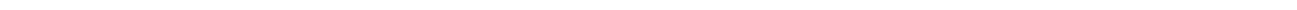


Company Registration Number: 199202071D

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

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED
30 JUNE 2021**



SERIAL SYSTEM LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

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**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		The Group		
		6 months ended 30 June 2021	6 months ended 30 June 2020	Increase/ (Decrease) %
		US\$'000	US\$'000	
	Note			
Sales	5	438,288	314,287	39%
Cost of sales	6	(403,357)	(295,007)	37%
Gross profit		34,931	19,280	81%
Gross profit margin		8.0%	6.1%	1.9 pt
Other income		6,286	5,941	6%
Interest income	5	1,254	1,249	0%
Other operating income	5	5,032	4,692	7%
Expenses:				
Distribution	6	(21,097)	(15,413)	37%
Administrative	6	(4,068)	(3,053)	33%
Finance	7	(2,589)	(2,822)	-8%
Other:				
Loss allowance on trade and other receivables	6	(290)	(194)	49%
Other operating	6	(5,875)	(9,039)	-35%
Total expenses		(33,919)	(30,521)	11%
		7,298	(5,300)	NM
Share of results of associated companies (after income tax)		(294)	42	NM
Profit/(loss) before income tax	6	7,004	(5,258)	NM
Income tax expense	9	(542)	207	NM
Profit/(loss) after income tax		6,462	(5,051)	NM
Attributable to:				
Equity holders of the Company		5,837	(4,483)	NM
Non-controlling interests		625	(568)	NM
		6,462	(5,051)	NM
Earnings/(loss) per share attributable to equity holders of the Company:				
Basic		0.65 cent	(0.50) cent	NM
Diluted		0.65 cent	(0.50) cent	NM

NM – Not Meaningful

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Net profit/(loss) after income tax	6,462	(5,051)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Share of associated company's other comprehensive income/(loss)	125	(11)
Gain on revaluation of property, plant and equipment	34	141
	159	130
Items that may be reclassified subsequently to profit or loss:		
Share of associated companies' other comprehensive loss	(9)	(62)
Currency translation differences	(1,292)	(1,547)
	(1,301)	(1,609)
Other comprehensive loss for the period	(1,142)	(1,479)
Total comprehensive income/(loss) for the period	5,320	(6,530)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	4,879	(5,873)
Non-controlling interests	441	(657)
	5,320	(6,530)

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	The Group		The Company	
		30 June	31 December	30 June	31 December
		2021	2020	2021	2020
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		44,659	64,739	1,204	4,684
Trade and other receivables	13	160,314	146,608	33,622	33,677
Inventories	14	96,141	107,688	-	-
Financial assets, at fair value through profit or loss	15	22,411	15,907	-	-
Other current assets		7,117	5,840	637	318
		330,642	340,782	35,463	38,679
Non-current assets					
Income tax recoverable		1,667	1,667	-	-
Loans and other receivables		-	-	28,768	27,436
Financial assets, at fair value through profit or loss	15	5,656	3,487	-	-
Investments in associated companies		6,834	7,003	1,217	1,217
Investments in joint ventures		-	-	-	-
Investments in subsidiaries		-	-	57,703	57,263
Property, plant and equipment	16	32,833	33,800	394	419
Investment properties	17	6,690	5,543	-	-
Intangible assets	18	3,170	3,230	41	53
Other assets		797	241	600	-
Deferred income tax assets		973	962	-	-
		58,620	55,933	88,723	86,388
Total assets		389,262	396,715	124,186	125,067
LIABILITIES					
Current liabilities					
Trade and other payables	19	80,740	105,424	8,031	9,387
Current income tax liabilities		915	949	-	-
Borrowings	20	133,274	127,612	5,312	9,903
		214,929	233,985	13,343	19,290
Non-current liabilities					
Other payables		-	-	7,658	8,740
Borrowings	20	17,189	9,701	7,099	105
Defined benefit plans liabilities		482	392	-	-
Deferred income tax liabilities		898	899	481	481
		18,569	10,992	15,238	9,326
Total liabilities		233,498	244,977	28,581	28,616
NET ASSETS		155,764	151,738	95,605	96,451
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	72,648	72,648	72,648	72,648
Treasury shares		(736)	(736)	(736)	(736)
Capital reserve		1,415	1,276	180	180
Defined benefit plans reserve		337	337	-	-
Fair value reserve		(742)	(742)	-	-
Revaluation reserve		195	175	-	-
Other reserve		(1,726)	(1,665)	-	-
Currency translation reserve		6,161	7,278	-	-
Retained earnings		68,157	63,063	23,513	24,359
		145,709	141,634	95,605	96,451
Non-controlling interests		10,055	10,104	-	-
TOTAL EQUITY		155,764	151,738	95,605	96,451

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plan 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 2021	72,648	(736)	1,276	337	(742)	175	(1,665)	7,278	63,063	141,634	10,104	151,738
Profit for the period	-	-	-	-	-	-	-	-	5,837	5,837	625	6,462
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive loss	-	-	139	-	-	(14)	-	(9)	-	116	-	116
Gain on revaluation of property, plant and equipment transferred to investment property	-	-	-	-	-	34	-	-	-	34	-	34
Currency translation differences	-	-	-	-	-	-	-	(1,108)	-	(1,108)	(184)	(1,292)
Other comprehensive income/(loss) for the period, net of tax	-	-	139	-	-	20	-	(1,117)	-	(958)	(184)	(1,142)
Total comprehensive income/(loss) for the period	-	-	139	-	-	20	-	(1,117)	5,837	4,879	441	5,320
Contributions by and distributions to owners:												
One-tier tax-exempt final cash dividend for year 2020	-	-	-	-	-	-	-	-	(743)	(743)	-	(743)
Total distributions to owners	-	-	-	-	-	-	-	-	(743)	(743)	-	(743)
Others:												
Acquisition of additional interests in subsidiaries from non-controlling interests	-	-	-	-	-	-	(61)	-	-	(61)	(380)	(441)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(110)	(110)
Total others	-	-	-	-	-	-	(61)	-	-	(61)	(490)	(551)
Balance at 30 June 2021	72,648	(736)	1,415	337	(742)	195	(1,726)	6,161	68,157	145,709	10,055	155,764
Balance at 1 January 2020	72,648	(736)	1,276	29	(804)	45	(1,665)	4,813	63,689	139,295	7,939	147,234
Loss for the period	-	-	-	-	-	-	-	-	(4,483)	(4,483)	(568)	(5,051)
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive loss	-	-	-	-	-	(11)	-	(62)	-	(73)	-	(73)
Gain on revaluation of property, plant and equipment transferred to investment property	-	-	-	-	-	141	-	-	-	141	-	141
Currency translation differences	-	-	-	-	-	-	-	(1,458)	-	(1,458)	(89)	(1,547)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	130	-	(1,520)	-	(1,390)	(89)	(1,479)
Total comprehensive income/(loss) for the period	-	-	-	-	-	130	-	(1,520)	(4,483)	(5,873)	(657)	(6,530)
Contributions by and distributions to owners:												
One-tier tax-exempt final cash dividend for year 2019	-	-	-	-	-	-	-	-	(825)	(825)	-	(825)
Total distributions to owners	-	-	-	-	-	-	-	-	(825)	(825)	-	(825)
Others:												
Subscription of additional interests in subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	567	567
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	15	15
Total others	-	-	-	-	-	-	-	-	-	-	582	582
Balance at 30 June 2020	72,648	(736)	1,276	29	(804)	175	(1,665)	3,293	58,381	132,597	7,864	140,461

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Company	Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2021	72,648	(736)	180	24,359	96,451
Total comprehensive loss for the period	-	-	-	(103)	(103)
One-tier tax-exempt final cash dividend for year 2020	-	-	-	(743)	(743)
Balance at 30 June 2021	72,648	(736)	180	23,513	95,605
Balance at 1 January 2020	72,648	(736)	180	27,402	99,494
Total comprehensive income for the period	-	-	-	362	362
One-tier tax-exempt final cash dividend for year 2019	-	-	-	(825)	(825)
Balance at 30 June 2020	72,648	(736)	180	26,939	99,031

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Cash flows from operating activities		
Profit/(loss) before income tax	7,004	(5,258)
Adjustments for:		
Amortisation of computer software license costs	52	67
Amortisation of distribution rights	-	7
Depreciation of property, plant and equipment	1,415	2,020
Property, plant and equipment written off	9	1
Gain on disposal of property, plant and equipment	(30)	-
Fair value gain on financial assets, at fair value through profit or loss	(294)	(46)
(Gain)/loss on sale of financial assets, at fair value through profit or loss	(30)	2
Dividend income from financial assets, at fair value through profit or loss	(10)	(19)
Impairment losses on goodwill arising from acquisition of a subsidiary	-	600
Loss on disposal of subsidiaries	-	2
Fair value gain on derivative financial instruments	(1,002)	(916)
Gain on dilution on of interests in an associated company	(9)	-
Provision for defined benefit plans liabilities	132	105
Interest income	(1,254)	(1,249)
Interest expense	2,589	2,822
Share of results of associated companies	294	(42)
Operating cash flow before working capital changes	8,866	(1,904)
Changes in working capital		
Trade and other receivables	(15,023)	11,767
Financial assets, at fair value through profit or loss	(6,503)	15,480
Inventories	11,156	(3,753)
Other current assets	(1,351)	(1,205)
Other assets (non-current)	(555)	5
Trade and other payables	(23,650)	(17,001)
Cash (used in)/from operations	(27,060)	3,389
Income tax paid	(579)	(1,421)
Net cash (used in)/from operating activities	(27,639)	1,968
Cash flows from investing activities		
Payments for intangible assets (computer software license costs)	(15)	-
Payments for property, plant and equipment	(458)	(193)
Proceeds from disposal of property, plant and equipment	163	-
Proceeds from sale of financial assets, at fair value through profit or loss	156	748
Net cash outflow on disposal of subsidiaries	-	(62)
Payments for financial assets, at fair value through profit or loss	(1,886)	(129)
Payments for additional investment in associated companies	-	(2,848)
Dividend received from an associated company	-	50
Dividend received from financial assets, at fair value through profit or loss	10	19
Interest received	1,254	1,257
Net cash used in investing activities	(776)	(1,158)

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Cash flows from financing activities		
Subscription of interests in subsidiaries by non-controlling interests	-	567
Payment for acquisition of additional interests in subsidiary from non-controlling interest	(440)	-
Dividends paid to shareholders of the Company	(743)	(825)
Dividend paid to non-controlling interest	(110)	-
Proceeds from bank borrowings	220,163	246,588
Proceeds from other borrowings	9,725	7,943
Repayment of bank borrowings	(205,387)	(240,925)
Repayment of other borrowings	(11,506)	(10,416)
Principal payments of lease liabilities	(634)	(1,134)
Interest paid	(2,591)	(3,005)
Net cash from/(used in) financing activities	8,477	(1,207)
Net decrease in cash and cash equivalents held	(19,938)	(397)
Cash and cash equivalents at the beginning of the period	64,739	46,110
Effect of currency translation on cash and cash equivalents	(142)	(292)
Cash and cash equivalents at the end of the period	44,659	45,421
Reconciliation:		
Cash and cash equivalents per statement of financial position	44,659	46,392
Less: Bank deposits pledged for overdraft facility	-	(971)
Cash and cash equivalents per consolidated statement of cash flows	44,659	45,421

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”).

These condensed interim financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

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

The principal activities of the Group are:

- (a) Distribution of electronic components;
- (b) Trading and distribution of consumer products, information technology and photographic products;
- (c) Distribution and marketing of information technology, computer peripherals, parts, software and related products;
- (d) Hospitality and healthcare solutions;
- (e) Assembly and distribution of medical devices and ethylene oxide sterilization;
- (f) Provision of managed print services and the administrative, maintenance and distribution of copiers and printers;
- (g) Project financing;
- (h) Communications and power line construction;
- (i) Investment holding and trading;
- (j) Rental of investment properties;
- (k) Manufacture, sale and leasing of industrial and security robots and automated guided vehicles, and provision of artificial intelligence and robotic solutions and services for security, delivery and mobility applications;
- (l) Retail sale of beverages; and
- (m) Manufacturing, processing, trading and exporting of durian puree and durian related products.

2. Basis of Preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last audited annual financial statements for the year ended 31 December 2020.

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

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

2.2. New and amended standards adopted by the Group

The following amendments to SFRS(I)s took effect from financial year beginning 1 January 2021:

- Amendments to SFRS(I) 16 Covid-19-Related Rent Concessions

The Group has elected to early adopt the amendments to SFRS(I) 16 in the previous financial year ended 31 December 2020, which provided a practical expedient to simplify the accounting for lease concessions that meet all of the following criteria for a lessee to elect not to assess whether a rent concession is a lease modification:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2. Basis of Preparation (continued)

2.2. New and amended standards adopted by the Group (continued)

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 16, Interest Rate Benchmark Reform - Phase 2

The adoption of the amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 16, Interest Rate Benchmark Reform - Phase 2 is assessed to have no material financial effect on the results and financial position of the Group and the Company for the financial year ending 31 December 2021. Accordingly, it has no material impact on the earnings per share of the Group and the Company.

2.3. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited annual financial statements as at and for the year ended 31 December 2020.

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

3. Seasonal operations

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

4. Segment information

Management has determined the operating segments based on the reports reviewed to make strategic decisions. Management considers the business from both 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

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. The operating segments are formed by aggregating across the results of the Group's entities whose principal activities fall within the same operating segment as listed above. Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Performance is measured based on sales, gross profit and profit after tax, as included in the internal management reports that are reviewed by the Group's 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.

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.1 Operating segments

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
1 January 2021 to 30 June 2021					
Sales – external	404,592	36,784	5,212	(8,300)	438,288
Segment results - operating profit	7,527	1,032	74	-	8,633
Finance income	250	198	1,259	(453)	1,254
Finance costs	(2,126)	(325)	(591)	453	(2,589)
Share of results of associated companies (after income tax)	(34)	(9)	(251)	-	(294)
Profit before income tax					7,004
Income tax expense					(542)
Profit after income tax					6,462
Segment assets	353,451	43,073	58,413	(73,482)	381,455
Investments in associated companies	1,425	2,657	2,752	-	6,834
Deferred income tax assets					973
Consolidated total assets					389,262
Segment liabilities	89,244	15,370	50,090	(73,482)	81,222
Borrowings	109,434	22,481	18,548	-	150,463
Current and deferred income tax liabilities					1,813
Consolidated total liabilities					233,498
Capital expenditure on property, plant and equipment	355	55	48	-	458
Capital expenditure on intangible assets (computer software license costs)	15	-	-	-	15
Investment in financial assets, at fair value through profit or loss	36	-	1,850	-	1,886
Depreciation of property, plant and equipment	952	153	310	-	1,415
Amortisation of computer software license costs	51	-	1	-	52
Fair value loss/(gain) on financial assets, at fair value through profit or loss	89	-	(383)	-	(294)
Gain on sale of financial assets, at fair value through profit or loss	(30)	-	-	-	(30)
Loss allowance on trade receivables	40	48	202	-	290

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.1 Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
1 January 2020 to 30 June 2020					
Sales – external	293,833	23,063	4,568	(7,177)	314,287
Segment results - operating (loss)/profit	(3,800)	(358)	431	-	(3,727)
Finance income	170	284	1,253	(458)	1,249
Finance costs	(2,273)	(394)	(613)	458	(2,822)
Share of results of associated companies (after income tax)	2	40	-	-	42
Loss before income tax					(5,258)
Income tax expense					207
Loss after income tax					(5,051)
Segment assets	334,560	37,086	57,333	(65,415)	363,564
Investments in associated companies	1,337	2,912	-	-	4,249
Deferred income tax assets					685
Consolidated total assets					368,498
Segment liabilities	100,777	13,235	47,367	(65,415)	95,964
Borrowings	94,222	21,145	15,038	-	130,405
Current and deferred income tax liabilities					1,668
Consolidated total liabilities					228,037
Capital expenditure on property, plant and equipment	123	48	22	-	193
Investment in financial assets, at fair value through profit or loss	129	-	-	-	129
Depreciation of property, plant and equipment	1,266	439	315	-	2,020
Amortisation of computer software license costs	66	-	1	-	67
Amortisation of distribution rights	7	-	-	-	7
Fair value loss/(gain) on financial assets, at fair value through profit or loss	43	-	(89)	-	(46)
Loss on sale of financial assets, at fair value through profit or loss	2	-	-	-	2
Impairment losses on goodwill arising from acquisition of a subsidiary	600	-	-	-	600
(Write-back of loss allowance)/loss allowance on trade receivables	(16)	2	208	-	194

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.2 Geographical segments

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

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

Consumer products distribution (which include provision of managed print services and the administrative, maintenance and distribution of copiers and printers) are located in South East Asia and India (consists mainly Singapore, Malaysia, Thailand and Indonesia) and Japan.

Other businesses in South East Asia and India (mainly Singapore, Malaysia and Thailand), Taiwan and China include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, project financing, trading of consumer products, communications and power line construction, manufacturing, sale and leasing of industrial and security robots and automated guided vehicles, and provision of artificial intelligence and robotic solutions and services for security, delivery and mobility applications, retail sale of beverages, 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*	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000	30 June 2021 US\$'000	31 December 2020 US\$'000
The Group				
South East Asia and India	117,074	102,568	11,740	12,844
Hong Kong	200,501	135,330	4,286	3,717
China	63,897	39,231	15,871	16,030
South Korea	26,949	12,536	4,703	4,956
Taiwan	28,436	24,622	8,555	6,934
Japan	1,431	-	2	-
South East Asia and India - Associated company	-	-	5,409	5,579
Taiwan - Associated company	-	-	1,425	1,424
	438,288	314,287	51,991	51,484

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

5. Revenue

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Sales of goods	438,288	314,287
Other operating income	5,032	4,692
Interest income	1,254	1,249
	444,574	320,228
Performance obligations satisfied at a point in time		
Sales of goods:		
- electronic components	396,481	286,747
- consumer products	36,111	22,862
- others	5,448	4,480
	438,040	314,089
Performance obligations satisfied over time		
Service rendered	248	198
	438,288	314,287

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. Revenue (continued)

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Other operating income:		
Commission and service income	835	857
Rebate income from suppliers	1,178	1,133
Warehouse management and rental income	67	403
Gain on sale of financial assets, at fair value through profit or loss	30	-
Fair value gain on financial assets, at fair value through profit or loss		
- quoted securities	294	89
Fair value gain on derivative financial instruments	1,002	916
Dividend income from financial assets, at fair value through profit or loss	10	19
Write-back of allowances for inventory obsolescence	792	-
Government grants received/receivable*	406	955
Gain on disposal of property, plant and equipment	30	-
Sundry income	388	320
Total other operating income	5,032	4,692
Interest income:		
- project financing, factoring and leasing	1,154	977
- bank balances	36	186
- loan to a joint venture	64	86
Total interest income	1,254	1,249

*During the financial period, the Group received government grants relating to various temporary wage support schemes by the Singapore, Hong Kong, People's Republic of China and Malaysia governments to assist companies retained their workers as businesses took a hit from the COVID-19 pandemic.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. Profit /(loss) before income tax

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
This is arrived at after charging:		
Amortisation charges for intangible assets*		
- computer software license costs	52	67
- distribution rights	-	7
Depreciation of property, plant and equipment*	1,415	2,020
Property, plant and equipment written off*	9	1
Loss on sale of financial assets, at fair value through profit or loss*	-	2
Fair value loss on financial assets, at fair value through profit or loss*	-	43
Impairment loss on goodwill arising from acquisition of a subsidiary*	-	600
Loss allowance on trade receivables (third parties)*	290	194
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	403,339	295,003
- write-off of inventories*	67	33
- allowances for inventory obsolescence*	-	2,366
Cost of services (included in 'cost of sales')	18	4
Employee benefits expense	18,252	14,631
Rental expense - operating leases (short term lease)	1,168	888
Freight and handling charges	3,320	2,216
Travelling and transportation expenses	759	611
Sales commission expense	2,078	795
Other expenses (included in distribution, administrative and other operating expenses)	3,920	3,225
Total cost of sales, distribution, administrative and other operating expenses	434,687	322,706

* Included in "other operating expenses"

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. Finance expense

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2021	June 2020
	US\$'000	US\$'000
Interest expense:		
Bank borrowings	1,093	796
Trust receipts	807	1,189
Factoring	607	717
Lease liabilities	40	72
Loan from an associated company	42	48
	2,589	2,822

8. Related party transactions

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

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

8.1 Sales and purchases of goods and services

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

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2021	June 2020
	US\$'000	US\$'000
With associated companies and joint venture:		
Sales of goods to associated companies	11	1
Sales of goods to a joint venture	369	-
Purchases of materials from an associated company	7	-
Purchases of goods from a joint venture	1,137	478
Rental received from an associated company	38	36
Interest expense paid to an associated company	42	48
Interest income received from a joint venture	64	86
With directors and substantial shareholder:		
Service fees paid to an entity associated with a Director of the Company	43	19
Purchase made from an entity for which a director/shareholder of a subsidiary of the Company is a director/shareholder of the entity	290	167
Interest expense paid to a substantial shareholder of the Company *	25	78

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

8. Related party transactions (continued)

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

*Interest expense on unsecured principal amount of S\$5,000,000 (US\$3,718,000) as at 30 June 2021 [(30 June 2020: S\$5,008,000 (US\$3,791,000))] included in borrowings of the Group and the Company.

8.2 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 period ended 30 June 2021 and 31 December 2020. There were no outstanding share options granted to the Directors of the Company as at 30 June 2021 and 31 December 2020.

9. Income tax expense

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

	The Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	163	59
Current income tax – Foreign	456	134
	619	193
Deferred income tax	(42)	(43)
	577	150
(Over)/under provision in preceding financial years		
Current income tax	(34)	(357)
Deferred income tax	(1)	-
	542	(207)

10. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2021 and 31 December 2020:

	The Group		The Company	
	30 June 2021 US\$'000	31 December 2020 US\$'000	30 June 2021 US\$'000	31 December 2020 US\$'000
Financial assets at amortised cost:				
Cash and bank balances	44,659	64,739	1,204	4,684
Trade and other receivables, loans and other receivables	160,314	146,608	62,390	61,113
Deposits	2,242	2,783	600	-
	207,215	214,130	64,194	65,797
Financial liabilities at amortised cost:				
Trade and other payables	79,966	103,654	15,689	18,127
Borrowings	150,463	137,313	12,411	10,008
	230,429	240,967	28,100	28,135

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. Dividends Paid

	The Group and the Company	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	US\$'000	US\$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of 0.11 SGD cent (0.08 USD cent) per share paid in respect of the financial year ended 31 December 2020	743	-
One-tier tax-exempt final cash dividend of 0.13 SGD cent (0.09 USD cent) per share paid in respect of the financial year ended 31 December 2019	-	825
Total	743	825

12. Net Assets Value

	The Group		The Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	16.27 cents	15.81 cents	10.67 cents	10.77 cents

Net assets value per ordinary share as at 30 June 2021 and 31 December 2020 is calculated based on the net assets value attributable to the equity holders of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 895,841,914.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

13. Trade and other receivables

	The Group		The Company	
	30 June 2021 US\$'000	31 December 2020 US\$'000	30 June 2021 US\$'000	31 December 2020 US\$'000
Trade receivables:				
Third parties	154,919	140,312	-	-
Subsidiaries	-	-	3,552	2,896
	154,919	140,312	3,552	2,896
Loss allowance	(5,729)	(5,516)	(279)	(279)
Net trade receivables	149,190	134,796	3,273	2,617
Other receivables:				
Third parties	7,552	7,592	459	91
Loss allowance	(1,648)	(1,648)	(42)	(42)
	5,904	5,944	417	49
Due from:				
Subsidiaries	-	-	29,665	30,744
Associated companies	2,239	2,239	1,779	1,779
Joint ventures	4,601	5,285	-	-
	6,840	7,524	31,444	32,523
Loss allowance	(1,620)	(1,656)	(1,512)	(1,512)
	5,220	5,868	29,932	31,011
Net other receivables	11,124	11,812	30,349	31,060
Total	160,314	146,608	33,622	33,677

The Group has unconditional right to the 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 recorded the amounts of consideration as trade receivables for its sales arrangements with the customers.

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit exposure to an individual counterparty is restricted by credit limit that is approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective head of operation, and finance department and at the Group level by the corporate finance and management team.

14. Inventories

	The Group	
	30 June 2021 US\$'000	31 December 2020 US\$'000
Finished goods	95,081	106,601
Work in progress	87	19
Raw materials	973	1,068
	96,141	107,688

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

14. Inventories (continued)

During the financial period, the Group wrote back allowances for inventory obsolescence amounting to US\$792,000 (30 June 2020: allowances for inventory obsolescence of U\$2,366,000).

The written back of allowances for inventory obsolescence during the financial period mainly resulted from the focus efforts to sell older inventories and return of older inventories to suppliers through various inventory programs with these suppliers. Accordingly, the net realisable value of such inventories was reversed to their cost and the provision made for these older inventories was written back to the consolidated statement of profit or loss.

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

	The Group	
	30 June 2021 US\$'000	31 December 2020 US\$'000
Classified as:		
Current	22,411	15,907
Non-current	5,656	3,487
	28,067	19,394
Comprised:		
Listed equity securities:		
- Singapore	796	650
- South Korea	1,252	1,431
- Taiwan	1,269	732
	3,317	2,813
Preference shares:		
- Singapore	102	103
- Thailand	1,925	223
	2,027	326
Unlisted equity securities:		
- Singapore	148	-
Trade receivables	22,311	15,807
Convertible bond	100	100
Derivatives receivables - Singapore	164	348
Total	28,067	19,394

16. Property, plant and equipment

During the financial period, the Group acquired property, plant and equipment amounting to US\$1,665,000 (30 June 2020: US\$193,000), of which US\$1,207,000 (30 June 2020: Nil) was related to right-of-use assets. Cash payment of US\$458,000 (30 June 2020: US\$193,000) were made to purchase property, plant and equipment.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

17. Investment properties

	The Group	
	30 June	31 December
	2021	2020
	US\$'000	US\$'000
Beginning of financial period	5,543	4,510
Additions	-	132
Transfer from property, plant and equipment	1,010	454
Revaluation gain arising from the transfer	34	141
Fair value gain	-	56
Currency translation differences	103	250
End of financial period	6,690	5,543

17.1 Valuation

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 value using the Direct Market Comparison Method and if required, adjusted with appropriate adjustments, such as locations, date of transactions and size of properties. Changes in fair values are recognised in the consolidated statement of profit or loss.

18. Intangible assets

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Goodwill arising from acquisition of subsidiaries	2,911	2,938	-	-
Computer software license costs	259	292	41	53
Distribution rights	-	-	-	-
	3,170	3,230	41	53

As at 30 June 2021, goodwill arising from acquisition of subsidiaries comprised those arising from the Group's electronic components distribution subsidiary in Hong Kong amounting to US\$1.4 million and the Group's other businesses' subsidiary in Singapore amounting to US\$1.5 million respectively. No impairment charges were provided during the financial period (30 June 2020: US\$600,000).

The Group acquired computer software license costs amounting to U\$15,000 (30 June 2020: Nil) during the financial period.

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19. Trade and other payables

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade payables	58,941	70,770	-	-
Other payables and accrued operating expenses	20,151	30,278	1,201	830
Contract liabilities	869	598	-	-
Derivative financial instruments	774	1,770	-	-
Due to subsidiaries	-	-	6,033	5,752
Due to an associated company	5	2,008	-	2,008
Financial guarantee contracts	-	-	797	797
Total	80,740	105,424	8,031	9,387

20. Borrowings

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Amount repayable within one year or on demand</u>				
Secured	20,886	26,578	54	6,111
Unsecured	112,388	101,034	5,258	3,792
<u>Amount repayable after one year</u>				
Secured	8,743	2,974	6,024	105
Unsecured	8,446	6,727	1,075	-
Total	150,463	137,313	12,411	10,008

20.1 Details of any collateral

- (i) A term loan of the Company amounting to US\$6.0 million (31 December 2020: US\$6.1 million) which is payable on 31 May 2023, is secured on the following:
- a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- (ii) Bank borrowing of US\$0.3 million (31 December 2020: US\$0.4 million) taken by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to part finance the acquisition of a freehold building in Malaysia is secured by a first legal mortgage of the property and guarantee by a subsidiary of the Group.
- (iii) Bank borrowing of US\$5.1 million (31 December 2020: US\$4.9 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a freehold building in Taiwan and for working capital is secured by a first legal mortgage of the property.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

20. Borrowings (continued)

20.1 Details of any collateral (continued)

- (iv) Bank borrowing of US\$5.7 million (31 December 2020: US\$6.5 million) taken up by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited for working capital, is secured by a first legal mortgage of its freehold land and building in South Korea.
- (v) Bank borrowing of US\$12.6 million (31 December 2020: US\$11.5 million) taken up by the Group's 91.0% owned China subsidiary, Serial Microelectronics (Shenzhen) Co. Ltd for working capital, is secured by a first legal mortgage of its leasehold buildings in China.
- (vi) Lease liabilities of US\$0.19 million (31 December 2020: US\$0.24 million) are secured on the Group's office equipment and motor vehicles acquired under leasing agreements.

20.2 Loan compliance

The Group regularly monitors its compliance with the covenants and is up to date with the scheduled repayments of the borrowings. As at 30 June 2021, the Group complied with covenants entered with various banks. As at 31 December 2020, the Group breached certain covenants with certain banks, which have the right to call for the immediate repayment of the outstanding borrowings of US\$3,097,000. The Group obtained waivers from compliance from the relevant banks for borrowings of US\$3,097,000 subsequent to 31 December 2020.

21. Share capital

	Issued number of shares		Total share capital	
	Share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
The Group and The Company				
30 June 2021				
1 January 2021 and 30 June 2021	905,788	(9,946)	72,648	(736)
31 December 2020				
1 January 2020 and 31 December 2020	905,788	(9,946)	72,648	(736)

There were no ordinary shares issued since the end of the financial period ended 31 December 2020.

There were no outstanding share options as at 30 June 2021 (31 December 2020: Nil).

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares and subsidiary holdings during the six months ended 30 June 2021. On 13 July 2021, the Company sold by way of placement of 9,000,000 ordinary shares in the capital of the Company from its treasury shares. Please refer to note 22 on subsequent events for more details.

22. Subsequent events

- 22.1 On 5 July 2021, the Company's 51.0% owned subsidiary, UniSerial Electronics Pte. Ltd. reduced its issued and paid up share capital from US\$1,000,000 to US\$50,000 via a capital reduction exercise to return US\$850,000 to the Company and cancel part of its issued and paid up share capital amounting to US\$100,000 which had been lost and unrepresented by available assets.
- 22.2 On 13 July 2021, the Company sold by way of placement of 9,000,000 ordinary shares in the capital of the Company from its treasury shares to three unrelated corporations at a placement price of S\$0.15 (US\$0.11) per ordinary share totalling S\$1,350,000 (US\$1,004,000). The Company's treasury shares reduced from 9,946,000 ordinary shares to 946,000 ordinary shares following the placement.

OTHER INFORMATION

23. Update on use of proceeds from share placement

On 13 July 2021, the Company sold 9,000,000 ordinary shares in the capital of the Company by way of placement from its treasury shares at a placement price of S\$0.15 (US\$0.11) per ordinary share, raising a net proceed of approximately S\$1,350,000 (US\$1,004,000). On 5 August 2021, the Company had utilised approximately US\$855,000 (S\$1,158,000) of the net proceed to invest in a convertible loan in Transwap Private Limited, a Singapore incorporated fintech company, pursuant to a convertible loan agreement dated 5 August 2021. The utilisation of the net proceed is in line with its intended use.

24. Review

The condensed interim statements of financial position of Serial System Ltd and its subsidiaries as at 30 June 2021 and the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

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

	Half Year Ended	
	30/06/2021	30/06/2020
Based on the weighted average number of ordinary shares in issue (in US\$); and	0.65 cent	(0.50) cent
On a fully diluted basis (in US\$)	0.65 cent	(0.50) cent

Earnings/(loss) per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1H2020: 895,841,914).

Earnings/(loss) per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1H2020: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 June 2021 and 30 June 2020.

OTHER INFORMATION

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

Consolidated Statement of Profit or Loss

The Group recorded turnover of US\$438.3 million for the six months ended 30 June 2021 ("1H2021"), an increase of 39% compared to US\$314.3 million for the same period last year ("1H2020").

Turnover for the electronic components distribution business increased by 38% to US\$396.5 million fuelled by increased global demand for semiconductors, particularly in Hong Kong and China. The improved business environment and global chip shortage continue to play out to the Group's advantage in view of its extensive product portfolio and strong presence in Asia, especially Hong Kong and China. The Group's efforts to expand its base of suppliers and customers in the electronic components segment and working closely with suppliers and customers to create value to them continue to reap positive results.

Turnover for the consumer products distribution business increased 58% to US\$36.4 million boosted mainly by higher sales from computer peripherals in Malaysia where new product launches from suppliers coincided with an increase in demand for desktop and portable computers and peripherals as more people worked from home in compliance with the prolonged Movement Control Order.

Turnover for other businesses improved from US\$4.5 million in 1H2020 to US\$5.4 million, contributed mainly by higher sales in the trading and distribution of fast-moving consumer goods in Singapore and Malaysia. The assembly and distribution of medical devices and hospitality and healthcare solutions businesses also contributed to the higher sales in 1H2021, driven by higher demand in these sectors.

Overall gross profit margin ("GPM") increased 1.9 percentage points to 8.0% from 6.1% in 1H2020, due to higher margins achieved by the Group's electronic components and consumer products distribution businesses as both businesses enjoyed increased demand in its products. Global chip shortage also contributed to the higher margin in the electronic components distribution business as many firms rush to stockpile high demand chips.

Other operating income increased by US\$0.3 million or 7% to US\$5.0 million. The increase was mainly due to a write-back of allowance for inventory obsolescence of US\$0.8 million in 1H2021 (1H2020: allowance for inventory obsolescence of US\$2.4 million included in Other Operating Expenses) and higher fair value gain on financial assets, at fair value through profit or loss of US\$0.2 million. The increase was partially offset by lower pandemic relief-related government grants of US\$0.5 million received by the Group in 1H2021, as well as lower rental income of US\$0.3 million.

In line with the increase in sales, distribution expenses increased by US\$5.7 million or 37% to US\$21.1 million, mainly due to higher staff and related costs, sales commission, freight and handling, storage charges and custom and business taxes associated with the electronic components distribution business.

Administrative expenses increased by US\$1.0 million or 33% to US\$4.1 million. The increase was mainly due to higher staff-related costs and professional fees associated with the electronic components distribution business.

Finance expenses decreased by US\$0.2 million or 8% to US\$2.6 million. The decrease was mainly due to lower interest rates across all trade facilities in 1H2021 compared with 1H2020, despite an increase in borrowings arising from higher sales.

Other operating expenses decreased by US\$3.2 million or 35% to US\$5.9 million. A write-back of allowance for inventory obsolescence in 1H2021 of US\$0.8 million (included in Other Operating Income), as opposed to an allowance for inventory obsolescence of US\$2.4 million in 1H2020, and lower depreciation charges of US\$0.6 million and impairment losses on goodwill arising from acquisition of subsidiaries of US\$0.6 m contributed mainly to the reduction in other operating expenses. The decrease was partially offset by higher staff and related costs of US\$0.4 million.

Consolidated Statement of Profit or Loss (continued)

The Group's associated companies contributed to a total loss of US\$294,000 as their current sales are unable to cover their operating expenses in 1H2021.

The Group reported a net profit after tax of US\$5.8 million in 1H2021, reversing a net loss of US\$4.5 million in 1H2020 mainly due to higher gross profit earned as a result of higher sales and improved gross profit margin. The efforts to improve internal efficiencies including inventory management have also contributed to a leaner operating model which is contributing to better margin efficiency. Total expenses as a percentage of turnover declined to 7.7% in 1H2021 from 9.7% in 1H2020 as a result of these cost and operational efficiency measures.

Statements of Financial Position

Trade and other receivables increased by US\$13.7 million (net of factored trade receivables), mainly attributed to the higher sales achieved by the electronic component distribution subsidiaries in 1H2021. Average turnover days for trade receivables declined to 67 in 1H2021 from 72 in FY2020.

Inventories decreased by US\$11.5 million, mainly due to lower inventories held by the Group's electronic components distribution subsidiaries from more prudent inventory management and aggressive clearance of older inventories. The global chip shortage has also resulted in certain suppliers prolonging the lead time for the delivery of certain high demand semiconductor components. The decrease was partially offset by higher inventories held by the Group's consumer products distribution subsidiary in Singapore in anticipation of increased sales in its new Japan market in 2H2021.

Financial assets, at fair value through profit or loss (current assets) increased by US\$6.5 million, mainly due to the increased in reclassification from trade receivables by US\$6.5 million to US\$22.4 million (FY2020: reclassification from trade receivables of US\$15.9 million). This was due to increase in the volume of trade receivables for the Group's Hong Kong electronic components distribution subsidiary under its non-recourse bank factoring programme in 1H2021 when compared to FY2020.

The Company's loans and other receivables (non-current assets) increased by US\$1.3 million, mainly due to additional inter-company loans to the Group's Taiwan electronic components distribution subsidiary in 1H2021. The increase was offset by partial repayment of inter-company loans from the Group's Thailand subsidiary in other businesses.

The Company's other assets (non-current assets) increased by US\$0.6 million, due to deposit placed with a financial institution in Taiwan for granting of loan facility to the Company in 1H2021.

Financial assets, at fair value through profit or loss (non-current assets) increased by US\$2.2 million, mainly due to equity investments in a Thailand unlisted corporation and a Singapore unlisted corporation amounting to US\$1.7 million and US\$0.2 million respectively in 1H2021. Fair value gain on financial assets, at fair value through profit or loss of US\$0.3 million also contributed to the increase in 1H2021.

Property, plant and equipment decreased by US\$1.0 million, mainly due to depreciation charges amounting to US\$1.4 million and a reclassification of an office unit owned by a China subsidiary amounting to US\$1.0 million to investment properties. The decrease was partially offset by an increase in right-of-use assets (included in property, plant and equipment) of US\$1.2 million and additions of US\$0.5 million to property, plant and equipment in 1H2021.

Investment properties increased by US\$1.1 million mainly due to the reclassification of US\$1.0 million from property, plant and equipment as detailed above.

Trade and other payables decreased by US\$24.7 million, mainly due to lower trade payables of US\$11.8 million attributable to more prudent inventory purchases, reduction in purchases as a result of longer lead time imposed by certain suppliers due to global chip shortage as well as shorter payment terms to certain suppliers of the electronic components distribution subsidiaries in 1H2021. The decrease was also attributable to lower other payables of US\$10.1 million due to termination of non-recourse bank factoring programme with a bank and repayment of a loan of US\$2.0 million to an associated company in 1H2021. Average payment days for trade payables decreased to 29 in 1H2021 from 37 in FY2020.

The Company's current other payables decreased by US\$1.4 million mainly due to repayment of a loan of US\$2.0 million to an associated company in 1H2021. The Company's non-current other payables decreased by US\$1.1 million due to repayment of inter-company loan to a subsidiary in 1H2021.

Statements of Financial Position (continued)

Borrowings increased by US\$13.2 million, mainly due to additional borrowings by the Group's Hong Kong, Singapore and Taiwan electronic components distribution subsidiaries and Singapore consumer products distribution subsidiaries to finance increase in working capital requirements arising from increase in sales. The increase was also contributed by a term loan of US\$2.6 million (included in current borrowings of US\$1.5 million and non-current borrowings of US\$1.1 million) from a financial institution in Taiwan obtained by the Company in 1H2021. The Company's current portion of a term loan amounting to US\$6.0 million as at 31 December 2021 was reclassified to non-current borrowings as at 30 June 2021 upon extension of the expiry of the term loan from 31 May 2021 to 31 May 2023. Included in the Company's current borrowings was an interest-bearing loan amounting to S\$5.0 million (US\$3.7 million) [31 December 2020: S\$5.0 million (US\$3.8 million)] from the Company's substantial shareholder, Mr Goi Seng Hui.

Currency translation reserve decreased by US\$1.1 million mainly due to a decrease in the value of the Group's investments in its South Korean and Thailand subsidiaries, arising from the strengthening of the United States Dollar against these subsidiaries' functional currencies, in particular, Korean Won and Thailand Baht.

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

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

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

The Group continues to see strong business recovery from the initial impact of the COVID-19 pandemic, a major factor contributing to the reversal from losses a year ago.

The Group expects demand for semiconductor chips to remain robust, translating into strong business momentum for its electronic components distribution segment, driven by the 'tech war' between China and the US as well as adoption of emerging technologies such as 5G infrastructure, electric and autonomous vehicles and Internet of Things, which require chips with more processing power and memory storage.

Serial System continues to widen its base of suppliers and customers, and has begun to reap early fruits from its efforts to sign on local Chinese semiconductors. The Group will continue to seek out and engage more local Chinese and MNC suppliers through our networks, relationships and consultants in the industry.

On the consumer peripherals front, business has continued to gain momentum due to stay-home restrictions in Malaysia. In April 2021, the Group was officially appointed as a distributor in Malaysia by Asrock, a leading Taiwan-based motherboard and graphics card manufacturer. The inclusion of Asrock has fortified the Group's position as the leading motherboard and VGA distributor in Malaysia. Serial System has also continued to expand geographically by opening an office in Japan to distribute AMD products.

Notwithstanding the positive developments above, the Group will continue to monitor closely the development of the COVID-19 pandemic as well as the tension between China and the US that may impact its businesses and operations and take appropriate actions if need be.

Barring unforeseen circumstances, the Group expects to remain profitable for the second half of this year.

OTHER INFORMATION

29. Dividend

a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD cents)	0.22 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **No**

c) Date payable

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

d) Books closure date

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

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

Not applicable.

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

No general mandate from shareholders has been obtained for IPTs.

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

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

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited half year interim financial results for the period ended 30 June 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dr. Derek Goh Bak Heng
Executive Chairman/Group CEO
13 August 2021