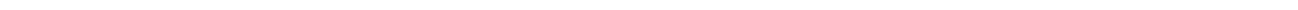


Company Registration Number: 199202071D

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

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED
30 JUNE 2023**



SERIAL SYSTEM LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

Contents

	Page
Condensed interim consolidated statement of profit or loss	1
Condensed interim consolidated statement of comprehensive income	2
Condensed interim statements of financial position	3
Condensed interim statements of changes in equity	4 - 5
Condensed interim consolidated statement of cash flows	6 - 7
Notes to the condensed interim financial statements	8 - 22
Other information	23 - 27

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		The Group		
		6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000	Increase/ (Decrease) %
	Note			
Sales	5	369,771	462,768	-20%
Cost of sales	6	(340,285)	(422,876)	-20%
Gross profit		29,486	39,892	-26%
Gross profit margin		8.0%	8.6%	-0.6 pt
Other income		3,818	3,688	4%
Interest income	5	1,045	1,167	-10%
Other operating income	5	2,773	2,521	10%
Expenses				
Distribution	6	(19,267)	(21,575)	-11%
Administrative	6	(5,068)	(4,775)	6%
Finance	7	(7,262)	(3,364)	116%
Other:				
Loss allowance on trade and other receivables	6	(1,699)	(421)	304%
Other operating	6	(14,894)	(12,182)	22%
Total expenses		(48,190)	(42,317)	14%
		(14,886)	1,263	NM
Share of results of associated companies (after income tax)		28	(36)	NM
(Loss)/profit before income tax	6	(14,858)	1,227	NM
Income tax expense	9	(233)	(815)	-71%
(Loss)/profit after income tax		(15,091)	412	NM
Attributable to:				
Equity holders of the Company		(12,726)	384	NM
Non-controlling interests		(2,365)	28	NM
		(15,091)	412	NM
(Loss)/earnings per share attributable to equity holders of the Company:				
Basic		(1.41) cents	0.04 cent	NM
Diluted		(1.41) cents	0.04 cent	NM

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Net (loss)/profit after income tax	(15,091)	412
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Share of associated company's other comprehensive loss	(10)	(505)
	(10)	(505)
Items that may be reclassified subsequently to profit or loss:		
Share of associated companies' other comprehensive income/(loss)	55	(105)
Currency translation differences	(357)	(2,725)
	(302)	(2,830)
Other comprehensive loss for the period	(312)	(3,335)
Total comprehensive loss for the period	(15,403)	(2,923)
Attributable to:		
Equity holders of the Company	(13,203)	(2,829)
Non-controlling interests	(2,200)	(94)
	(15,403)	(2,923)

**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
		2023	2022	2023	2022
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		36,374	35,977	1,048	426
Trade and other receivables	13	156,782	178,351	36,468	34,710
Inventories	14	141,482	162,971	-	-
Financial assets, at fair value through profit or loss	15	8,980	9,809	-	-
Other current assets		10,054	11,208	1,021	1,001
		353,672	398,316	38,537	36,137
Non-current assets					
Income tax recoverable		1,667	1,667	-	-
Loans and other receivables		-	-	28,541	33,219
Financial assets, at fair value through profit or loss	15	11,051	12,196	-	-
Investments in associated companies		3,676	3,602	1,217	1,217
Investment in joint venture		-	-	-	-
Investments in subsidiaries		-	-	58,623	58,623
Property, plant and equipment	16	28,715	30,415	293	323
Investment properties	17	6,340	6,457	-	-
Intangible assets	18	3,472	3,399	26	6
Other assets		522	595	-	420
Deferred income tax assets		1,089	871	-	-
		56,532	59,202	88,700	93,808
Total assets		410,204	457,518	127,237	129,945
LIABILITIES					
Current liabilities					
Trade and other payables	19	80,924	101,885	8,719	8,833
Current income tax liabilities		730	1,385	-	-
Borrowings	20	180,656	196,923	4,761	11,104
		262,310	300,193	13,480	19,937
Non-current liabilities					
Other payables		-	-	14,532	15,778
Borrowings	20	13,112	7,260	5,902	525
Defined benefit plans liabilities		301	200	-	-
Deferred income tax liabilities		1,226	1,232	600	600
		14,639	8,692	21,034	16,903
Total liabilities		276,949	308,885	34,514	36,840
NET ASSETS		133,255	148,633	92,723	93,105
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	72,648	72,648	72,648	72,648
Treasury shares	21	(70)	(70)	(70)	(70)
Capital reserve		1,624	1,616	518	518
Defined benefit plans reserve		469	469	-	-
Fair value reserve		(742)	(742)	-	-
Revaluation reserve		248	266	-	-
Other reserve		(1,862)	(1,854)	-	-
Currency translation reserve		1,791	2,258	-	-
Retained earnings		51,666	64,392	19,627	20,009
		125,772	138,983	92,723	93,105
Non-controlling interests		7,483	9,650	-	-
TOTAL EQUITY		133,255	148,633	92,723	93,105

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group	Attributable to equity holders of the Company										Total equity US\$'000	
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000		Non-controlling interests US\$'000
Balance at 1 January 2023	72,648	(70)	1,616	469	(742)	266	(1,854)	2,258	64,392	138,983	9,650	148,633
Loss for the period	-	-	-	-	-	-	-	-	(12,726)	(12,726)	(2,365)	(15,091)
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive income	-	-	8	-	-	(18)	-	55	-	45	-	45
Currency translation differences	-	-	-	-	-	-	-	(522)	-	(522)	165	(357)
Other comprehensive loss for the period, net of tax	-	-	8	-	-	(18)	-	(467)	-	(477)	165	(312)
Total comprehensive loss for the period	-	-	8	-	-	(18)	-	(467)	(12,726)	(13,203)	(2,200)	(15,403)
Others:												
Acquisition of additional interests in a subsidiary by non-controlling interests	-	-	-	-	-	-	2	-	-	2	176	178
Capital reduction in a subsidiary	-	-	-	-	-	-	(10)	-	-	(10)	(9)	(19)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(134)	(134)
Total others	-	-	-	-	-	-	(8)	-	-	(8)	33	25
Balance at 30 June 2023	72,648	(70)	1,624	469	(742)	248	(1,862)	1,791	51,666	125,772	7,483	133,255
Balance at 1 January 2022	72,648	(70)	2,665	328	(742)	198	(1,457)	5,204	71,997	150,771	10,624	161,395
Profit for the period	-	-	-	-	-	-	-	-	384	384	28	412
Other comprehensive income/(loss):												
Share of associated companies' other comprehensive loss	-	-	(363)	-	-	68	(210)	(105)	-	(610)	-	(610)
Currency translation differences	-	-	-	-	-	-	-	(2,603)	-	(2,603)	(122)	(2,725)
Other comprehensive loss for the period, net of tax	-	-	(363)	-	-	68	(210)	(2,708)	-	(3,213)	(122)	(3,335)
Total comprehensive loss for the period	-	-	(363)	-	-	68	(210)	(2,708)	384	(2,829)	(94)	(2,923)
Distributions to owners:												
One-tier tax-exempt final cash dividend for year 2021	-	-	-	-	-	-	-	-	(2,974)	(2,974)	-	(2,974)
Total distributions to owners	-	-	-	-	-	-	-	-	(2,974)	(2,974)	-	(2,974)
Others:												
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(160)	(160)
Total others	-	-	-	-	-	-	-	-	-	-	(160)	(160)
Balance at 30 June 2022	72,648	(70)	2,302	328	(742)	266	(1,667)	2,496	69,407	144,968	10,370	155,338

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company					
Balance at 1 January 2023	72,648	(70)	518	20,009	93,105
Total comprehensive loss for the period	-	-	-	(382)	(382)
Balance at 30 June 2023	72,648	(70)	518	19,627	92,723
Balance at 1 January 2022	72,648	(70)	518	22,917	96,013
Total comprehensive loss for the period	-	-	-	(289)	(289)
One-tier tax-exempt final cash dividend for year 2021	-	-	-	(2,974)	(2,974)
Balance at 30 June 2022	72,648	(70)	518	19,654	92,750

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(14,858)	1,227
Adjustments for:		
Amortisation of computer software license costs	27	36
Amortisation of know-how and trademark	10	-
Depreciation of property, plant and equipment	1,564	1,456
Property, plant and equipment written off	8	-
Gain on disposal of property, plant and equipment	(30)	(13)
Fair value loss on financial assets, at fair value through profit or loss	925	859
Gain on sale of financial assets, at fair value through profit or loss	*	(3)
Dividend income from financial assets, at fair value through profit or loss	(23)	(12)
Gain on disposal of interests in an associated company	-	(68)
Loss/(gain) on dilution of interests in an associated company	2	(10)
Negative goodwill arising from reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries	(35)	-
Fair value (gain)/loss on derivative financial instruments	(33)	184
Provision for defined benefit plans liabilities	203	127
Interest income	(1,045)	(1,167)
Interest expense	7,262	3,364
Share of results of associated companies	(28)	36
Operating cash flow before working capital changes	(6,051)	6,016
Changes in working capital		
Trade and other receivables	18,098	(36,503)
Inventories	19,170	(20,129)
Financial assets, at fair value through profit or loss	829	7,387
Other current assets	1,052	(5,075)
Other assets (non-current)	60	(403)
Trade and other payables	(15,943)	32,898
Cash from/(used in) operations	17,215	(15,809)
Income tax paid	(1,062)	(840)
Net cash from/(used in) operating activities	16,153	(16,649)
Cash flows from investing activities		
Payments for computer software license costs	(30)	(113)
Payments for know-how	(34)	-
Payments for property, plant and equipment	(444)	(637)
Proceeds from disposal of property, plant and equipment	62	13
Proceeds from sale of financial assets, at fair value through profit or loss	7	46
Proceeds from disposal of interests in an associated company	-	179
Net cash inflow on step up acquisition from a financial asset, at fair value through profit or loss to a subsidiary	169	-
Payments for financial assets, at fair value through profit or loss	-	(866)
Payments for additional investment in an associated company	(4)	-
Dividend received from an associated company	-	21
Dividend received from financial assets, at fair value through profit or loss	23	12
Interest received	940	1,167
Net cash from/(used in) investing activities	689	(178)

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

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	-	(2,974)
Dividend paid to non-controlling interest	(134)	(160)
Proceeds from bank borrowings	348,170	326,745
Proceeds from other borrowings	-	4,180
Repayment of bank borrowings	(355,847)	(308,497)
Repayment of other borrowings	(565)	(6,483)
Principal payments of lease liabilities	(791)	(673)
Interest paid	(6,898)	(3,107)
Net cash (used in)/from financing activities	(16,065)	9,031
Net increase/(decrease) in cash and cash equivalents held	777	(7,796)
Cash and cash equivalents at the beginning of the period	35,177	50,177
Effect of currency translation on cash and cash equivalents	(386)	(753)
Cash and cash equivalents at the end of the period	35,568	41,628
Reconciliation:		
Cash and cash equivalents per statement of financial position	36,374	42,392
Less : Pledged fixed deposits	(806)	(764)
Cash and cash equivalents per consolidated statement of cash flows	35,568	41,628

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

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

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

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

These condensed interim financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the “Group”).

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

The principal activities of the Group are:

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

2. Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 30 June 2023 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 2022.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

2.2. New and amended standards adopted by the Group

The following are the amendments to SFRS(I)s, that took effect from financial year beginning on or after 1 January 2023:

- Amendments to SFRS(I) 1-1 Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality judgements
- Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to SFRS(I) 1-12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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

2.3. Use of judgements and estimates

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

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited annual financial statements as at and for the year ended 31 December 2022.

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

3. Seasonal operations

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

4. Segment information

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

- Electronic components distribution
- Consumer products distribution
- Other businesses

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

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

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

**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
6 months ended 30 June 2022					
Sales – external	442,350	25,091	3,434	(8,107)	462,768
Segment results - operating profit/(loss)	5,708	(2,057)	(201)	-	3,450
Unallocated gain	10	-	-	-	10
Finance income	231	174	1,272	(510)	1,167
Finance expense	(2,873)	(449)	(552)	510	(3,364)
Share of results of associated companies (after income tax)	96	17	(149)	-	(36)
Profit before income tax					1,227
Income tax expense					(815)
Profit after income tax					412
Segment assets	442,965	41,054	54,004	(76,133)	461,890
Investments in associated companies	1,532	2,206	4,231	-	7,969
Deferred income tax assets					987
Consolidated total assets					470,846
Segment liabilities	127,561	15,520	49,116	(76,133)	116,064
Borrowings	155,229	23,295	18,571	-	197,095
Current and deferred income tax liabilities					2,349
Consolidated total liabilities					315,508
Capital expenditure on computer software license costs	-	-	113	-	113
Capital expenditure on property, plant and equipment	826	133	115	-	1,074
Investment in financial assets, at fair value through profit or loss	210	-	656	-	866
Amortisation of computer software license costs	29	-	7	-	36
Depreciation of property, plant and equipment	983	167	306	-	1,456
Fair value loss on financial assets, at fair value through profit or loss	557	-	302	-	859
Gain on sale of financial assets, at fair value through profit or loss	(3)	-	-	-	(3)
Fair value loss on derivative financial instruments	184	-	-	-	184
Loss allowance on trade receivables	143	-	278	-	421

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

4.2 Geographical segments

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

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

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

Other businesses in Southeast Asia and India (mainly Singapore and Thailand) and Taiwan include investment holding and trading, rental of investment properties, hospitality and healthcare solutions, assembly and distribution of medical devices and ethylene oxide sterilization, manufacturing of medical disposables and surgical supplies, project financing, trading and distribution of fast-moving consumer goods, communications and power line construction and research and experimental development on biotechnology, life and medical science, and trading and distribution of scientifically proven healthy food 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 2023	6 months ended 30 June 2022	30 June 2023	31 December 2022
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Southeast Asia and India	115,019	108,703	10,030	10,810
Hong Kong	136,444	208,435	5,145	5,483
China	70,862	85,780	12,933	13,750
South Korea	26,931	28,173	4,187	4,354
Taiwan	18,435	30,931	8,325	8,079
Japan	2,080	746	30	57
Sweden	-	-	66	-
Southeast Asia and India - Associated company	-	-	2,140	2,111
Taiwan - Associated company	-	-	1,536	1,491
Total	369,771	462,768	44,392	46,135

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

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. Revenue

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2023	June 2022
	US\$'000	US\$'000
Sales of goods	369,771	462,768
Other operating income	2,773	2,521
Interest income	1,045	1,167
	373,589	466,456
Sales of goods:		
Performance obligations satisfied at a point in time		
Electronic components	325,822	434,273
Consumer products	40,467	25,063
Others	3,267	3,189
	369,556	462,525
Performance obligations satisfied over time		
Service rendered		
Consumer products	31	31
Others	184	212
	215	243
Total sales of goods	369,771	462,768
Other operating income:		
Commission and service income	1,414	972
Rebate income from suppliers	950	900
Warehouse management and rental income	69	163
Government grants received	32	183
Gain on sale of financial assets, at fair value through profit or loss	*	3
Dividend income from financial assets, at fair value through profit or loss	23	12
Fair value gain on derivative financial instruments	33	-
Negative goodwill arising from reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries	35	-
Gain on disposal of interests in an associated company	-	68
Gain on dilution of interests in an associated company	-	10
Gain on disposal of property, plant and equipment	30	13
Sundry income	187	197
Total other operating income	2,773	2,521
Interest income:		
Project financing, factoring and leasing	834	1,137
Bank balances	211	30
Total interest income	1,045	1,167
Total	373,589	466,456

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. (Loss)/profit before income tax

	The Group	
	6 months	6 months
	ended 30	ended 30
	June 2023	June 2022
	US\$'000	US\$'000
This is arrived at after charging:		
Amortisation of computer software license costs*	27	36
Amortisation of know-how and trademark*	10	-
Depreciation of property, plant and equipment*	1,564	1,456
Property, plant and equipment written off*	8	-
Fair value loss on financial assets, at fair value through profit or loss*		
- listed equity securities	925	859
- derivative financial instruments	-	184
Loss allowance on trade receivables*	1,699	421
Inventories:		
- cost of inventories recognised as an expense (included in 'cost of sales')	340,269	422,859
- write-off of inventories*	23	298
- allowances for inventory obsolescence*	3,690	1,027
Cost of services (included in 'cost of sales')	16	17
Employee benefits expense	15,310	17,795
Rental expense - operating leases (short term lease)	933	887
Freight and handling charges	2,483	2,954
Travelling and transportation expenses	1,024	800
Sales commission expense	2,552	2,894
Loss on dilution of interests in an associated company*	2	-
Foreign exchange loss (net)*	4,763	3,656
Other expenses (included in distribution, administrative and other operating expenses)	5,915	5,686
Total cost of sales, distribution, administrative and other operating expenses	381,213	461,829

* Included in "other operating expenses"

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. Finance expense

	The Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Interest expense:		
Bank borrowings	1,206	757
Trust receipts	3,367	1,333
Factoring	2,120	731
Lease liabilities	58	91
Loan from an associated company	30	24
Loan from a substantial shareholder of the Company	93	82
Others	388	346
	7,262	3,364

8. Related party transactions

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

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

8.1 Sales and purchases of goods and services

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

	The Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
With associated companies:		
Sales of goods to associated companies	33	302
Purchases of goods from an associated company	7	7
Rental received from an associated company	35	38
Interest expense paid to an associated company	30	24
Dividend income received from an associated company	-	21
With directors and substantial shareholder:		
Service fees paid to an entity associated with a director of the Company	13	10
Sales of goods to an entity which a director/shareholder of a subsidiary is a director and shareholder	-	11
Interest expense paid to a substantial shareholder of the Company	93	82

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

8. Related party transactions (continued)

8.1 Sales and purchases of goods and services (continued)

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

8.2 Share options granted/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 2023 and 31 December 2022. There were no outstanding share options granted to the directors of the Company as at 30 June 2023 and 31 December 2022.

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 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	85	75
Current income tax – Foreign	350	916
	435	991
Deferred income tax	(70)	(56)
	365	935
Under/(over) provision in preceding financial years		
Current income tax	20	(119)
Deferred income tax	(152)	(1)
Total	233	815

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 2023 and 31 December 2022:

	The Group		The Company	
	30 June 2023 US\$'000	31 December 2022 US\$'000	30 June 2023 US\$'000	31 December 2022 US\$'000
Financial assets at amortised cost:				
Cash and bank balances	36,374	35,977	1,048	426
Trade and other receivables, loans and other receivables	156,782	178,351	65,009	67,929
Deposits	3,123	3,570	422	1,020
Total	196,279	217,898	66,479	69,375
Financial liabilities at amortised cost:				
Trade and other payables	80,924	101,581	23,251	24,611
Borrowings	193,768	204,183	10,663	11,629
Total	274,692	305,764	33,914	36,240

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. Dividends paid

	The Group and the Company	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000	US\$'000
Ordinary dividends paid:		
One-tier tax-exempt final cash dividend of 0.45 SGD cent (0.33 USD cent) per share paid in respect of the financial year ended 31 December 2021	-	2,974
Total	-	2,974

12. Net assets value

	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	13.90 cents	15.36 cents	10.25 cents	10.29 cents

Net assets value per ordinary share as at 30 June 2023 and 31 December 2022 are calculated based on the net assets value attributable to the equity holders of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 904,841,914.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

13. Trade and other receivables

	The Group		The Company	
	30 June 2023 US\$'000	31 December 2022 US\$'000	30 June 2023 US\$'000	31 December 2022 US\$'000
Current				
Trade receivables:				
Third parties	156,747	176,904	-	-
Subsidiaries	-	-	8,424	7,548
	156,747	176,904	8,424	7,548
Loss allowance	(8,512)	(7,007)	(13)	(13)
Net trade receivables	148,235	169,897	8,411	7,535
Other receivables:				
Third parties	8,718	8,970	471	448
Loss allowance	(2,248)	(2,248)	(42)	(42)
	6,470	6,722	429	406
Due from:				
Subsidiaries	-	-	29,507	28,651
Associated companies	3,163	2,818	1,788	1,786
Joint ventures	2,488	2,642	-	-
	5,651	5,460	31,295	30,437
Loss allowance	(3,574)	(3,728)	(3,667)	(3,668)
	2,077	1,732	27,628	26,769
Net other receivables	8,547	8,454	28,057	27,175
Total	156,782	178,351	36,468	34,710

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

The Group generally grants a credit period that ranges from 0 to 90 days to its customers. Trade receivables are recognised initially at the 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.

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\$1,972,000 (31 December 2022: US\$2,106,000) is mitigated because these trade receivables are secured by properties. The Group is not permitted to sell or repledge the properties in the absence of default.

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 and certain customers in the consumer products distribution business.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

14. Inventories

	The Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Finished goods	140,057	161,979
Work in progress	195	52
Raw materials	1,230	940
Total	141,482	162,971

During the financial period, the Group made allowances for inventory obsolescence amounting to US\$3,690,000 (30 June 2022: US\$1,027,000).

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

	The Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Current	8,980	9,809
Non-current	11,051	12,196
	20,031	22,005
Comprised:		
Listed equity securities:		
- Singapore	223	344
- South Korea	1,002	897
- Taiwan	679	861
	1,904	2,102
Unlisted equity securities:		
- Singapore	5,252	5,312
- Sweden	-	805
	5,252	6,117
Preference shares:		
- Singapore	568	574
- Thailand	1,925	1,925
	2,493	2,499
Convertible bonds – Singapore	1,370	1,386
Trade receivables	8,980	9,809
Derivative receivables – Singapore	32	92
	10,382	11,287
Total	20,031	22,005

16. Property, plant and equipment

During the financial period, the Group acquired property, plant and equipment amounting to US\$619,000 (30 June 2022: US\$1,074,000), of which US\$164,000 (30 June 2022: US\$437,000) was related to right-of-use assets and US\$11,000 via business combination upon the reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries. Cash payment of US\$444,000 (30 June 2022: US\$637,000) was made to purchase property, plant and equipment.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

17. Investment properties

	The Group	
	30 June	31 December
	2023	2022
	US\$'000	US\$'000
Beginning of financial period	6,457	7,187
Fair value loss	-	(47)
Currency translation differences	(117)	(683)
End of financial period	6,340	6,457

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 location, date of transaction and size of property. Changes in fair values are recognised in the consolidated statement of profit or loss.

18. Intangible assets

	The Group		The Company	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Goodwill arising from acquisition of subsidiaries	3,122	3,138	-	-
Computer software license costs	258	261	26	6
Know-how and trademark	92	-	-	-
Total	3,472	3,399	26	6

Goodwill arising from acquisition of subsidiaries comprised those arising from the Group's electronic components distribution subsidiary in Hong Kong amounting to US\$1,656,000 (31 December 2022:US\$1,656,000) and the Group's other businesses' subsidiary in Singapore amounting to US\$1,466,000 (31 December 2022: US\$1,482,000). No impairment charge was made during the financial period (30 June 2022: Nil).

The Group acquired computer software licenses with cash payment amounting to US\$30,000 (30 June 2022: US\$113,000) during the financial period.

The Group acquired know-how with cash payment amounting to US\$34,000 and acquired US\$74,000 of trademark via business combination upon the reclassification of financial assets, at fair value through profit or loss to investments in subsidiaries.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

19. Trade and other payables

	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade payables – Third parties	50,549	70,754	-	-
Other payables and accrued operating expenses	21,926	19,988	863	1,599
Contract liabilities	7,444	9,834	-	-
Derivative financial instruments	-	304	-	-
Due to subsidiaries	-	-	6,124	5,502
Due to an associated company	1,005	1,005	1,005	1,005
Financial guarantee contracts	-	-	727	727
Total	80,924	101,885	8,719	8,833

20. Borrowings

	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable within one year or on demand:				
Secured	25,558	35,501	1,072	7,374
Unsecured	155,098	161,422	3,689	3,730
Amount repayable after one year:				
Secured	9,310	2,481	5,902	525
Unsecured	3,802	4,779	-	-
Total	193,768	204,183	10,663	11,629

20.1 Details of any collateral

- (i) A term loan of the Company amounting to US\$5,902,000 (31 December 2022: US\$5,970,000) which was re-financed to be payable on 30 May 2025, is secured by the following:
- a first legal mortgage of 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\$178,000 (31 December 2022: US\$217,000) 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 borrowings of US\$6,843,000 (31 December 2022: US\$7,324,000) taken by two Taiwan subsidiaries, wholly-owned Serial Investment (Taiwan) Inc. and 95.5%-owned Serial Microelectronics Inc., to part finance the acquisition of a freehold building in Taiwan and for working capital respectively are secured by a first legal mortgage of the property.
- (iv) Bank borrowing of US\$8,062,000 (31 December 2022: US\$9,230,000) taken 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.

**SERIAL SYSTEM LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

20. Borrowings (continued)

20.1 Details of any collateral (continued)

- (v) Bank borrowing of US\$12,797,000 (31 December 2022: US\$13,290,000) taken by a 91.0%-owned China subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd for working capital, is secured by a first legal mortgage of its leasehold buildings in China.
- (vi) Bank borrowing of US\$1,050,000 (31 December 2022: US\$1,880,000) taken by the Company is secured by a cash security deposit of US\$420,000 (31 December 2022: US\$1,020,000) placed with the financial institution.
- (vii) Lease liabilities of US\$22,000 (31 December 2022: US\$49,000) of the Company and US\$36,000 (31 December 2022: US\$71,000) of the Group are secured on 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 2023, the Group complied with covenants entered with various banks, except for certain banks, which have the right to call for immediate repayment of outstanding borrowings of US\$21,743,000 (31 December 2022: US\$8,969,000) included in current liabilities of US\$20,821,000 (31 December 2022: US\$8,969,000) and non-current liabilities of US\$922,000 (31 December 2022: Nil). As at the date of this report, borrowings of US\$8,916,000 included in current liabilities have been repaid and these banks have not called for any immediate repayment for the remaining amount.

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				
2023				
At 1 January 2023 and 30 June 2023	905,788	(946)	72,648	(70)
2022				
At 1 January 2022 and 31 December 2022	905,788	(946)	72,648	(70)

There were no ordinary shares issued since the end of the financial period ended 31 December 2022.

There were no outstanding share options as at 30 June 2023 (31 December 2022: Nil).

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares and subsidiary holdings during the six months ended 30 June 2023.

OTHER INFORMATION

22. Review

The condensed interim statements of financial position of Serial System Ltd and its subsidiaries as at 30 June 2023 and the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

23. (Loss)/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 June 2023	30 June 2022
Based on the weighted average number of ordinary shares in issue (in US\$); and	(1.41) cents	0.04 cent
On a fully diluted basis (in US\$)	(1.41) cents	0.04 cent

(Loss)/earnings per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 904,841,914 (30 June 2022: 904,841,914).

(Loss)/earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 904,841,914 (30 June 2022: 904,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 June 2023 and 30 June 2022.

OTHER INFORMATION

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

Consolidated Statement of Profit or Loss

The Group recorded turnover of US\$369.8 million for the six months ended 30 June 2023 ("1H2023"), a decrease of 20% compared to US\$462.8 million for the same period last year ("1H2022").

Turnover for the electronic components distribution business declined 25% to US\$325.8 million due to lower sales across all regions in Asia, especially China, stemming from weakened demand for chips and consumer products amid overstocking in the supply chain. The challenging economic conditions, marked by elevated inflationary pressures, rising interest rates and the ongoing trade tensions between USA and China continued to exert pressure on the business's top line.

Turnover for the consumer products distribution business increased by 61% to US\$40.5 million, driven by higher sales in Thailand, Malaysia and Japan. Specifically, Thailand and Malaysia experienced higher sales from newly onboarded product lines during 1H2023.

Turnover for other businesses increased marginally by 1% to US\$3.5 million contributed by higher revenue from the medical device assembly and distribution business.

Overall gross profit margin declined 0.6 percentage point to 8.0% from 8.6% in 1H2022, mainly due to lower margins achieved by the electronic components and consumer products distribution business divisions, amid keen market competition in a challenging operating environment.

Other operating income increased by US\$0.1 million or 4% to US\$3.8 million, mainly due to higher commission and service income of US\$0.4 million associated with the communications and power line construction business in other businesses. The increase was partially negated by lower warehouse management and rental income of US\$0.1 million and lower government grants of US\$0.2 million received by the Group in 1H2023.

In line with the decline in sales, distribution expenses decreased by US\$2.3 million or 11% to US\$19.3 million, mainly due to lower staff and related costs, freight and handling charges and sales commission expenses associated with the electronic components distribution business. This was partially offset by higher trade credit insurance costs.

Administrative expenses increased by US\$0.3 million or 6% to US\$5.1 million. The increase was mainly due to higher office rental and bank and financing charges.

Finance expenses increased by US\$3.9 million or 116% to US\$7.3 million. The increase was mainly due to higher interest rates across all bank facilities in 1H2023 compared with 1H2022.

Other operating expenses increased by US\$4.0 million or 32% to US\$16.6 million. The increase was mainly due to higher allowances for inventory obsolescence of US\$2.7 million, loss allowance on trade receivables of US\$1.3 million, and net foreign exchange loss of US\$1.1 million attributed mainly to the depreciation of the Chinese Renminbi, Japanese Yen, Malaysia Ringgit and Thailand Baht against the United States Dollar in 1H2023. The increase was partially offset by lower staff and related costs of US\$0.9 million and inventories written off of US\$0.3 million in 1H2023.

The Group's associated companies contributed a net profit of US\$28,000 as compared to a net loss of US\$36,000 in 1H2022 mainly due to a share of profit of US\$50,000 from 14.67%-owned Bull Will Co., Ltd, partially offset by a share of loss of US\$22,000 from 15.90%-owned PT Sentral Mitra Informatika Tbk. in 1H2023.

The Group reported a net loss after tax of US\$12.7 million in 1H2023 as compared to a net profit after tax of US\$0.4 million in 1H2022. The loss in 1H2023 was mainly due to a net foreign exchange loss of US\$4.8 million, allowances for inventory obsolescence of US\$3.7 million, loss allowance on trade and other receivables of US\$1.7 million and higher interest expenses impacted by the high interest rates.

Statements of Financial Position

Trade and other receivables decreased by US\$21.6 million (net of factored trade receivables) to US\$156.8 million. This was mainly attributed to the lower sales achieved by the Group's electronic components distribution subsidiaries. Average turnover days for trade receivables increased to 83 in 1H2023 from 70 in FY2022.

Inventories decreased by US\$21.5 million to US\$141.5 million. This was mainly due to lower inventories purchased and held by the Group's electronic components distribution subsidiaries from more prudent inventory management and aggressive clearance of older inventories.

Trade and other payables decreased by US\$21.0 million to US\$80.9 million. This was in line with the decline in purchases by the Group's electronic components distribution subsidiaries. Average payment days for trade payables increased to 33 in 1H2023 from 30 in FY2022.

Borrowings decreased by US\$10.4 million to US\$193.8 million. This was mainly due to lower bank borrowings by the Group's electronic components distribution subsidiaries following the decline in purchases. The Company's current portion of a secured term loan amounting to US\$5.9 million, which was refinanced to be payable on 30 May 2025, was reclassified to non-current borrowings as at 30 June 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 2022: S\$5.0 million (US\$3.7 million)] from a substantial shareholder of the Company, Mr Goi Seng Hui.

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

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

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

Demand for semiconductor chips continues to be weak, amid slower economic growth especially in China, partially offset by higher demand for high-quality chips for emerging technologies such as 5G infrastructure, IoT, artificial intelligence, electric and autonomous vehicles etc. This slowdown has resulted in customers delaying order intake to digest earlier stockpiles as they assess the operating environment including geopolitical tensions. The Group has continued to grow its supplier base to drive long-term revenue growth. It has also ramped up sales efforts to capture new opportunities, as manufacturers shift production out of China to Southeast Asia and India in response to the prolonged USA-China trade tensions.

The Group's consumer products distribution business in Malaysia, recorded higher order flows, and expects business momentum to grow amid new product launches and expansion of its product portfolio. Its Thailand subsidiary has also widened its range of motherboards, and intends to increase its supplier base in the months ahead.

The operating environment remains challenging in Asia, especially China, where the Group operates. High interest rates and persistent inflation will put pressure on operating costs, increase currency volatilities and impact consumer demand. Uncertainty resulting from the on-going trade tensions between USA and China and prolonged Ukraine war can cause supply chain disruptions and impact demand for our products. In response, the Group will continue to review its operations to boost efficiency and trim expenses where necessary and tighten inventory controls and management.

OTHER INFORMATION

27. Dividend

a) Current Financial Period Reported On

Any dividend declared (recommended) for the current financial period reported on? No.

b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in SGD cents)	0.11 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-tier tax-exempt

c) Date payable

Not applicable

d) Books closure date

Not applicable

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

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

OTHER INFORMATION

29. Interested person transactions

Pursuant to Rule 907 of the Listing Manual of the SGX-ST (the "Listing Manual"), the Board of Directors of the Company would like to announce the following Interested Person Transactions ("IPTs") for 1H2023 as follows:

6 months ended 30 June 2023

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1H2023 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all IPTs during 1H2023 conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
		US\$'000	US\$'000
Goi Seng Hui	Substantial shareholder of the Company	93	Not applicable

The Company entered into a loan agreement of S\$5,000,000 (US\$3,689,000) with Mr. Goi Seng Hui, a substantial shareholder of the Company, on 23 May 2023. The loan bears interest at 5.0% per annum and is repayable to Mr. Goi Seng Hui on 22 May 2024.

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

No general mandate from shareholders has been obtained for IPTs.

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

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

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited half year interim financial results for the period ended 30 June 2023 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr. Derek Goh Bak Heng
Group CEO
10 August 2023