632,791 Shares (the "**Prescribed Limit**") at the 2020 AGM. Please refer to Section 1.7.2 of this Appendix for further details.

1.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

(a) the date on which the next AGM of the Company is held or is required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in general meeting,

(the "**Relevant Period**").

1.3.3 Manner of purchase of Shares

Purchases of Shares may be made by way of, *inter alia*:

(a) on-market purchases ("**Market Purchase**") transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

(a) offers for the purchase or acquisition of shares are to be made to every person who holds shares to purchase or acquire the same percentage of their shares;

(b) all of those persons have a reasonable opportunity to accept the offers made to them; and

(c) the terms of all the offers are the same, except that there shall be disregarded:

(i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share Buyback;

(d) the consequences, if any, of Share Buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;

(e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

1.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

1.4 Status of purchased Shares under the Share Buyback Mandate

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

1.5 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

1.5.1 Maximum holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of Shares.

In the event that the number of treasury shares held by the Company exceeds 10% of the total number of Shares, the Company shall dispose of or cancel the excess Shares within six (6) months of the day on which such contravention occurs, or such further period as the Registrar of Companies may allow.

1.5.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

1.5.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Pursuant to Rule 704(28) of the Listing Manual, the Company will immediately announce any sale, transfer, cancellation and/or use of treasury shares, including the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) the number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

1.6 Sources of funds for Share Buyback

The Companies Act permits the Company to make payment, pursuant to the purchase or acquisition of its own Shares, out of capital as well as from its distributable profits, so long as the Company is solvent. The Companies Act provides that a Company is solvent if at the date of the relevant payment, the following conditions are satisfied:

(a) there is no ground on which the Company could be found to be unable to pay its debts;

(b) if

(i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal resources, external borrowings or a combination of both to finance purchases or acquisitions of Shares pursuant to the Share Buyback Mandate.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group's working capital, current dividend policy and/ or ability to service its debts would be adversely affected.

1.7 Financial effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2019, are based on the following principal assumptions:

(a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2019 for the purpose of computing the financial effects on the EPS of the Group and the Company;

(b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2019 for the purpose of computing the financial effects on the Shareholders' equity, NTA per Share, gearing and current ratio of the Group and the Company; and

(c) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

1.7.1 Purchase or acquisition out of capital or profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of profits, such amounts will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by such amounts. The total amount of the purchase or acquisition price shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits.

1.7.2 Number of Shares acquired or purchased

Assuming there is no change in the number of Shares, and the number of Shares held in treasury on or prior to the date of the 2020 AGM:

(i) as at the Latest Practicable Date, the Company has 895,841,914 issued Shares (excluding treasury shares and subsidiary holdings);

(ii) the Company may purchase or acquire up to 89,584,191 Shares under the Companies Act (being 10% of its issued Shares (excluding treasury shares and subsidiary holdings));

(iii) as at the Latest Practicable Date, the Company has 9,946,000 Shares held in treasury;

(iv) the Company may hold up to 90,578,791 Shares in treasury (being 10% of its total number of Shares) pursuant to Section 76I(1) of the Companies Act; and

(v) the Company may purchase or acquire up to 80,632,791 Shares under the renewed Share Buyback Mandate to be held as treasury shares.

As at the Latest Practicable Date, no Shares are reserved for issue by the Company.

For illustrative purposes, the Company has assumed that it will only purchase or acquire up to 80,632,791 Shares under the Share Buyback Mandate, to be held as treasury shares.

1.7.3 Maximum price paid for Shares acquired or purchased

In the case of Market Purchases by the Company:

Assuming the Company purchases or acquires 80,632,791 Shares at the maximum price of S$0.0529 (equivalent to US$0.0376) for one (1) Share (being the price equivalent to 5% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 80,632,791 Shares is approximately US$3,031,793.

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

Assuming the Company purchases or acquires 80,632,791 Shares at the maximum price of S$0.0605 (equivalent to US$0.0429) for one (1) Share (being the price equivalent to 20% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 80,632,791 Shares is approximately US$3,459,147.

1.7.4 Illustrative financial effects

For illustrative purposes only, and on the basis of the assumptions set out below, the financial effects of the:

(i) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and held as treasury shares; and

(ii) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and cancelled;

based on the audited financial statements of the Group and the Company for FY2019 are set out in the sections below.

The financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of profits are similar to that of purchases made out of capital. Therefore, only the financial effects of the acquisition of the Shares pursuant to the Share Buyback Mandate by way of purchases made out of capital are set out in this Appendix.

Scenario 1(A)

Market Purchases of 80,632,791 Shares out of capital and held in treasury

	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
As at 31 December 2019	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(736)	(3,768)	(736)	(3,768)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	29	29	–	–
Fair Value Reserve	(804)	(804)	–	–
Revaluation Reserve	45	45	–	–
Other Reserve	(1,665)	(1,665)	–	–
Currency Translation Reserve	4,813	4,813	–	–
Retained Earnings	63,689	63,689	27,402	27,402
Non-Controlling Interests	7,939	7,939	–	–
Shareholders' Equity	147,234	144,202	99,494	96,462
NTA	131,927	128,895	99,377	96,345
Current Assets	332,217	330,701	30,528	29,012
Current Liabilities	230,699	232,215	12,708	14,224
Working Capital	101,518	98,486	17,820	14,788
Total Borrowings[1]	129,372	130,888	8,742	10,258
Cash and Cash Equivalents[1]	47,106	45,590	6,341	4,825
Net Profit	8,032	8,032	4,390	4,390
Number of Shares[2]	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US$ cents)	14.73	15.81	11.09	11.82
Basic EPS (US$ cents)[3]	0.90	0.99	0.49	0.54
Gearing %[4]	88	91	9	11
Current Ratio (times)[5]	1.44	1.42	2.40	2.04

Notes:

(1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.

(2) Number of Shares excludes treasury shares and assumes no change in the number of Shares on or prior to the date of the 2020 AGM.

(3) EPS is computed based on FY2019 net profit attributable to Shareholders divided by the weighted average number of Shares.

(4) Gearing equals total borrowings divided by Shareholders' equity.

(5) Current Ratio equals current assets divided by current liabilities.

Scenario 1(B)

Off-Market Purchases of 80,632,791 Shares out of capital and held in treasury

	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
As at 31 December 2019	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(736)	(4,195)	(736)	(4,195)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	29	29	–	–
Fair Value Reserve	(804)	(804)	–	–
Revaluation Reserve	45	45	–	–
Other Reserve	(1,665)	(1,665)	–	–
Currency Translation Reserve	4,813	4,813	–	–
Retained Earnings	63,689	63,689	27,402	27,402
Non-Controlling Interests	7,939	7,939	–	–
Shareholders' Equity	147,234	143,775	99,494	96,035
NTA	131,927	128,468	99,377	95,918
Current Assets	332,217	330,487	30,528	28,798
Current Liabilities	230,699	232,429	12,708	14,438
Working Capital	101,518	98,058	17,820	14,360
Total Borrowings[1]	129,372	131,102	8,742	10,472
Cash and Cash Equivalents[1]	47,106	45,376	6,341	4,611
Net Profit	8,032	8,032	4,390	4,390
Number of Shares[2]	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US$ cents)	14.73	15.76	11.09	11.77
Basic EPS (US$ cents)[3]	0.90	0.99	0.49	0.54
Gearing %[4]	88	91	9	11
Current Ratio (times)[5]	1.44	1.42	2.40	1.99

Notes:

(1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.

(2) Number of Shares excludes treasury shares and assumes no change in the number of Shares on or prior to the date of the 2020 AGM.

(3) EPS is computed based on FY2019 net profit attributable to Shareholders divided by the weighted average number of Shares.

(4) Gearing equals total borrowings divided by Shareholders' equity.

(5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(A)

Market Purchases of 80,632,791 Shares out of capital and cancelled

	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
As at 31 December 2019	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Share Capital	72,648	69,616	72,648	69,616
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	29	29	–	–
Fair Value Reserve	(804)	(804)	–	–
Revaluation Reserve	45	45	–	–
Other Reserve	(1,665)	(1,665)	–	–
Currency Translation Reserve	4,813	4,813	–	–
Retained Earnings	63,689	63,689	27,402	27,402
Non-Controlling Interests	7,939	7,939	–	–
Shareholders' Equity	147,234	144,202	99,494	96,462
NTA	131,927	128,895	99,377	96,345
Current Assets	332,217	330,701	30,528	29,012
Current Liabilities	230,699	232,215	12,708	14,224
Working Capital	101,518	98,486	17,820	14,788
Total Borrowings[1]	129,372	130,888	8,742	10,258
Cash and Cash Equivalents[1]	47,106	45,590	6,341	4,825
Net Profit	8,032	8,032	4,390	4,390
Number of Shares[2]	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US$ cents)	14.73	15.81	11.09	11.82
Basic EPS (US$ cents)[3]	0.90	0.99	0.49	0.54
Gearing %[4]	88	91	9	11
Current Ratio (times)[5]	1.44	1.42	2.40	2.04

Notes:

(1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.

(2) Number of Shares excludes treasury shares and 80,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2020 AGM.

(3) EPS is computed based on FY2019 net profit attributable to Shareholders divided by the weighted average number of Shares.

(4) Gearing equals total borrowings divided by Shareholders' equity.

(5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(B)

Off-Market Purchases of 80,632,791 Shares out of capital and cancelled

	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
As at 31 December 2019	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Share Capital	72,648	69,189	72,648	69,189
Treasury Shares	(736)	(736)	(736)	(736)
Capital Reserve	1,276	1,276	180	180
Defined Benefit Plans Reserve	29	29	–	–
Fair Value Reserve	(804)	(804)	–	–
Revaluation Reserve	45	45	–	–
Other Reserve	(1,665)	(1,665)	–	–
Currency Translation Reserve	4,813	4,813	–	–
Retained Earnings	63,689	63,689	27,402	27,402
Non-Controlling Interests	7,939	7,939	–	–
Shareholders' Equity	147,234	143,775	99,494	96,035
NTA	131,927	128,468	99,377	95,918
Current Assets	332,217	330,487	30,528	28,798
Current Liabilities	230,699	232,429	12,708	14,438
Working Capital	101,518	98,058	17,820	14,360
Total Borrowings[1]	129,372	131,102	8,742	10,472
Cash and Cash Equivalents[1]	47,106	45,376	6,341	4,611
Net Profit	8,032	8,032	4,390	4,390
Number of Shares[2]	895,841,914	815,209,123	895,841,914	815,209,123
Weighted Average Number of Shares	895,841,914	815,209,123	895,841,914	815,209,123
Financial Ratios				
NTA per Share (US$ cents)	14.73	15.76	11.09	11.77
Basic EPS (US$ cents)[3]	0.90	0.99	0.49	0.54
Gearing %[4]	88	91	9	11
Current Ratio (times)[5]	1.44	1.42	2.40	1.99

Notes:

(1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.

(2) Number of Shares excludes treasury shares and 80,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2020 AGM.

(3) EPS is computed based on FY2019 net profit attributable to Shareholders divided by the weighted average number of Shares.

(4) Gearing equals total borrowings divided by Shareholders' equity.

(5) Current Ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for FY2019 and is not necessarily representative of future financial performance.

Although the Share Buyback Mandate would authorise the Company to purchase or acquire Shares up to the Prescribed Limit, the Company may not necessarily purchase or acquire or be able to purchase or acquire Shares up to the Prescribed Limit. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

1.8 Listing status of the Shares

Rule 723 of the Listing Manual requires a listed company to ensure that at least 10% of its total number of issued shares excluding treasury shares must be held by public shareholders. As at the Latest Practicable Date, approximately 38.90% of the issued Shares (excluding treasury shares) are held by public Shareholders. As at the Latest Practicable Date and assuming the Company undertakes purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate, approximately 32.85% of the issued Shares (excluding treasury shares) will be held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

1.9 Take-over implications

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

1.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

1.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to the instructions of that individual, companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, a company is an "associated company" of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

1.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. The Directors and their concert parties will be exempted from the obligation to make a take-over offer subject to certain conditions, including, *inter alia*, the submission by each of the Directors of an executed form prescribed by the SIC within seven (7) days of the passing of the resolution to authorise the renewal of the Share Buyback Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be obliged to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buyback Mandate.

1.9.4 Application of the Take-over Code

Details of the holdings in Shares by the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date are set out in Section 2 below.

1.9.4.1 *Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse*

For the purposes of the Take-over Code, Dr. Derek Goh, our Executive Chairman and Group Chief Executive Officer, and Ms. Victoria Goh, Dr. Derek Goh's daughter and a Director, Business Development and Marketing of the Group, Mr. Sean Goh, Dr. Derek Goh's cousin and our Group Chief Operating Officer and Mr. Sean Goh's spouse, may be presumed to be acting in concert.

As at the Latest Practicable Date, the combined shareholding of Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse in the Company amounts to 355,778,370 Shares, representing approximately 39.71% of the issued Shares (excluding treasury shares and subsidiary holdings) of the Company.

Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse have not purchased any Shares in the six (6) months preceding the Latest Practicable Date.

1.9.4.2 *Consequence of Share Buybacks*

Based on 895,841,914 issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, the exercise in full of the Share Buyback Mandate, given the limits under Section 76I(1) of the Companies Act in respect of a Company's Shares held in treasury, up to the Prescribed Limit would result in the purchase of 80,632,791 Shares.

If the exercise in full of the Share Buyback Mandate by the Company ("**Full Share Purchase**") causes the aggregate voting rights of Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr Sean Goh's spouse, if applicable, to increase by more than 1% (assuming such increases occur within six (6) months), Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, would thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

Based on the direct holdings of Shares of Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse as at the Latest Practicable Date and assuming that:

(a) the Company undertakes Share Buybacks under the Share Buyback Mandate up to the Prescribed Limit as permitted by the Share Buyback Mandate;

(b) there is no change in Dr. Derek Goh's, Ms. Victoria Goh's, Mr. Sean Goh's or Mr. Sean Goh's spouse's direct holdings of Shares between the Latest Practicable Date and the date of the 2020 AGM; and

(c) there is no change in Dr. Derek Goh's, Ms. Victoria Goh's, Mr. Sean Goh's or Mr. Sean Goh's spouse's direct holdings of Shares between the date of the 2020 AGM and the date of the Full Share Purchase,

the aggregate voting rights of Dr. Derek Goh in the Company will increase from approximately 39.64% to approximately 43.56%, and the aggregate voting rights of Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse in the Company will increase from approximately 39.71% to approximately 43.64%.

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

1.9.4.3 *Exemption under Section 3(a) of Appendix 2 of the Take-over Code*

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, would be eligible to be exempted from the obligation to make a general offer for the Company under Rule 14 of the Take-over Code as a result of the Company buying back its Shares pursuant to the renewed Share Buyback Mandate, subject to the following conditions:

(a) the Letter to Shareholders on the Ordinary Resolution to contain advice to the effect that by voting to approve the renewal of the Share Buyback Mandate, Shareholders are waiving their rights to a general offer at the required price from Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, who, as a result of the Share Buybacks, would increase their voting rights by more than 1% in any period of six (6) months;

(b) the Letter to Shareholders discloses the names of Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, and their voting rights at the time of the 2020 AGM and after the Company exercises the renewed Share Buyback Mandate in full;

(c) the Ordinary Resolution is approved by a majority of those Shareholders present and voting at the 2020 AGM on a poll who could not become obliged to make a general offer for the Company as a result of the Company purchasing Shares under the Share Buyback Mandate;

(d) Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, will abstain from voting on the Ordinary Resolution in respect of all their Shares as of the date of the 2020 AGM and/or abstain from making a recommendation to Shareholders to vote in favour of the Ordinary Resolution;

(e) within seven (7) days after the passing of the Ordinary Resolution, Dr. Derek Goh to submit to the SIC a duly signed form as prescribed by the SIC; and

(f) Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, together holding between 30% and 50% of the Company's voting rights, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:

(i) the date on which authority for the renewed Share Buyback Mandate expires; and

(ii) the date on which the Company announces it has (a) bought back such number of Shares as authorised by Shareholders at the 2020 AGM, or (b) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

If the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, increase by more than 1% solely as a result of the Company buying back Shares as authorised by the Share Buyback Mandate, and none of them has acquired any Shares during the period as defined in Section 1.9.4.3(f) above, then Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, would be eligible for the SIC's exemption from the obligation to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

Shareholders should note that by voting in favour of the Ordinary Resolution at the forthcoming 2020 AGM, Shareholders are waiving their rights to a general offer at the required price from Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable.

One of the conditions for exemption from the obligation to make a general offer under Rule 14 of the Take-over Code is the submission by Dr. Derek Goh to the SIC of a duly signed form as prescribed by the SIC ("**Form 2**"). As at the Latest Practicable Date, Dr. Derek Goh has informed the Company that he will be submitting a Form 2 to the SIC within seven (7) days after the passing of the Ordinary Resolution.

The Company understands that Dr. Derek Goh and parties acting in concert with him, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:

(i) the date on which authority for the renewed Share Buyback Mandate expires; and

(ii) the date on which the Company announces it has (a) bought back such number of Shares as authorised by Shareholders at the 2020 AGM, or (b) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Dr. Derek Goh and parties acting in concert with him, including Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the renewed Share Buyback Mandate.

Appendix 2 of the Take-over Code requires that the resolution to authorise the renewal of the Share Buyback Mandate be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make a take-over offer under the Take-over Code as a result of the Share Buyback. Accordingly, the Ordinary Resolution is proposed to be taken on a poll, and Dr. Derek Goh, Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, if applicable, will abstain, and will procure their/ his concert parties (if any) to abstain, from voting on the Ordinary Resolution.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any Share Buyback pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity before they acquire any Shares during the period when the Share Buyback Mandate is in force.

1.10 Reporting requirements

Within 30 days of the passing of a Shareholders' resolution to approve the proposed Share Buyback Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with the Registrar of Companies (the "**Registrar**").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of, *inter alia*, the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable. Such announcement will be made in the form prescribed by the Listing Manual.

1.11 No purchases during price-sensitive developments

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on dealings in securities under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing one (1) month before the announcement of the Company's half year and full-year financial statements.

1.12 Shares purchased by the Company in the 12 months preceding the Latest Practicable Date

The Company has not purchased or acquired any Shares in the 12 months preceding the Latest Practicable Date.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the Shares (as extracted from the Register of Directors' shareholdings), and the interests of the Substantial Shareholders in the Shares (as extracted from the Register of Substantial Shareholders) are as follows:

	Number of Shares					
	Direct Interest[1]	%[2]	Deemed Interest	%[2]	Total Interest	%[2]
Directors						
Derek Goh Bak Heng	355,090,070	39.64	50,000	0.01	355,140,070	39.64
Teo Ser Luck	–	–	–	–	–	–
Tan Lye Heng Paul	350,000	0.04	–	–	350,000	0.04
Ravindran s/o Ramasamy	–	–	–	–	–	–
Ng Cher Yan	150,000	0.02	–	–	150,000	0.02
Goi Kok Ming Kenneth	–	–	–	–	–	–
Substantial Shareholders						
Goi Seng Hui[3]	119,772,438	13.37	24,862,800	2.78	144,635,238	16.15

Notes:

(1) Including Shares held under nominees accounts.

(2) "%" is based on 895,841,914 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

(3) Goi Seng Hui is deemed interested in the 24,862,800 shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act.

Save as disclosed above, none of the Directors and Substantial Shareholders or their respective Associates has any interest, direct or indirect, in the Share Buyback Mandate.

3. ACTION TO BE TAKEN BY SHAREHOLDERS

The 2020 AGM will be held on 30 April 2020 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration for the purpose of, *inter alia*, considering and, if thought fit, passing, with or without modification the Ordinary Resolution as set out in the notice of the 2020 AGM.

Measures to minimise risk of community spread of COVID-19:

The Board would normally welcome the AGM as an opportunity to present the Group's strategy and performance to the Shareholders, and listen and respond to their questions, in person. However, due to the current COVID-19 situation and the new laws and regulations implemented in connection therewith to minimize the risk of community spread, Shareholders should not attend the 2020 AGM in person. Instead, Shareholders may access the live webcast of the 2020 AGM proceedings via their mobile phones, tablets or computers at an online link that will be provided to Shareholders who have successfully pre-registered with the Company.

FOR THE SAFETY OF SHAREHOLDERS, THE COMPANY WILL NOT ACCEPT ANY PHYSICAL ATTENDANCE BY SHAREHOLDERS. ANY SHAREHOLDERS SEEKING TO ATTEND THE 2020 AGM PHYSICALLY IN PERSON WILL BE TURNED AWAY FOR THEIR OWN SAFETY.

The Company will ensure it has the requisite quorum to satisfy requirements for purposes of the 2020 AGM. As the COVID-19 situation continues to evolve, we seek Shareholders' understanding that further measures and/or changes to the 2020 AGM arrangements may be made in the ensuing days up till the date of the 2020 AGM. We will post updates on SGXNET and our corporate website at www.serialsystem.com.

Participate in the 2020 AGM via live webcast

Shareholders will be able to participate in the 2020 AGM through a live webcast via their mobile phones, tablets or computers. To do so, Shareholders will need to complete the following steps:

(a) Pre-register at the following website https://agm-serialsystem.com/ ("**AGM Webcast Registration and Q&A Link**") no later than 72 hours before the time appointed for the 2020 AGM ("**Registration Deadline**") to enable the Company to verify their status as shareholders. Shareholders may also submit any questions they wish for the Company to consider addressing during the live webcast of the 2020 AGM proceedings through the AGM Webcast Registration and Q&A Link by the Registration Deadline. We will endeavor to address all relevant questions during the 2020 AGM proceedings. Subsequent to the 2020 AGM, we will also publish such questions from the Shareholders and responses by the Company on the Company's website and the SGXNET, and publish the minutes of the 2020 AGM proceedings on the Company's website.

(b) Following verification, authenticated Shareholders will receive an email by **29 April 2020** containing a unique link, which they can click on to access the webcast of the 2020 AGM proceedings. Shareholders must not forward the unique link to third persons who are not Shareholders and who are not entitled to attend the 2020 AGM proceedings. This is also to avoid any technical disruptions or overload to the 2020 AGM proceedings.

(c) Shareholders who register by the Registration Deadline but do not receive an email response by **29 April 2020** may contact the Company for assistance at (65) 6510 2435.

(d) The Constitution currently does not allow Shareholders to cast their votes online. Shareholders who wish to vote on the Ordinary Resolution at the 2020 AGM are advised to appoint the "Chairman of the Meeting" as their proxy, and to indicate how they wish their votes to be cast, on their behalf, in the proxy form. Shareholders would have received a hard copy of the proxy form together with the notice of 2020 AGM.

(e) The completed proxy form must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554 or sent via email to ecomm@serialsystem.com no later than 72 hours before the time appointed for the 2020 AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2020 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the 2020 AGM.

4. DIRECTORS' RECOMMENDATIONS

Save that Dr. Derek Goh has abstained from making any recommendation in respect of the proposed renewal of the Share Buyback Mandate, the Directors, having carefully considered, *inter alia*, the terms and rationale of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of the Share Buyback Mandate to be proposed at the 2020 AGM.

5. ABSTENTION FROM VOTING

In respect of the proposed renewal of the Share Buyback Mandate, Dr. Derek Goh, and Ms. Victoria Goh, Mr. Sean Goh and Mr. Sean Goh's spouse, will abstain, and will procure their concert parties (if any) to abstain, from voting in respect of their holdings of Shares on the Ordinary Resolution, and will not accept any appointment as proxies or otherwise for voting on the Ordinary Resolution unless specific instructions have been given in the proxy form(s) on how the votes are to be cast in respect of the Ordinary Resolution.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. DOCUMENTS FOR INSPECTION

A copy of the following documents may be requested from the Company via email at ecomm@serialsystem.com from the date of this Appendix up to and including the date of the 2020 AGM:

(a) the Annual Report 2019; and

(b) the Constitution.

Yours faithfully
For and on behalf of the Board of Directors of
SERIAL SYSTEM LTD

Dr. Derek Goh Bak Heng
Executive Chairman and Group CEO

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

PROXY FORM
ANNUAL GENERAL MEETING

Important

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap 50 of Singapore, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy Serial System Ltd shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2020.

I/We*, _____ (Name)

of _____ (Address)

being a Member/Members* of Serial System Ltd (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them*, the Chairman of the meeting as my/our* proxy/proxies* to vote for me/us* on my/our behalf* at the Annual General Meeting of the Company, to be held on Thursday, 30 April 2020 at 11.00 a.m., and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specified direction as to voting is given or in the event of any other matter arising at the Annual General Meeting, my/our* proxy/proxies* will vote or abstain from voting at his/her/ their* discretion.

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
Ordinary Resolution 1	Adoption of Audited Financial Statements and Directors' Statement and Auditor's report for the financial year ended 31 December 2019		
Ordinary Resolution 2	Declaration of Final Cash Dividend as recommended by the Directors		
Ordinary Resolution 3	Approval of payment of Directors' Fees for the financial year ending 31 December 2020 payable quarterly in arrears		
Ordinary Resolution 4	Re-election of Mr. Derek Goh Bak Heng as Director of the Company		
Ordinary Resolution 5	Re-election of Mr. Tan Lye Heng Paul as Director of the Company		
Ordinary Resolution 6	Re-election of Mr. Goi Kok Ming Kenneth as Director of the Company		
Ordinary Resolution 7	Re-appointment of Moore Stephens LLP as Auditors and authorisation for the Directors to fix their remuneration		
	Special Business		
Ordinary Resolution 8	Approval of Share Issue Mandate		
Ordinary Resolution 9	Authority to offer and grant Share Options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014		
Ordinary Resolution 10	Approval of renewal of the Share Buyback Mandate		

Note: Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2020

Total number of Shares in:	No. of Shares
CDP Register	
Register of Members	

_____

Signature(s) of Member(s) / Common Seal of Corporate Shareholder

*Delete Accordingly

IMPORTANT: Please read Notes on the reverse page before completing this Form

Explanatory Notes For Proxy Form

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy needs not be a member of the Company.

4. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554 or sent via email to ecomm@serialsystem.com no later than seventy-two (72) hours before the time appointed for holding the Annual General Meeting. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer duly authorized or its attorney.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

8. Investors who buy Shares in the Company using CPF monies and/or SRS monies (as may be applicable) ("CPF/SRS Investors") may attend and cast their vote at the Annual General Meeting in person. CPF/SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF/SRS Investors shall be precluded from attending the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SINGAPORE
CHINA
HONG KONG
INDIA
INDONESIA
MALAYSIA
PHILIPPINES
SOUTH KOREA
TAIWAN
THAILAND
VIETNAM

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