

A hand is shown pointing towards a complex digital financial dashboard. The dashboard features various data visualizations including a line graph with a prominent upward-pointing arrow, a bar chart, and several data tables. One table shows 'EUR/USD' with values like 2,5386, 3,7762, and 2,3574. Another table shows 'BUY 3,6538' and 'SELL 4,5762' with an 'Order volume 18.73'. A 'MARGIN 59.25 USD' is also visible. The background is a dark blue grid with glowing orange and white lines, suggesting a high-tech, data-driven environment.

BUILDING RESILIENCE ACCELERATING GROWTH

ANNUAL REPORT 2021
SERIAL SYSTEM LTD



CONTENTS

2	CORPORATE PROFILE
3	GROUP STRUCTURE
4	FINANCIAL HIGHLIGHTS
6	CHAIRMAN MESSAGE
8	CEO MESSAGE
11	EXTENSIVE DISTRIBUTION NETWORK
12	ELECTRONIC COMPONENTS DISTRIBUTION
13	CONSUMER PRODUCTS DISTRIBUTION
15	OTHER BUSINESSES
18	CORPORATE SOCIAL RESPONSIBILITY
19	FINANCIAL CALENDAR AND CORPORATE INFORMATION
20	BOARD OF DIRECTORS
23	MANAGEMENT TEAM
26	CORPORATE GOVERNANCE REPORT
44	FINANCIAL CONTENTS



OUR VISION

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

OUR MISSION

To provide a wealth of growth opportunities for our stakeholders.

Towards our partners

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

Towards our staff

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

Towards our shareholders

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

Towards our community

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

OUR VALUES

Progressiveness

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

Empowerment

Encouraged by giving our staff the power to make decisions.

Efficiency

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

Teamwork

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

CORPORATE PROFILE

Established in 1988, listed since April 1997 and currently traded on the Mainboard of the Singapore Exchange, Serial System owns and operates a synergistic global distribution network built on strong partnerships with suppliers and customers.

Serial System has a customer base of more than 5,000, mostly across Asia, spanning a diverse range of industries such as consumer electronics, telecommunications, household appliances, industrial, electronics manufacturing services, security and surveillance, automotive and medical.

Major suppliers of electronic components distributed by Serial System include ON Semiconductor, OSRAM Opto Semiconductors, TE Connectivity, Micron, Allegro MicroSystems, GigaDevice, Littelfuse and Molex. Serial System has also been progressively expanding its product portfolio to support customers within emerging core technologies, such as 5G, Internet of Things (IoT), autonomous and electric vehicle etc.

With 21 offices and 13 warehousing facilities in key Asian markets – Singapore, China, Hong Kong, India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam – Serial System has one of the largest and most extensive distribution networks in the region.

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

Serial System's consumer products distribution business, which started in 2014, has since grown its product portfolio to offer computer peripherals, and printer accessories, including computer accessories, processors, motherboards, SSD, Dram, VGA and graphic cards, and printer ink and toner cartridges.

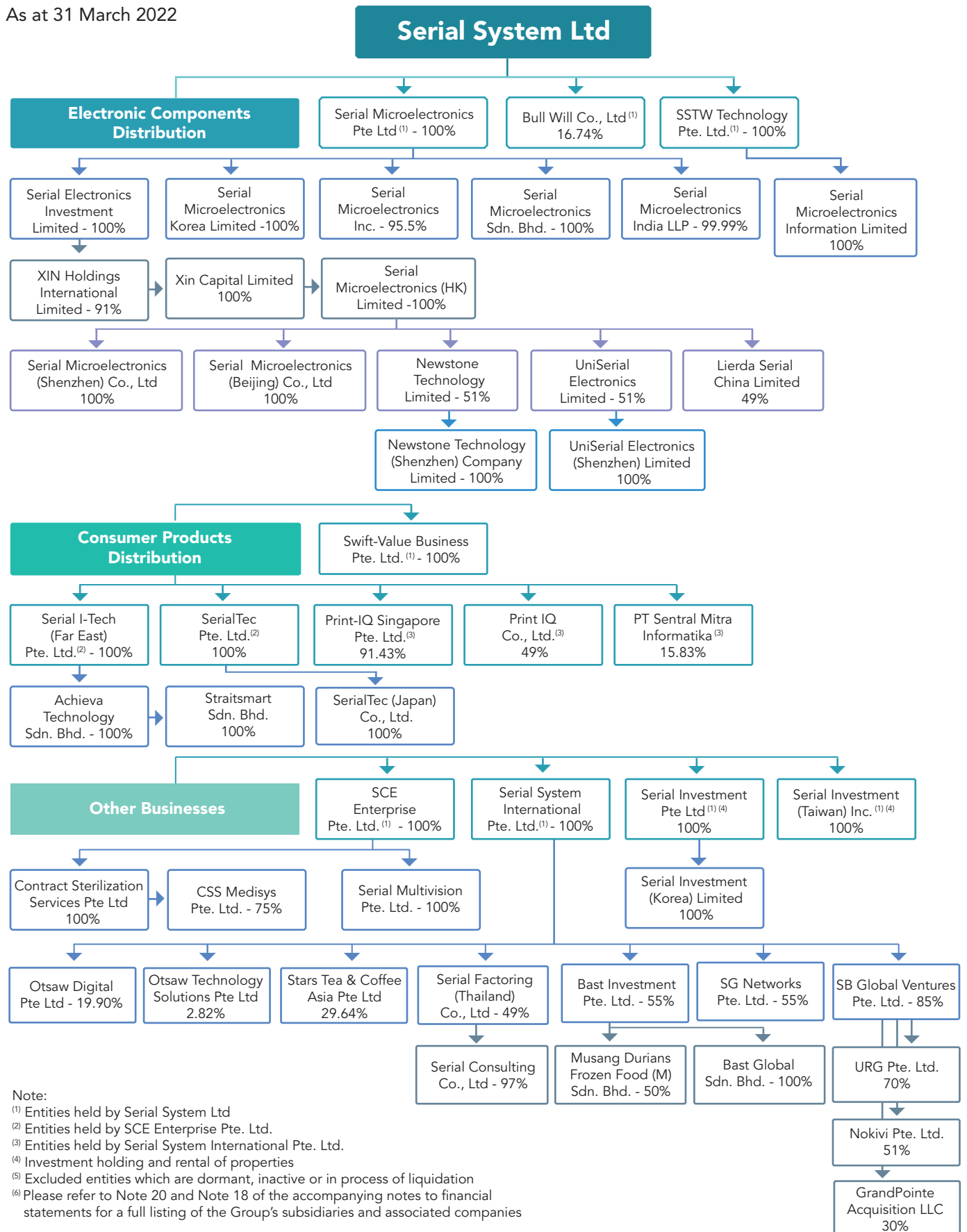
Major suppliers of consumer products distributed by Serial System include AMD, Hewlett-Packard, Intel, Gigabyte, MSI, AOC, Philips, ViewSonic and ASRock.

Serial System expanded its reach in 2017 with a new managed print service offering, with distribution networks in Singapore, Indonesia and Thailand. It began its first foray into 3D printing in 2020 through an Asia Pacific distributorship partnership with Netherlands-based Ultimaker.

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

GROUP STRUCTURE

As at 31 March 2022



Note:

(1) Entities held by Serial System Ltd

(2) Entities held by SCE Enterprise Pte. Ltd.

(3) Entities held by Serial System International Pte. Ltd.

(4) Investment holding and rental of properties

(5) Excluded entities which are dormant, inactive or in process of liquidation

(6) Please refer to Note 20 and Note 18 of the accompanying notes to financial statements for a full listing of the Group's subsidiaries and associated companies

FINANCIAL HIGHLIGHTS

REVENUE (US\$' million)

US\$895.9M



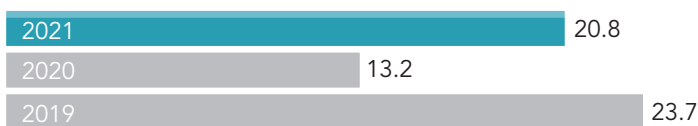
GROSS PROFIT (US\$' million)

US\$73.0M



EBITDA (US\$' million)

US\$20.8M

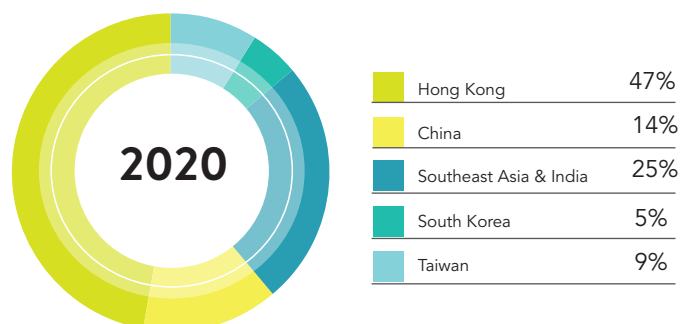
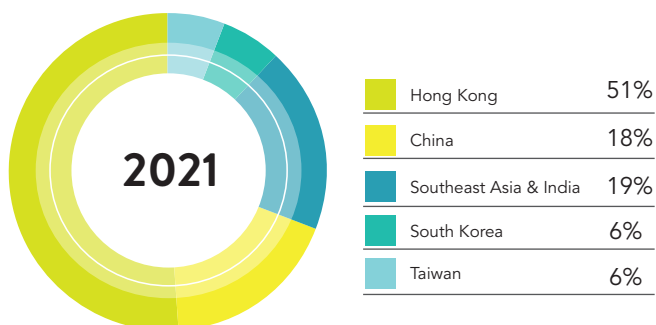


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (US\$' million)

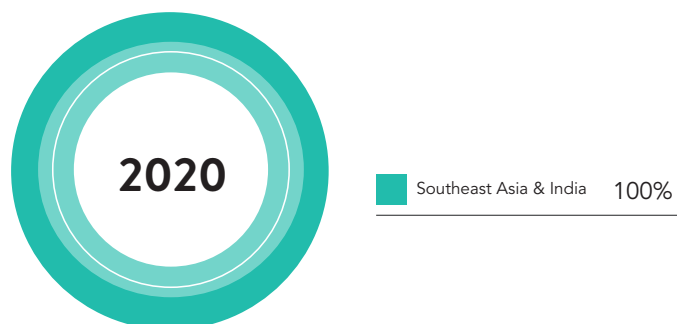
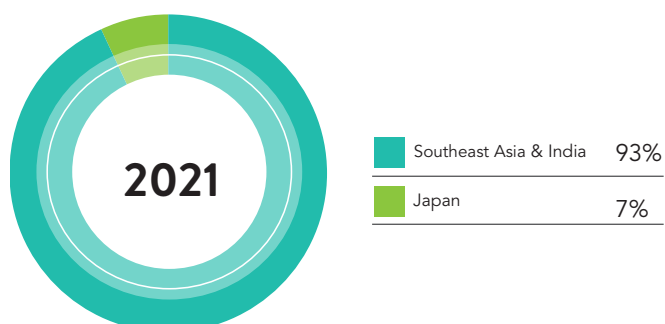
US\$11.1M



REVENUE BY MARKET - ELECTRONIC COMPONENTS DISTRIBUTION



REVENUE BY MARKET - CONSUMER PRODUCTS DISTRIBUTION



	2021 US\$'000	2020 US\$'000	2019 US\$'000
Capital Employed			
Working Capital	115,415	106,797	101,518
Total Assets	437,797	396,715	389,657
Net Assets	161,395	151,738	147,234
Net Assets per Share (United States cents) ⁽¹⁾	16.66	15.81	15.55
Net Debts	133,245	72,574	82,266
Share Capital			
Issued and Fully Paid (including Treasury Shares)	72,648	72,648	72,648
Number of Shares Issued (thousands)	905,788	905,788	905,788
Number of Treasury Shares (thousands)	(946)	(9,946)	(9,946)
Number of Shares Issued excluding Treasury Shares (thousands)	904,842	895,842	895,842
Earnings and Dividend per Share			
Earnings per Share (United States cents) ⁽²⁾	1.24	0.03	0.90
Dividend per Share (Singapore cents)	0.67	0.11	0.35
Dividend Yield (%) ⁽³⁾	6.0	1.3	4.3
Ratios			
Current Ratio	1.45	1.46	1.44
AR Turnover (days)	65	72	87
AP Turnover (days)	30	37	40
Inventory Turnover (days)	54	61	66
Cash Conversion Cycle (days)	89	96	113
Net Gearing Ratio	0.83	0.48	0.56

⁽¹⁾ Net Assets per Share is calculated based on the net assets value attributable to the equity holders of the Company on 904,841,914 shares in issue as at 31 December 2021 (31 December 2020 and 31 December 2019: 895,841,914 shares in issue).

⁽²⁾ Earnings per Share on a fully diluted basis is calculated based on profit after tax attributable to the equity holders of the Company on weighted average of 900,083,010 shares in issue for financial year ended 31 December 2021 (31 December 2020 and 31 December 2019: 895,841,914 shares in issue).

⁽³⁾ Dividend Yield is calculated based on dividend per share over the Company's share price of S\$0.112, S\$0.083 and S\$0.082 as at 31 December 2021, 31 December 2020 and 31 December 2019 respectively.

CHAIRMAN MESSAGE

“The highly commendable performance underscores the hard work and success of the transformation led by our CEO, Derek Goh Bak Heng, and his team. Thanks to their efforts over the last two years, the Group has overcome the challenges of the loss of a major supplier and the disruptions caused by COVID-19.”



Dear Shareholders,

On behalf of the Board of Directors (the “Board”), I present to you the annual report of Serial System for the financial year ended 31 December 2021 (“FY2021”). This is the first time I am presenting this report following my appointment as Independent Non-Executive Acting Chairman in October 2021.

I am pleased to inform you that it has been another profitable year for Serial System despite the immense challenges in the operating environment. The highly commendable performance underscores the hard work and success of the transformation led by our CEO, Derek Goh Bak Heng, and his team. Thanks to their efforts over the last two years, the Group has overcome the challenges of the loss of a major supplier and the disruptions caused by COVID-19.

This turnaround has been achieved by our efforts to expand both supplier and customer networks in the semiconductor sector, improve internal efficiencies and grow our consumer products division. These strategies are being executed under an unprecedented shortage of chips worldwide.

Allow me now to outline the full-year results in some detail.

Financial Performance

Revenue for FY2021 increased 22% to US\$895.9 million from US\$731.4 million a year ago, driven by improved performance in the electronic components distribution and consumer products distribution business segments.

The ongoing U.S.-China “tech war”, as well as the global shortage of chips, have worked in our favour as we are able to pivot our distribution strategies to add value, particularly in Greater China. Consequently, gross profit for the year rose 59% to S\$73.0 million from S\$45.9 million in FY2020. Of significance, overall gross profit margin improved to 8.1% in FY2021 compared to 6.3% last year.

On the back of higher sales and improved gross profit margin, our net profit for FY2021 increased more than 42-times to US\$11.1 million from US\$0.3 million last year.

The challenges of the pandemic notwithstanding, there is still strong business momentum in digital sectors that we serve – data centres, 5G, IoT, autonomous and electric vehicles. At the same time, domestic chip manufacturers in China are scaling up their product quality and some have turned to Serial System to expand their market reach.

Revenue contribution from the consumer products division also increased, as work-from-home measures boosted sales in PC and gaming peripherals, particularly in Malaysia where we have grown to be the leading motherboard and VGA card distributor in FY2021.



Meanwhile, revenue for other businesses declined, mainly due to lower sales in the Group's fast-moving consumer goods trading and distribution, offset by better performance from the medical devices assembly and distribution, and hospitality and healthcare solutions segments.

The corporate recovery strategies over the last two to three years have borne fruit. Our network and value proposition for both electronic components and consumer products have grown stronger. The uncertainties in the supply chain due to the pandemic and global chip shortage, and more recently, the conflict in Ukraine offer fresh touchpoints for Serial System to demonstrate its value as a trusted distributor. At the same time, we continue to put focus and efforts to strengthen internal efficiencies through adoption of technology and process improvements.

In FY2021, we have also raised net proceeds of S\$1.35 million from the placement of an aggregate of 9 million treasury shares at S\$0.15 per share. The fund was used to invest in convertible loans in Transwap Private Limited, a Singapore incorporated fintech company.

Dividend

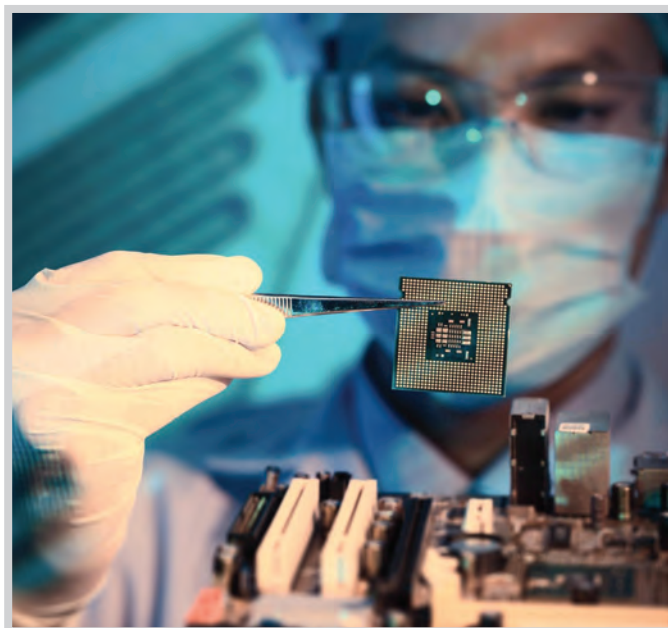
The Board has proposed a final cash dividend of 0.45 Singapore cent per share. Together with the interim cash dividend payout of 0.22 Singapore cent a share, shareholders will receive a total of 0.67 Singapore cent per share for the year, compared to 0.11 Singapore cent a share in FY2020.

Outlook

We have adapted our operations to suit a post-COVID world, and as many countries look towards implementing an endemic approach towards COVID-19, it is safe to say we are past the worst of the pandemic. With our growth strategies in place, Serial System will be pursuing further growth in the years ahead, increasing revenue from our business segments as well as expanding our product portfolio and customer base.

Despite the global shortage of chips showing no signs of abating in the near future, demand for chips with increasing processing power and memory storage continues to grow, as emerging technologies such as 5G infrastructure, IoT, and autonomous and electric vehicles gain traction. On the consumer products business front, we will continue to maintain our edge in Malaysia by growing our network and product portfolio offerings, and focus efforts to strengthen our foothold in Japan.

We are watching closely the Ukraine conflict to assess the impact on further supply chain disruptions and geopolitical uncertainties. Even against the backdrop of uncertainties, we will build upon the foundation to capture new opportunities. We are confident our strategies will continue to bear fruit.



Appreciation & Acknowledgements

On behalf of the Board of Directors and Management, I would like to thank our customers and business partners for their support throughout the year. I would also like to extend my gratitude to the staff of Serial System; without their hard work, Serial System would not be where we are today. In particular, I would like to express my appreciation to our CEO, Derek for his leadership and dedication to grow the business and improve operational efficiency, which have been critical in the turnaround of Serial System.

Last but not least, I would like to extend my gratitude to our shareholders, for your faith and unwavering support throughout the years. We remain committed to building a stronger company and continue adding value to our shareholders.

Mr. Teo Ser Luck
Independent Non-Executive Acting Chairman
March 2022

CEO MESSAGE

Dear Shareholders,

I am pleased to present a commendable scorecard for FY2021. It has been a truly eventful and significant year. Eventful, because shortly after losing a major supplier, we entered a second year of the COVID-19 pandemic with many disruptions experienced worldwide. Significant, because despite these challenges, we have demonstrated the efficacy of our turnaround strategy over the past two to three years.

We have built a stronger foundation that involves expanding supplier and customer networks, growing our consumer products division and improving internal efficiencies. Indeed, Serial System has built and emerged with greater resilience.

As a result of our efforts, we saw a decisive turnaround during the year, with net profits increasing 4,168% year-on-year to US\$11.1 million on the back of higher revenue, while the global shortage of chips has increased margins for our business.

Revenue

The Group recorded revenue of US\$895.9 million for FY2021, an increase of 22% compared to US\$731.4 million in FY2020.

Revenue from the electronic components distribution business increased 22% to US\$814.6 million, propelled by higher demand for semiconductors, particularly in Hong Kong and China. Globally, the shortage of chips and supply chain disruptions affected manufacturing activity, which in turn led to some firms rushing to stockpile high-demand chips, contributing to better performance. The Group's extensive product portfolio and strong presence in Asia also aided in better performance. Turnover in South Korea, also improved, mainly due to contribution from two new product lines.

Revenue from the consumer products distribution business increased 40% to US\$73.6 million, attributed mainly to the Group's Malaysian subsidiary, which recorded higher sales of PC and gaming peripherals in Malaysia amid work-from-home measures. Sales contribution by a newly-incorporated subsidiary in Japan also boosted revenue within this segment.

Revenue for other businesses decreased 20% to US\$7.7 million, attributable mainly to lower sales in the trading and distribution of fast-moving consumer goods in the United States. The decrease was partially mitigated by higher sales of fast-moving consumer goods in Singapore, medical devices assembly and distribution, as well as hospitality and healthcare solutions.

Profit Margins

Overall gross profit margin in FY2021 increased to 8.1% from 6.3% in FY2020. This reflected increasing demand for the Group's electronic components and consumer products amid the global chip shortage.



Other Operating Income

Other operating income decreased by US\$5.6 million or 30% to US\$12.9 million, mainly due to a one-off gain on reversal of other borrowings/other payables totalling US\$4.8 million due to a previous shareholder/shareholders of Singapore subsidiaries in FY2020, foreign exchange loss (included in "Other Operating Expenses") of US\$0.2 million in FY2021 as opposed to a foreign exchange gain of US\$2.4 million in FY2020 and lower pandemic relief-related government grants of US\$1.2 million in FY2021.

The decrease was partially offset by higher fair value gain on financial assets, at fair value through profit or loss totalling US\$1.9m and commission and service income of US\$1.0 million.

Expenses

Distribution expenses increased by US\$9.5 million or 29% to US\$42.6 million, mainly due to higher staff and related costs, sales commission, freight and handling charges and trade credit insurance costs associated with the electronic components distribution business.

Administrative expenses increased by US\$1.7 million or 24% to US\$8.8 million, mainly due to higher staff-related costs and professional fees associated with the electronic components distribution business.

Other operating expenses decreased by US\$3.0 million or 15% to US\$16.8 million. There was no impairment on goodwill

arising from the acquisition of subsidiaries in FY2021 (FY2020: impairment loss of US\$4.2 million), and lower depreciation charges of US\$0.9 million and inventories written off of US\$0.9 million contributed mainly to the decrease in other operating expenses. The decrease was partially offset by a higher loss allowance on trade and other receivables of US\$1.4 million and staff and related costs of US\$1.4 million.

Associated Companies

The Group's associated companies contributed to a total loss of US\$658,000 (FY2020: total loss of US\$251,000) as their sales were unable to cover their operating expenses in FY2021.

Net Profit

Net profit after tax for FY2021 rose sharply to US\$11.1 million from US\$0.3 million in FY2020, mainly due to higher gross profit on the back of higher sales and improved gross profit margin. The strategies to streamline operations and diversify the Group's supplier base and product portfolio in response to the challenges of the U.S.-China "tech-war" and the pandemic have contributed to a leaner operating model which resulted in better margin efficiency. Total expenses as a percentage of revenue declined to 8.2% in FY2021 from 8.9% in FY2020 as a result of these cost and operational efficiency measures.

Share Capital

Serial System's total number of issued shares as of 31 December 2021 was 904,841,914 (excluding treasury shares of 946,000). On 13 July 2021, the Company sold 9 million ordinary shares in the capital of the Company from its treasury shares by way of placement to three unrelated corporations at a placement price of S\$0.15 per share totalling S\$1.35 million. The Company's treasury shares were reduced from 9,946,000 ordinary shares to 946,000 ordinary shares following the placement.



Assets

As of 31 December 2021, the Group has US\$51.0 million in cash and cash equivalents, compared to US\$64.7 million as of 31 December 2020.

Trade and other receivables increased by US\$23.0 million (net of factored trade receivables), mainly attributed to higher sales achieved by the Group's electronic components distribution subsidiaries in Hong Kong and China. Average turnover days for trade receivables declined to 65 in FY2021 from 72 in FY2020.



Inventories increased by US\$26.0 million mainly due to higher purchases by the Group's electronic components distribution subsidiaries in Hong Kong and China in anticipation of higher sales and certain suppliers prolonging the lead time for the delivery of certain high demand semiconductor components amid the global chip shortage.

Financial assets, at fair value through profit or loss (current assets) decreased by US\$5.2 million, mainly due to the reduction in a reclassification from trade receivables by US\$5.1 million to US\$10.7 million (FY2020: reclassification from trade receivables of US\$15.8 million). This was due to lower utilisation of the non-recourse factoring bank facilities by the Group's Hong Kong electronic components distribution subsidiary in FY2021 when compared to FY2020.

Financial assets, at fair value through profit or loss (non-current assets) increased by US\$4.0 million, mainly due to investment of US\$1.7 million in a Thailand unlisted entity and investments in certain Singapore and Sweden unlisted entities totalling US\$2.1 million.

Liabilities

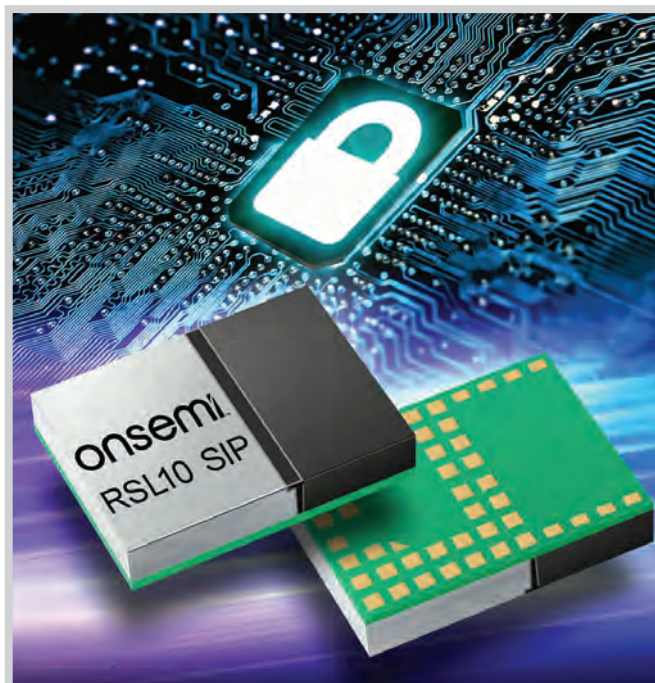
Trade and other payables decreased by US\$16.0 million, mainly attributed to lower trade payables due to shorter payment terms to certain suppliers of the Group's Singapore electronic components distribution subsidiary and decrease in other payables due to the termination of a non-recourse bank factoring programme with a bank for the electronic components distribution entities. Average payment days for trade payables decreased to 30 in FY2021 from 37 in FY2020.

Borrowings increased by US\$46.9 million, mainly due to additional borrowings by the Group's Hong Kong, Singapore and Taiwan electronic components distribution subsidiaries and Malaysia consumer products distribution subsidiary to finance the increase in working capital requirements.

The Company's current portion of a secured term loan amounting to US\$5.9 million was reclassified to non-current borrowings as of 31 December 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.

Looking Ahead

Notwithstanding the turnaround in performance, we are mindful of fresh challenges in the operating landscape. As I write these words, the world is watching with anxiety the conflict in Ukraine, among other geopolitical uncertainties. The rise in oil and gas prices will also trigger inflation and economic uncertainty while supply chain disruptions are still significant. That said, after two years of disruption due to the pandemic, many businesses are keen to revive activity. In particular, the semiconductor sector is seeing growing demand, as emerging technologies such as 5G, data centres, electric vehicles require higher power chips as well as memory storage.



We remain optimistic on our outlook, as we build upon our foundation to expand our portfolio of products, increasing our customer and supplier base, while optimising our operational efficiency. By offering differentiated value to stakeholders during these challenging times, we build their trust and confidence. Each crisis has made us stronger and this is no different. We remain committed to our quest to enhance shareholder value.

Appreciation

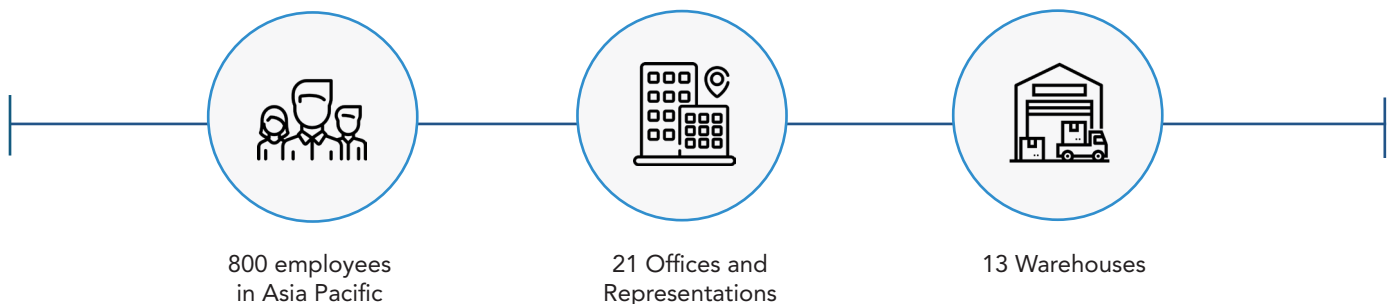
I would like to take this opportunity to convey my sincere appreciation to our customers, suppliers, business partners, employees, and last but not least, our shareholders for their faith in Serial System's long-term vision through this difficult time.

To show our appreciation to our shareholders, the Board of Directors has proposed a final cash dividend of 0.45 Singapore cent per share. Combined with the interim cash dividend payout of 0.22 Singapore cent a share, we expect to distribute 0.67 Singapore cent per share for FY2021.

Dato' Seri Dr. Derek Goh Bak Heng BBM(L)
Group Chief Executive Officer
March 2022

EXTENSIVE DISTRIBUTION NETWORK

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



ELECTRONIC COMPONENTS DISTRIBUTION PRODUCT LINE CARDS

CONSUMER PRODUCTS DISTRIBUTION



Serial I-Tech (Far East) Pte. Ltd. ("SIFE"), **Achieva Technology Sdn. Bhd.** ("Achieva Technology"), and **SerialTec Pte. Ltd.** and **SerialTec (Japan) Co., Ltd.** ("SerialTec") are wholly-owned subsidiaries of the Group distributing computer peripherals and photo products.

SIFE and Achieva Technology's extensive network provide suppliers from multiple market segments an easy solution for extensive distribution of their products in Southeast Asia. Both entities boast an established and international supplier portfolio which includes brands such as AMD, Intel, Gigabyte, MSI, AOC, Philips, ViewSonic, ASRock and Benro.

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

In April 2021, the Group incorporated a wholly-owned subsidiary, SerialTec to expand its distribution network into Japan.



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

With its extensive reach, efficient warehousing operation and reliable sales personnel, Swift-Value enjoys close relationships with hundreds of customers, ranging from heartland operators to large retail superstores such as Popular. By providing fast and value-added services, Swift-Value is able to achieve customer loyalty and offers an extensive and consistent network to its suppliers and partner brands.

Swift-Value has also partnered with Ultimaker, one of the leading 3D-Printer brands operating out of the Netherlands to serve as their official logistics service provider in the Asia Pacific region, Swift-Value caters timely and cost efficient solutions to the partners in the following regions (including but not limited to): Singapore, Australia, China, Taiwan, Thailand, Indonesia and Malaysia. With Swift-Value's extensive distribution experience and convenient location, partners will be able to enjoy faster and more cost-efficient logistics services.



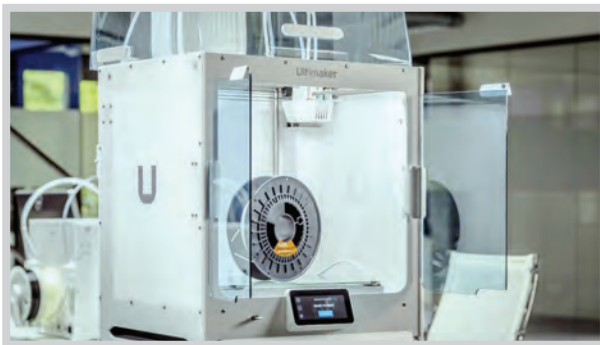


Print-IQ Singapore Pte. Ltd. ("Print-IQ"), a 91.43%-owned subsidiary of the Group, is a Singapore-based managed print services company with a keen eye on office automation. Well versed in HP Managed Print Services (MPS) methodology, Print-IQ consultants have helped many businesses realise the benefits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



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

With a vision to bring innovation and leadership in HP MPS methodology across Southeast Asia, Print-IQ aims to deliver more innovative projects across various segments.



The Group also holds a 15.83% stake in Indonesia-listed PT Sentral Mitra Informatika, the leading HP MPS in Indonesia, and a 49% stake in Print IQ Co., Ltd in Thailand to expand its reach and build up a strong network in the region.

Print-IQ is an official distributor of Netherlands-based Ultimaker, a leader in the 3D printing space, for its 3D printers in Singapore. These printers have wide industry usage in automotive, architecture, healthcare, education, and small-scale manufacturing. In 2021, Print-IQ grew to become the top 5 Ultimaker partner in the Asia Pacific, attributable to its dedicated and best in class services. In addition, Print-IQ was appointed as the official distributor of Ultimaker's 3D printers in China and Taiwan.

CONSUMER PRODUCTS DISTRIBUTION PRODUCT LINE CARDS



OTHER BUSINESSES

Serial Multivision Pte. Ltd. ("Serial Multivision") is a wholly-owned subsidiary of the Group that specialises in hospitality and healthcare solutions.

The hospitality and healthcare solutions center around a core venue management application suite. The application suite complements a premise operators' backend ERPs via harnessing new technologies and breakthroughs that are specifically tailored to the industry needs. Empowering an operator to be able to exceed an ever increasing customers service expectations and at the same time, improving the operational efficiencies.

As each organisation may adopt a different focus and business strategy, our leading-edge software suite uses a modular approach that can be configured to the different needs of the organisation. Our software modules include Intelligent Room Infotainment, Digital Media Content Management, Patient/Guest Management, Feedback Management that work together in a cohesive manner making it easy for each organisation's operations team to follow through. Organisations are therefore able to engage customers more effectively as the software offers insight into productivity and effectiveness by intelligently automating sensors, customer and employee feedbacks to action plans and/or alerts. Action plans and/or alerts are thus put in place, or escalated if necessary via the Job Tracking module. Our enhanced Incident Tracking and Reporting system allows incidents to be reported on a common platform and streamlines operations so that staff are better equipped to handle critical issues and make necessary enterprise risk assessments.

Serial Multivision's flagship electronic Meal Ordering System ("eMOS") that is developed for food service management in the healthcare industry, continues to capture majority of hospitals in Singapore. eMOS seamlessly combines hospital and kitchen operations with inputs from the nutrition and dietetics offices, to provide a digital knowledge base. Users can easily access information via a mobile menu and get immediate updates on topics such as clinical nutritional care and food allergies. eMOS has a customised HL7 interface with real-time information to support patients' nutritional care and meal delivery. Serial



Touch Medical Pad eMOS

Multivision has also extended the software for use by third-party healthcare caterers such as SFS ("Singapore Food Services") to consolidate and manage orders seamlessly from a hospital site to the caterers' remote kitchen.

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

With the current COVID-19 pandemic putting stress on hospital and healthcare resources in many parts of the world, the solutions that Serial Multivision offer, have become even more valuable in reducing the strain on medical staff and frontline workers. As demand for such technological solutions continues to increase, Serial Multivision will continue to innovate and improve its offerings so that healthcare workers can focus on the key goal of saving lives.



iPad Touch for Nurse/Patient at Khoo Teck Puat Hospital



Incident Tracking and Quality Review



Inventory Management System

Contract Sterilization Services Pte Ltd

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

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

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

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



Cleanroom Operation



Perfusion Tubing



ECMO Tubing Pack



Angio Pack



Procedural Pack



URG Pte. Ltd. ("URG") and **SB Global Ventures Pte. Ltd.** ("SBGV") are 59.5%-owned and 85%-owned subsidiaries of the Group that trade and distribute fast-moving consumer goods ("FMCG").

A culmination of the combined infrastructure and business experience of their corporate shareholders, URG and SBGV boast a vast FMCG distribution and trading network.

Based in Singapore, URG and SBGV service markets in Singapore, Malaysia, Indonesia, Australia, New Zealand, Hong Kong, China, United States, Canada and Europe.



Bull Will Co., Ltd. ("Bull Will"), a 16.74%-owned associated company of the Group, is listed on the Over-The-Counter Securities Exchange in Taiwan.

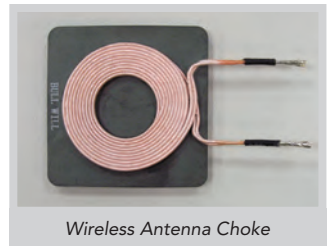
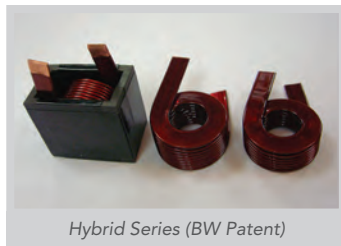
Bull Will, which started as a passive electronic components distributor, has over the years, transformed itself into a company with capabilities in research and development, design and manufacturing of a full range of magnetic components for electronic products.

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



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

Headquartered in Taipei, Taiwan, Bull Will has two manufacturing plants in China and about 180 employees.



CORPORATE SOCIAL RESPONSIBILITY

Giving Back

Being a responsible corporate citizen and contributing back to society has always been a cornerstone of Serial System's culture. Our Corporate Social Responsibility ("CSR") efforts started more than two decades ago, and we have continued these efforts every year since, reaching out to the elderly, the poor and needy, as well as areas such as healthcare, education, youth development, arts, culture and heritage.

During the year under review, Serial System donated a total of S\$207,000 to various causes and organisations in Singapore.

Caring for The Elderly, Poor and Needy and Healthcare

As with the previous year, we have temporarily halted our annual Lunar New Year visit to Tai Pei Old Folks Home in view of the COVID-19 situation and in line with the health guidelines issued by the Singapore government.

In 2021, we donated a total of S\$107,000 to various charitable foundations and programmes under the North East Community Development Council, North West Community Development Council and The Straits Times School Pocket Money Fund.



Sian Chay Medical Institution



Straits Times School Pocket Money Fund



North East Community Development Council



Gold Sponsor

In appreciation of
Serial System Ltd

for your generous sponsorship
towards
Shaping Hearts 2021

DESMOND CHOO
MAYOR
NORTH EAST DISTRICT



Foreign Domestic Worker Association

In addition, Serial System has donated S\$100,000 to Sian Chay Medical Institution, a charity organisation that provides free Traditional Chinese Medicine consultation and subsidized medication for the community. This is a pledge to Sian Chay Medical Institution in 2017 to donate S\$100,000 annually for a total period of 10 years amounting to S\$1,000,000 to provide medical services to low-income families from all races and religion.

FINANCIAL CALENDAR AND CORPORATE INFORMATION

23 February 2021

Announcement of Financial Year 2020 Results

13 April 2021

Release of Annual Report 2020

28 April 2021

Annual General Meeting 2021

28 May 2021

Payment of 2020 Final Cash Dividend

13 August 2021

Announcement of Half Year 2021 Results

23 February 2022

Announcement of Financial Year 2021 Results

6 April 2022

Release of Annual Report 2021

28 April 2022

Annual General Meeting 2022

3 June 2022

Payment of 2021 Final Cash Dividend (subject to Shareholders' approval at Annual General Meeting 2022)

Board of Directors

- Mr. Teo Ser Luck (Independent Non-Executive Acting Chairman)
- Mr. Sean Goh Su Teng (Executive Director and Group Chief Operating Officer)
- Ms. Victoria Goh Si Hui (Executive Director and Vice President, Business Development & Marketing)
- Mr. Tan Lye Heng Paul (Lead Independent Director)
- Mr. Ravindran s/o Ramasamy (Independent Director)
- Mr. Ng Cher Yan (Independent Director)
- Mr. Goi Kok Ming Kenneth (Non-Executive Director)

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Serial System Employee Share Option Scheme 2014

- Mr. Ravindran s/o Ramasamy (Chairman)
- Mr. Tan Lye Heng Paul
- Mr. Ng Cher Yan
- Mr. Sean Goh Su Teng

Company Secretary

Mr. Alex Wui Heck Koon

Registered Office

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

Group Website

www.serialsystem.com

Registrar & Share Transfer Office

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

Auditors

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

Principal Bankers

- Bank of Ningbo Co., Ltd (Shenzhen Branch)
- Cathay United Bank
- CTBC Bank Co., Ltd
- DBS Bank Ltd
- Hang Seng Bank Limited
- KGI Bank
- Malayan Banking Berhad
- Resona Merchant Bank Asia Limited
- Shanghai Commercial Bank Limited
- Standard Chartered Bank
- Taichung Bank
- Taipei Fubon Bank
- United Overseas Bank Limited

BOARD OF DIRECTORS



Teo Ser Luck
Independent Non-Executive
Acting Chairman

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

Mr. Teo is currently an entrepreneur and investor. He also sits on the board of companies listed on the SGX Mainboard, including Independent Chairman of BRC Asia Limited, Lead Independent Director of China Aviation Oil (Singapore) Corporation Ltd and Mindchamps Preschool Limited and Independent Director of Straco Corporation Limited and Yanlord Land Group Limited.

Mr. Teo holds a Bachelor of Accountancy degree from the Nanyang Technological University ("NTU"). He spent 15 years in the private sector before being elected as a Member of the Parliament of Singapore and appointed as a full-time political office holder as Minister of State in the Singapore government cabinet for 11 years. Mr. Teo returned to the private sector in July 2017 and remained as a Member of the Parliament till June 2020.

Beginning his private sector career as an auditor in an accounting firm, Mr. Teo made progress and took on senior management positions as head of sales, marketing, business operations before progressing to lead and oversee companies as Managing Director, Regional Director, General Manager in the Asia Pacific. He has worked in Hong Kong, China, Thailand, India and has helped to start companies. Mr. Teo was also the founding investor of a listed multinational software company.

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

Mr. Teo is an avid sportsman, participates in endurance races and loves to read.



Sean Goh Su Teng
Executive Director and
Group Chief Operating Officer

Mr. Sean Goh Su Teng joined the Board of Directors on 5 October 2021. He is currently the Group Chief Operating Officer.

Mr. Goh started as a Sales Engineer with Serial Microelectronics Pte Ltd, a wholly-owned subsidiary of Serial System Ltd, in June 2004. He was appointed Vice President of Regional Marketing in October 2009, Senior Vice President of Corporate Planning, Development and Regional Marketing in July 2011 and Group Senior Vice President and Chief Operating Officer, Consumer Products Distribution in July 2018. Mr. Goh was appointed Group Chief Operating Officer of Serial System Ltd in June 2019.

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



Victoria Goh Si Hui
Executive Director and Vice President,
Business Development & Marketing

Ms. Victoria Goh Si Hui joined the Board of Directors on 26 January 2022. She is currently the Vice President, Business Development & Marketing.

Ms. Goh started as a Corporate Development Executive with Serial Microelectronics Pte Ltd, a wholly-owned subsidiary of Serial System Ltd, from August 2015 to February 2016. She worked as a Business Development Executive with Future Electronics Inc. (Distribution) Pte. Ltd. under its Management Trainee Program from February 2016 to December 2016. Ms. Goh rejoined Serial System Ltd as Business Development Executive in January 2017, and was appointed Business Development Manager in June 2018 and Director, Business Development & Marketing in April 2019. Ms. Goh was appointed Vice President, Business Development & Marketing in January 2022.

Ms. Goh holds a Bachelor of Business degree from the Nanyang Technological University.

As at 31 March 2022, Ms. Goh holds 273,300 shares (0.03%) in Serial System Ltd.



Tan Lye Heng Paul
Lead Independent
Non-Executive Director

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

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

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

As at 31 March 2022, Mr. Tan holds 350,000 shares (0.04%) in Serial System Ltd.



Ravindran s/o Ramasamy
Independent
Non-Executive Director

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

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



Ng Cher Yan
Independent
Non-Executive Director

Mr. Ng Cher Yan joined the Board of Directors on 19 March 1997 and retired on 23 April 2011. Mr. Ng rejoined the Board of Directors on 28 March 2017. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

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

Mr. Ng holds a Bachelor of Accountancy degree and is a Chartered Accountant, Australia. He is currently a practising chartered accountant with Plus LLP, a fellow member of the Institute of Singapore Chartered Accountants and a member of Chartered Accountants Australia and New Zealand.

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

As at 31 March 2022, Mr. Ng holds 150,000 shares (0.02%) in Serial System Ltd.



Goi Kok Ming Kenneth
Non-Executive Director

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

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

Mr. Goi holds a Bachelor degree in Computer Information System from California State University, Pomona, United States. He is currently a director of Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China, as well as Tee Yih Jia Group, a global food and beverage group with operations in Singapore, Malaysia, United States, Europe, Japan and China.

Mr. Goi is active in community services and was awarded the Public Service Medal (Pingat Bakti Masyarakat) in 2018 for his involvement as a member of the Community Development District Council, South East Region, and Patron of Braddell Heights Community Club. He also received the "Entrepreneur of the Year" Award from Enterprise Asia in 2019.

MANAGEMENT TEAM



Derek Goh

Group Chief Executive Officer

Dr. Derek Goh Bak Heng founded Serial System as a sole proprietorship in 1988, incorporated Serial System Ltd in 1992 and was the founding Chairman and Group Chief Executive Officer when Serial System Ltd was listed in 1997. Derek relinquished his directorship as Executive Chairman of Serial System Ltd on 5 October 2021. Derek remains as the Group Chief Executive Officer.

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

In 1996, Derek won the "Entrepreneur of the Year Award", organised by the Rotary Club of Singapore and the Association of Small and Medium Enterprises, supported by the Trade Development Board. In 1997, Derek was elected the National President of JCI Singapore and was conferred the Singapore Youth Award (Individual) for entrepreneurship, the nation's highest honour for youths. In 1999, Derek was conferred the ASEAN Best Young Entrepreneur Award 1999 by the ASEAN Secretariat, and the World Association of Small and Medium Enterprises (WASME) Special Honour Award by the World Association of Small and Medium Enterprises on 29 March 2000. In 2004, Derek was awarded the Public Service Medal

(Pingat Bakti Masyarakat) by the President of the Republic of Singapore and in 2010, the Public Service Star Medal (Bintang Bakti Masyarakat) on the National Day Honours 2010. In 2010, Derek won the "Asia Pacific Entrepreneurship Awards 2010 Entrepreneur of the Year" organised by Enterprise Asia and APF Group Pte Ltd and in 2011, he won the Ernst & Young Entrepreneur Of The Year® 2011 Singapore Award for the Electronic Components Distribution Category. Derek was elected the President of JCI Senators of South East Asian Nations. In 2015, Derek was awarded the International-Singapore ASEAN Leading Brand International Entrepreneur of the Year at the ASEAN Outstanding Business Award 2015 and was named the "UN Asia Pacific Most Prominent Entrepreneur" co-organised by the Trade and Industry Association Singapore and the United Nations Association of Singapore. He was also awarded one of the "Top Outstanding Leaders in Asia 2015" in the Asia Corporate Excellence & Sustainability Awards 2015. In 2021, Derek was awarded the Public Service Star (Bar) Bintang Bakti Masyarakat (Lintang) on the National Day Honours 2021.

As at 31 March 2022, Derek holds 365,997,970 shares (40.45%) in Serial System Ltd. Derek is a substantial shareholder of Serial System Ltd.



Sean Goh
Group Chief Operating Officer

As Group Chief Operating Officer, Sean will oversee the business operations and optimize the information technology, operational and asset management capabilities. He will also be working with the Management and Board members of Serial System Ltd to develop and execute corporate strategies.



Victoria Goh
Vice President, Business
Development & Marketing

As Vice President, Business Development & Marketing, Victoria manages the business and operations of the consumer products distribution business as well as supply chain and inventory management of the Group. She will also be working with the Management and Board members of Serial System Ltd on corporate development and strategic planning of the Group.



Alex Wui
Group Chief Financial Officer &
Group Company Secretary

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

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

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



Vinson Sim
Senior IT Director

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

As Senior IT Director, Vinson leads and manages the information technology strategy, deployment, and project implementations.

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

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



Kim Sang Yeol
 President
 Serial Microelectronics Korea Limited
 South Korea

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

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

SY has over 36 years of experience in the semiconductor and technology field and had held senior level positions at Space Semiconductor Trading Limited and Alpha Technology Industries Limited.

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



Ken Kwan
 Senior Director
 Serial Microelectronics Pte Ltd
 Southeast Asia & India

Ken Kwan joined Serial Microelectronics Pte Ltd ("SMPL") in February 2006 as its Field Application Engineer handling key suppliers. He was appointed Director, Product Marketing in March 2017 and Senior Director, Sales & Marketing in May 2021.

As Country Head of SMPL, Ken oversees the Group's electronic components distribution business in Southeast Asia and India.

Ken holds a Bachelor of Electrical and Electronics Engineering degree with Honours from the Nanyang Technological University.



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

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

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

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

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



Jesse Jeng
 President
 Serial Microelectronics Inc.
 Taiwan

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

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

Jesse has over 35 years of experience in the electronic trading and distribution industry, including 4 years at Chander Electronics Corp and 11 years at Arrow Electronics (Taiwan) Ltd.

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

CORPORATE GOVERNANCE REPORT

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

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

This report describes the Company's key corporate governance practices for the financial year ended 31 December 2021 ("FY2021"). The Board is pleased to confirm that it had adhered to the principles and provisions of the Code as highlighted and explained in the report. In so far as any provision has not been complied with, the reason has been provided.

1. Board Matters

The Board's Conduct of Affairs

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

Board's Conduct of Affairs

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

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

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

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

1. Board Matters (continued)

The Board's Conduct of Affairs (continued)

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

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

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

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

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

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

Board Attendance

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

1. Board Matters (continued)

The Board's Conduct of Affairs (continued)

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

The Board met four times in FY2021, of which two were the regular half-year and full-year meetings and one was meeting held to review and discuss the FY2020 financial results and annual budget as well as important and strategic matters. The attendance of the Directors at meetings of the Board, Board Committees and general meeting, and the frequency of such meetings, is disclosed below.

A record of the Directors' attendance at the Board and Board Committee meetings as well as general meeting for FY2021 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	General Meeting
Number of meetings held in FY2021	4	3	2	1	1
Name of Director	Number of meetings attended:				
Derek Goh Bak Heng ⁽¹⁾	4	NA	NA	NA	1
Teo Ser Luck	4	1 ⁽³⁾	NA	NA	1
Sean Goh Su Teng ⁽²⁾	- ⁽²⁾	NA	NA	NA	- ⁽²⁾
Tan Lye Heng Paul	4	3	2	1	1
Ravindran s/o Ramasamy	4	3	2	1	1
Ng Cher Yan	4	3	2	1	1
Goi Kok Ming Kenneth	4	1 ⁽³⁾	NA	NA	1

NA – Not Applicable

⁽¹⁾ Mr. Derek Goh Bak Heng resigned as Executive Chairman of the Board on 5 October 2021 and remained as the Group Chief Executive Officer ("Group CEO").

⁽²⁾ Mr. Sean Goh Su Teng was appointed as Executive Director on 5 October 2021. He is also the Group Chief Operating Officer ("Group COO"). No Board meetings and general meeting were held after his appointment in FY2021.

⁽³⁾ Attendance by invitation.

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

Continuous Training and Development of Directors

The Directors are updated regularly on regulatory changes that will have an important relevance on the Group's or Director's obligations. Such changes are also updated and discussed during Board meetings. As part of the Directors' ongoing training, Directors are also encouraged to actively engage in informal discussions on subjects which are relevant to the Group's businesses and at the Company's expense, attend relevant training programmes or seminars in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and changes in The Companies Act 1967 (Singapore) (the "Companies Act"). A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also go through mandatory training in his roles and responsibilities as advised by the SGX-ST.

Orientation for New Directors

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

Access to Complete, Adequate and Timely Information, Management and Company Secretary

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

1. Board Matters (continued)

The Board's Conduct of Affairs (continued)

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

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

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

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

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

2. Board Composition and Guidance

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

Independence

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

Throughout FY2021, the Non-Executive and Independent Directors made up more than two-thirds of the Board and this exceeds requirements under amendments to Rule 210(5)(c) of the Listing Manual of the SGX-ST for Independent Directors to make up at least one-third of the Board.

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

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

In the interest of good corporate governance, the Board carries out rigorous review of the contributions and independence of Directors who have served on the Board beyond an aggregate period of more than nine years and if necessary, exercises its discretion to extend the tenure of these Directors. The Listing Manual of the SGX-ST also sets out specific circumstances in which a director is deemed non-independent, the requirements to continue appointment as independent director after serving more than nine years via a two-tier voting process by shareholders. Currently, Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy and Mr. Ng Cher Yan have served as Independent Directors of the Company for an aggregate period of more than nine years and all three Directors had been subjected to the two-tier voting process in the 2021 AGM and this will last till 2024 AGM.

2. Board Composition and Guidance (continued)

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

After rigorous review, the NC with the concurrence of the Board, has determined that Mr. Teo Ser Luck, Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy and Mr. Ng Cher Yan remain independent in character and judgement, taking into account there were no relationships with management or substantial shareholders or circumstances which were likely to affect, or could appear to affect their independence. The Board also reviews the performance of Mr. Teo Ser Luck, Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy and Mr. Ng Cher Yan and considers that they, who had gained good understanding of the Group's businesses and operations, will be able to continue to bring invaluable expertise, experience and knowledge to the Board. The NC and Board are therefore satisfied with their performance and continued independence.

Composition and Size of the Board

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

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

Name of Director	Date of appointment	Date of last re-election	Board		Audit Committee	Nominating Committee	Remuneration Committee
			Status	Position	Position	Position	Position
Teo Ser Luck	15 July 2017	28 April 2021	Independent / Non-Executive	Acting Chairman	-	-	-
Sean Goh Su Teng	5 October 2021	-	Non-Independent / Executive	Member & Group COO	-	-	-
Tan Lye Heng Paul	16 June 2011	30 April 2020	Lead Independent / Non-Executive	Member	Chairman	Member	Member
Ravindran s/o Ramasamy	14 August 2001	29 April 2019	Independent / Non-Executive	Member	Member	Member	Chairman
Ng Cher Yan	28 March ⁽²⁾ 2017	28 April 2021	Independent / Non-Executive	Member	Member	Chairman	Member
Goi Kok Ming Kenneth ⁽¹⁾	8 May 2019	30 April 2020	Non-Independent / Non-Executive	Member	-	-	-

⁽¹⁾ Mr. Goi Kok Ming Kenneth is the son of Mr. Goi Seng Hui, a substantial shareholder of Serial System Ltd.

⁽²⁾ Mr. Ng Cher Yan joined the Board on 19 March 1997 and retired on 23 April 2011. He rejoined the Board on 28 March 2017.

Note: Mr. Derek Goh Bak Heng resigned as Executive Chairman of the Board on 5 October 2021 and remained as the Group CEO.

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

2. Board composition and guidance (continued)

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

Notwithstanding that the Group has not adopted a formal board diversity policy, the composition of the Board is reviewed annually by the NC to ensure that the Board has the appropriate level of independence and mix of expertise and experience, and collectively possesses the necessary core competencies to enable it to make decisions in the best interests of the Group. The Board provides an appropriate balance of diversity of skills, experience and knowledge of the Group, with core competencies in accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

When the need arises or appropriate, the Non-Executive Directors communicated among themselves without the Management's presence to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes and succession planning.

3. Chairman and Chief Executive Officer

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

Mr. Derek Goh Bak Heng, the previous Executive Chairman and Group CEO, has relinquished his directorship on 5 October 2021 and will not be Executive Chairman and Director of the Company for a period of twenty-four months with effect on 5 October 2021. This was due to a conditional warning given by Monetary Authority of Singapore ("MAS") in relation to their investigation on a personal matter concerning Dr. Derek Goh Bak Heng. Mr. Teo Ser Luck will assume the position of Independent Non-Executive Acting Chairman of the Board during this period.

The Acting Chairman and Group CEO are currently separate persons. The Acting Chairman will assume the responsibility for the overall leadership of the Board and engage Management regularly on pertinent issues. He sets the agenda items for Board meetings, with the assistance of the Company Secretary, and ensures that adequate time is available for discussion on all agenda items, especially strategic issues, and that complete, adequate and timely information are made available to the Board.

Mr. Derek Goh Bak Heng is the Founder and Group CEO, playing a pivotal and instrumental role in developing the Group's businesses and providing the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he ensures effective communication with shareholders and encourages constructive relations between the Board and Management. He also takes on a leading role in ensuring the Group complies and maintains a high standard of corporate governance practices.

Mr. Tan Lye Heng Paul is appointed as the Lead Independent Director to co-ordinate and lead the Independent Directors in situations where the Acting Chairman is conflicted, and provide enriched discussions and debate within the Board. He is also available to shareholders where they have concerns and for which contact through the normal channels of communication with the Acting Chairman, Group CEO or Group Chief Financial Officer ("Group CFO") has failed to resolve or is inappropriate.

4. Board Membership

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

Nominating Committee and Terms of Reference

The NC comprises the following three Directors, all of whom are non-executive and independent:

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

During FY2021, the NC has held two meetings. The NC has its terms of reference which sets out its authority and duties. The functions of the NC include the following:

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

NC Responsibilities

Key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board as a whole. It also ensures that Directors appointed by the Board are subject to election by shareholders at the Annual General Meeting ("AGM") and that all Directors are subject to re-election once every three years, if re-nominated by the NC. In this aspect, the NC recommended to the Board that Mr. Goi Kok Ming Kenneth and Mr. Ravindran s/o Ramasamy, who will retire pursuant to Article 89 of Serial System Ltd's Constitution, be nominated for re-appointment, at the forthcoming AGM on 28 April 2022.

Furthermore, the NC also recommended to the Board that Mr. Sean Goh Su Teng (appointed on 5 October 2021) and Ms. Victoria Goh Si Hui (appointed subsequent to FY2021 on 26 January 2022), who will retire pursuant to Article 88 of Serial System Ltd's Constitution be nominated for re-appointment, at the forthcoming AGM on 28 April 2022.

The NC, together with the Board, having considered the completed annual declaration of independence by the Independent Directors, and evaluated their participation in Board and committee meetings, are of the view that the current Board has an appropriate level of independence to enable it to think, exercise objective judgement and make decisions on corporate matters in the best interests of the Group. The NC confirmed that Mr. Teo Ser Luck, Mr. Tan Lye Heng Paul, Mr. Ravindran s/o Ramasamy and Mr. Ng Cher Yan are Independent Directors under the Code.

Alternate Directors

Currently, there is no Alternate Director on the Board.

Process for Selection of New Directors

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

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

4. Board Membership (continued)

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

Director's Time Commitment

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

The NC, together with the Board, has reviewed each Director's external directorships, their principal commitments, their involvements, if any, in companies with adverse track records or currently under investigation by regulators, as well as each Director's attendance and contributions to the Board. Though some Directors hold multiple directorships in non-Group entities, the NC is satisfied that these Directors spent adequate time and attention to the Company's affairs and have discharged their responsibilities.

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

Succession Planning

The NC is of the view that succession planning is an important part of corporate governance. The appointment of Mr. Sean Goh Su Teng on 5 October 2021 and Ms. Victoria Goh Si Hui subsequent to FY2021, on 26 January 2022 as Executive Director of the Company is part of the succession plans to ensure progressive renewal of the Board.

Key Information on Directors

The profiles of the Directors and their respective shareholdings in the Company are set out on pages 20 to 22 of the Annual Report.

5. Board Performance

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

Board Performance

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

The NC reviews and assesses the effectiveness of the Board, its Board Committees and individual Director as a whole, on an annual basis, based on performance criteria as agreed by the Board. Following the review in FY2021, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Board Evaluation Process

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

Performance Criteria for Board Evaluation

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

5. Board Performance (continued)

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

Individual Director Evaluation

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

6. Remuneration Matters

Procedures for Developing Remuneration Policies

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

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

Remuneration Committee and Terms of Reference

The RC comprises the following three Directors, all of whom are non-executive and independent:

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

During FY2021, the RC has held one meeting. The RC has its terms of reference which sets out its authority and duties. The functions of the RC include the following:

- Reviews and recommends to the Board a framework of remuneration for Board members and key Management personnel, and the specific remuneration packages for each Director (Executive and Non-Executive) as well as for the key Management personnel;
- Reviews and recommends to the Board on the adequacy and form of compensation of the Board members and key Management personnel of the Group, to ensure that the compensation is commensurated with their responsibilities and performance;
- Reviews and proposes to the Board on the fees for Non-Executive Directors, taking into account factors such as the effort, contribution and time spent by and the responsibilities of the Non-Executive Directors;
- Reviews the Company's obligations in the event of termination of the Executive Director's and key Management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous; and
- Performs such other related functions as the Board may determine.

RC's Access to Advice on Remuneration Matters

The RC has full authority to engage any external professional to advise on matters relating to remuneration as and when the need arises. In FY2021, the RC did not require the service of external professionals.

7. Level and Mix of Remuneration

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

Remuneration of Executive Director and Key Management Personnel

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

The Company's structure of remuneration of the Executive Director and key Management personnel ensures that the remuneration of the Executive Director and key Management personnel commensurates with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group, prevailing economic situation, pay and employment conditions within similar industry and in comparable companies. The remuneration package of the Executive Director and key Management personnel comprises both basic salary and variable component. The

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

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

variable component, which is the annual incentive bonus, is linked to the performance of the Group as a whole and the individual performance of the key Management personnel in respect of the regions or business units they take charge. The remuneration framework is designed to align with the interests of shareholders and some stakeholders so as to promote long-term success and sustainability of the Group.

The RC considered and approved Dr. Derek Goh Bak Heng's specific remuneration package which includes salary, incentive, bonus and benefits-in-kind, after considering his performance and the financial performance of the Group. In FY2021, the Company contributed a total of S\$783,228 to a long term incentive scheme (deferred compensation) comprising two insurance plans for Dr. Derek Goh Bak Heng which was approved by the RC and the Board as disclosed in the Company's Annual Report for the financial year ended 31 December 2016.

Long Term Incentive Scheme

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

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

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

Contractual Provisions Protecting the Company's Interests

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

Remuneration of Non-Executive Directors

The Board concurred with the RC that the proposed Non-Executive Directors' fees for FY2022 are appropriate and that the Non- Executive Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The Board recommends to shareholders for approval at the AGM the fees payable to the Non-Executive Directors.

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

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

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

8. Disclosure of Remuneration

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

Disclosure on Remuneration of Directors

Details of the remuneration of Directors for FY2021 are as follows:

Executive Director	Directors' Fees (%)	Salary ⁽¹⁾ (%)	Incentive Bonus (%)	Other Benefits (%)	Total Remuneration (S\$)
Derek Goh Bak Heng ⁽²⁾	1.7	42.2	-	56.1	1,434,895 ⁽²⁾
Sean Goh Su Teng ⁽³⁾	1.6	73.0	17.6	7.8	568,090 ⁽³⁾
Non-Executive & Independent Director					
Teo Ser Luck	100.0	-	-	-	55,800
Tan Lye Heng Paul	100.0	-	-	-	40,500
Ravindran s/o Ramasamy	100.0	-	-	-	40,500
Ng Cher Yan	100.0	-	-	-	40,500
Non-Executive Director					
Goi Kok Ming Kenneth	100.0	-	-	-	37,800

⁽¹⁾ Included employer's CPF contribution.

⁽²⁾ Mr. Derek Goh Bak Heng resigned as Executive Chairman on 5 October 2021 and remained as the Group CEO. The total remuneration disclosed above related to full year of remuneration for FY 2021 and included a deferred compensation of S\$783,228 as detailed in "Level and Mix of Remuneration: Remuneration of Executive Director and Key Management Personnel" above.

⁽³⁾ Mr. Sean Goh Su Teng was appointed as Executive Director on 5 October 2021 and is also the Group COO and cousin of Mr. Derek Goh Bak Heng. The total remuneration disclosed above related to full year of remuneration for FY 2021.

Note: The remuneration disclosed in this report does not include share option expense. No share options was granted to Directors in FY 2021.

Disclosure on Remuneration of Key Management Personnel

The Board is aware that Provision 8.1 of the Code requires the remuneration of at least the top five key Management personnel of the Company (excluding the Directors or the CEO) to be disclosed. However, the Board, after careful deliberation, believes that such information is best kept confidential as disclosing the same would be prejudicial to its business given the highly competitive business environment. There are other expected disadvantages such as potential staff motivational and retention issues that such detailed disclosures may bring. With the Company's disclosure of their remuneration in bands of not wider than S\$250,000, shareholders have been provided an insight into the level of remuneration paid to the top five key Management personnel.

The annual aggregate remuneration paid to the top five key Management personnel (excluding the Directors or the CEO) in FY2021 was S\$1,620,087. The remuneration bands for FY2021 are presented in deviation from Provision 8.1 of the Code as follows:

Remuneration Band	Number of Executive ⁽¹⁾
S\$500,000 to S\$749,999	1
S\$250,000 to S\$499,999	2
S\$0 to S\$249,999	2

⁽¹⁾ Included executives of overseas subsidiaries

8. Disclosure of Remuneration (continued)

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

The Board is of the view that the practices adopted by the Company are consistent with the intent of Principle 8 of the Code.

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

Save for Ms. Victoria Goh Si Hui (appointed as Executive Director, subsequent to FY 2021 on 26 January 2022), who is the daughter of Mr. Derek Goh Bak Heng and niece of Mr. Sean Goh Su Teng and whose remuneration in FY2021 exceeded S\$100,000 but below S\$150,000, no other employees of the Company whose remuneration exceeded S\$100,000 during the year under review is an immediate family member of a Director or the Group CEO or substantial shareholders.

9. Accountability and Audit

Risk Management and Internal Control

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

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's businesses. During FY2021, the AC together with the internal auditor assisted the Board in overseeing the Group's risk management framework and policies. The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. However, the Board is also of the view that any internal control system is designed to manage rather than totally eliminate the risk of failure to achieve business objectives. A cost effective internal control system can only provide reasonable and not total assurance against material misstatement or loss.

Risk Management

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

The internal auditor also assists the AC to follow up with the Management to ensure that the existing and new counter measures are implemented accordingly. As part of the Group's approach towards risk management, the Group will conduct, on an annual basis, a risk assessment exercise where the key risks of the Group will be identified, updated, evaluated and ranked. The exercise also allows the Group to address the changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process on an ongoing basis. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, will be reported to the AC and the Board. The Group's approach to the management of key business risks is set out under "Risk management" in the "Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual" section on page 155 of the Annual Report.

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

Internal Controls

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

9. **Accountability and Audit** (continued)

Risk Management and Internal Control (continued)

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

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

The Board has received assurance from the Group CEO and the Group CFO on the following:

- The Group's risk management and internal control systems in place are adequate and effective in addressing the key financial, operational, compliance and information technology risks of the Group in its current business environment;
- The financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- There has been no material change in the Group's risk of being subject to any Sanctions Law.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as reviews performed by external and internal auditors, the Board with the concurrence of AC, is of the view that the internal control systems of the Group were adequate as at 31 December 2021 to address the financial, operational, compliance, information technology and sanction-related risks, which the Group considers relevant and material to its operations.

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

10. **Audit Committee**

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

Audit Committee and Terms of Reference

The AC comprises the following three Directors, all of whom are non-executive and independent:

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

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

During FY2021, the AC has held three meetings. The AC has its terms of reference which sets out its authority and duties. The functions of the AC include the following:

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

10. Audit Committee (continued)

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

- Ensures that the internal audit function is adequately resourced to discharge its functions properly and has an appropriate standing within the Company; and
- Ensures that a compliance adviser in relation to sanction-related risks has been appointed to continuously monitor the validity of the information provided to shareholders and Singapore Exchange.

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

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

The AC has reviewed the financial statements with the Management and external auditors before the announcement of the Group's full-year results. In the process, the AC reviewed the key areas of management's estimates and judgement applied for key financial issues, critical accounting policies and any other significant matters that might affect the integrity of the financial statements. Significant matters that were discussed with Management and external auditors and included as key audit matters ("KAMs") in the Independent Auditors' Report for the financial year ended 31 December 2021 are set out on pages 49 to 50 of the Annual Report.

The AC concluded that the Group's accounting treatment and estimates in each significant matter were appropriate and is of the view that the Company and Group's financial statements for FY2021 are properly drawn up in accordance with the Singapore Financial Reporting Standards International ("SFRS(I)") so as to give a true and fair view of the statement of financial position of the Company and the consolidated financial statements of the Group.

AC to Keep Abreast of Changes to Accounting Standards

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

Independence of External Auditors

The AC has discussed on the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework recommended by Accounting and Corporate Regulatory Authority ("ACRA") as reference. It has reviewed all non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors, before confirming their re-nomination.

The AC has recommended to the Board that the independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

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

10. Audit Committee (continued)

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

Whistle-blowing Policy

As a further enhancement to internal risk control processes, the Company has in place a whistle-blowing policy. Under this whistle-blowing policy, staff can report or raise concerns over any "wrongdoings" across the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment to the chairman of the AC, with the "whistleblower" who has acted in good faith, being provided confidentiality, victimisation and harassment protection. "Wrongdoings" can include fraud, corruption, theft, abuse of authority, breach of regulations or non-compliance with the Group's internal controls and procedures. On an ongoing basis, the whistle-blowing policy is covered during staff training and periodic communication including e-mail sent quarterly to all staff as part of the Group's efforts to promote awareness of fraud prevention. All newly recruited employees are briefed on the whistle-blowing policy during their induction. The whistle-blowing policy is reviewed by the AC periodically to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements. The AC concluded that there is no significant matter raised through the whistle-blowing channel during the year under review.

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

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

Internal Auditors

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

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

Meeting with External and Internal Auditors

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

11. Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings

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

Sufficient Information to Shareholders

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

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

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

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

11. Shareholder Rights and Engagement (continued)

Shareholder Rights and Conduct of General Meetings (continued)

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

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

Resolutions at General Meetings

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

Attendees at General Meetings

The Directors attend all general meetings of the Company, and the external auditors will also be present to assist in addressing queries raised by shareholders relating to the conduct of audit and the preparation and the content of the auditor's report. All Directors and the external auditors were present at the last AGM held on 28 April 2021.

In light of the COVID-19 situation, the last AGM was held and the forthcoming AGM will be held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders will not be able to attend the forthcoming AGM in person, but they may observe the proceedings of the AGM by live audio or live audio-visual means. Shareholders may appoint the Chairman of the AGM as proxy to vote on their behalf at the forthcoming AGM. Shareholders may also submit questions relating to the business of the meeting in advance and the Company will address the substantial and relevant questions, and post such questions from shareholders and responses by the Company seventy-two (72) hours before the cut off time for the submission of proxy form on the SGXNET and the Company's website to allow more time for shareholders to consider the resolutions to be tabled at the forthcoming AGM.

Absentia Voting at General Meetings

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

Minutes of General Meetings

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

Dividend Policy

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends payable each year will take into consideration the actual profitability and ability to pay dividends in the relevant financial year, the operating cash flow requirements, financing commitments, anticipated capital expenditure, any future expansion and investment plans, and such factors that the Board may, in its sole and absolute discretion, deem necessary or appropriate. The Company has declared and paid an Interim Cash Dividend (one-tier tax exempt) of 0.22 Singapore cent per ordinary share and proposed a Final Cash Dividend (one-tier tax exempt) of 0.45 Singapore cent per ordinary share for FY2021.

12. Engagement with Shareholders

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

Communication with Shareholders

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

12. Engagement with Shareholders (continued)

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

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

Since the outset of the COVID-19 pandemic, the Company has been providing increased disclosure through voluntary updates on its business operations via SGXNET, to enable shareholders and investors to make better informed decisions.

Timely Information to Shareholders

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

Regular Dialogue with Shareholders and Soliciting and Understanding Views of Shareholders

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

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

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

Investor Relations Policy

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

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

Mr. Isaac Tang, Media and Investor Consultant
WeR1 Consultants Pte Ltd
1 Raffles Place #02-01 One Raffles Place Mall Suit 332 Singapore 048616
Telephone no: (65) 6721 7161
Email: serialsystem@wer1.net

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

13. Managing Stakeholders Relationships

Engagement with Stakeholders

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

Relationship with Stakeholders

The Board adopts a balanced approach towards the needs and interests of its material stakeholders, taking into account the best interests of the Company. The Company, whilst striving for long-term success of the Group, has engaged its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. More information on how the Group's efforts on sustainability can be found in the Sustainability Report for FY2021.

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

Other Corporate Governance Matters

Dealing in Securities

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

Code of Conduct

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

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

Interested Person Transactions

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

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. Disclosure on "related party transactions" is set out on pages 147 to 148 of the Annual Report.

FINANCIAL CONTENTS

45	DIRECTORS' STATEMENT
49	INDEPENDENT AUDITOR'S REPORT
53	CONSOLIDATED INCOME STATEMENT
54	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
55	STATEMENTS OF FINANCIAL POSITION
57	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
59	CONSOLIDATED STATEMENT OF CASH FLOWS
61	NOTES TO THE FINANCIAL STATEMENTS
155	ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL
157	STATISTICS OF SHAREHOLDINGS
159	NOTICE OF ANNUAL GENERAL MEETING
165	NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE
166	ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION
176	APPENDIX I – THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE
	PROXY FORM – ANNUAL GENERAL MEETING

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors present their statement to the members together with the audited financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Teo Ser Luck
Sean Goh Su Teng (Appointed on 05 October 2021)
Victoria Goh Si Hui (Appointed on 26 January 2022)
Derek Goh Bak Heng (Resigned on 05 October 2021)
Tan Lye Heng Paul
Ravindran s/o Ramasamy
Ng Cher Yan
Goi Kok Ming Kenneth

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Holdings registered in			Deemed interest holdings		
	name of director or nominees					
	At	At	At 1.1.2021/ at date of appointment	At	At	At 1.1.2021/ at date of appointment
	21.1.2022	31.12.2021		21.1.2022	31.12.2021	
The Company						
<u>(Number of ordinary shares)</u>						
Sean Goh Su Teng	–	–	–	–	–	638,300
Tan Lye Heng Paul	350,000	350,000	350,000	–	–	–
Ng Cher Yan	150,000	150,000	150,000	–	–	–

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Directors' interests in shares or debentures (continued)

- (c) Derek Goh Bak Heng, who resigned as a director on 5 October 2021 and who by virtue of his interest of not less than 20% of the issued share capital of the Company, was deemed to have an interest as at 31 December 2020 in the whole of the issued share capital of the Company's wholly owned subsidiaries and in the partially owned subsidiaries as disclosed in Note 20(g) to the financial statements.

Share options

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

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

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

- (i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;
- (ii) executive directors of the Company;
- (iii) non-executive directors of the Company; and
- (iv) employees who qualify under (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

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

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

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

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

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

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

There were no share options granted pursuant to the 2014 Scheme during the financial years ended 31 December 2021 and 31 December 2020.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Share options (continued)

(b) Outstanding share options

There are no share options outstanding at the end of the financial year ended 31 December 2021.

(c) Other information required by SGX-ST

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

- (i) the members of the Committee administering the 2014 Scheme at the end of financial year are Ravindran s/o Ramasamy (Chairman), Tan Lye Heng Paul, Ng Cher Yan and Sean Goh Su Teng.
- (ii) there were no outstanding share options granted to and exercised by directors of the Company during the financial year.
- (iii) no share options have been granted to controlling shareholders of the Company or their associates, directors and employees of the parent company (as defined in the Listing Manual of the SGX-ST) and its subsidiaries and no employee has received 5% or more of the total number of share options available under the 2014 Scheme during the financial year.
- (iv) no other director or employee of the Company and its subsidiaries (as defined in the Listing Manual of the SGX-ST) has received 5% or more of the total number of share options available to all directors and employees of the Company and its subsidiaries under the 2014 Scheme during the financial year.
- (v) no share options were granted at a discount during the financial year.

Audit committee

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

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act 1967 (Singapore) (the "Companies Act"). In performing those functions, the Committee:

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Audit committee (continued)

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

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

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

Independent auditors

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

On behalf of the Board of Directors

SEAN GOH SU TENG

Director

TAN LYE HENG PAUL

Director

31 March 2022

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

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Serial System Ltd (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (Singapore) (the "Companies Act") and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
<p>Valuation of Investments in associated companies</p> <p>We refer to Note 2.14(b), Note 4(a)(i) and Note 18 to the financial statements.</p> <p>The carrying amount of the Group's investments in associated companies amounted to US\$8,736,000 as at 31 December 2021.</p> <p>During the current financial year, based on external and/or internal sources of information, there are impairment indicators for the investments in associated companies.</p> <p>The Group's management determined the recoverable amounts of the individual cash-generating units based on the higher of the fair value less cost of disposal and value-in-use calculations.</p> <p>The value-in-use calculations required the use of estimates and assumptions which involved judgements.</p>	<p>Our response</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> assessed the methodology used by management to estimate the recoverable value of each investment based on the higher of the fair value less cost of disposal and value-in-use calculations; reviewed the reasonableness of the key assumptions used in the value-in-use calculations by comparing the forecasts to historical results and prospects of the business based on internal and external sources; re-executed the calculations of the cash flows prepared by management to check the mathematical accuracy; and performed a sensitivity analysis and headroom analysis on the key estimates and assumptions, where necessary. <p>Based on our audit procedures, we found the estimates and assumptions used by management in deriving the value-in-use calculations to be reasonable.</p>

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

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matter
<p>Tax recoverable relating to Transfer Pricing audit on the transactions between the Group's subsidiary in the People's Republic of China and Hong Kong</p> <p>We refer to Note 2.5, Note 4(b)(i) and Note 9(b) to the financial statements.</p> <p>During the previous financial years, the Group has paid additional income tax of RMB18,041,000 (US\$2,731,000) and interest of RMB4,374,000 (US\$652,000) arising from a Transfer Pricing audit carried out by the People's Republic of China ("China") tax authority for transactions between the Group's subsidiaries in Hong Kong and China.</p> <p>As the Transfer Pricing audit was carried out in China, a unilateral adjustment in China could create a double taxation on the same profits in Hong Kong. In this respect, the Group has engaged an independent tax consultant to assist the Group to make an application to the Hong Kong tax authority for a corresponding adjustment to eliminate double taxation. As at the date of this report, the assessment by the Hong Kong tax authority has not been finalised.</p> <p>Significant judgement is required to determine the amount of tax recoverable that can be recognised to the extent that it is more likely than not that the Hong Kong tax authority will accept the application for the tax refund in principle and amount. Management has applied their judgement and recognised a tax recoverable amount of HK\$13,000,000 (US\$1,667,000) as at 31 December 2021.</p>	<p>Our response</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • discussed with the component auditors on their work performed; • obtained the correspondences with the tax authority and obtain an update of the double tax relief application status; and • evaluated the advice obtained by the Group's management from the independent tax consultant to support the judgement taken by management in recognising the tax recoverable amount. <p>Based on our audit procedures, we found the tax recoverable recognised to be appropriate and reasonable.</p>

Other Information

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

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

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

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

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Moore Stephens LLP

Public Accountants and Chartered Accountants

Singapore
31 March 2022

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Sales	5	895,893	731,400
Cost of sales	6	(822,920)	(685,504)
Gross profit		72,973	45,896
Other income		15,251	21,208
Interest	5	2,325	2,656
Other operating	5	12,926	18,552
Expenses:			
Distribution	6	(42,612)	(33,082)
Administrative	6	(8,812)	(7,119)
Finance	8	(5,254)	(5,269)
Other:			
Loss allowance on trade and other receivables	6	(2,912)	(1,512)
Other operating	6	(13,877)	(18,252)
Total expenses		(73,467)	(65,234)
		14,757	1,870
Share of results of associated companies (after income tax)		(658)	(251)
Profit before income tax	6	14,099	1,619
Income tax expense	9	(1,510)	(214)
Profit after income tax		12,589	1,405
Attributable to:			
Equity holders of the Company		11,139	261
Non-controlling interests	34	1,450	1,144
		12,589	1,405
Earnings per share attributable to equity holders of the Company:			
Basic	10	1.24 cents	0.03 cent
Diluted	10	1.24 cents	0.03 cent

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Profit for the year		12,589	1,405
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plans' actuarial (loss)/gain	28	(9)	308
Share of associated companies' other comprehensive income/(loss)		1,305	(11)
Gain on revaluation of property, plant and equipment transferred to investment property	22	38	141
		1,334	438
Items that may be reclassified subsequently to profit or loss:			
Share of associated companies' other comprehensive income/(loss)		17	(117)
Currency translation differences		(2,369)	2,471
		(2,352)	2,354
Other comprehensive (loss)/income for the year, net of tax		(1,018)	2,792
Total comprehensive income for the year		11,571	4,197
Attributable to:			
Equity holders of the Company		10,399	3,164
Non-controlling interests	34	1,172	1,033
		11,571	4,197

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	The Group		The Company	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	50,963	64,739	1,068	4,684
Trade and other receivables	12	169,649	146,608	36,071	33,677
Inventories	13	133,688	107,688	–	–
Financial assets, at fair value through profit or loss	14	10,715	15,907	–	–
Other current assets	15	8,600	5,840	397	318
		373,615	340,782	37,536	38,679
Non-current assets					
Income tax recoverable	9	1,667	1,667	–	–
Loans and other receivables	16	–	–	38,093	27,436
Financial assets, at fair value through profit or loss	14	7,481	3,487	–	–
Investments in associated companies	18	8,736	7,003	1,217	1,217
Investments in joint ventures	19	–	–	–	–
Investments in subsidiaries	20	–	–	57,255	57,263
Property, plant and equipment	21	33,980	33,800	384	419
Investment properties	22	7,187	5,543	–	–
Intangible assets	23	3,343	3,230	14	53
Other assets	24	787	241	600	–
Deferred income tax assets	29	1,001	962	–	–
		64,182	55,933	97,563	86,388
Total assets		437,797	396,715	135,099	125,067
LIABILITIES					
Current liabilities					
Trade and other payables	25	89,387	105,424	10,810	9,387
Current income tax liabilities	9	1,383	949	–	–
Borrowings	26	167,430	127,612	5,293	9,903
		258,200	233,985	16,103	19,290
Non-current liabilities					
Other payables	25	–	–	16,232	8,740
Borrowings	26	16,778	9,701	6,272	105
Defined benefit plans liabilities	28	395	392	–	–
Deferred income tax liabilities	29	1,029	899	479	481
		18,202	10,992	22,983	9,326
Total liabilities		276,402	244,977	39,086	28,616
NET ASSETS		161,395	151,738	96,013	96,451

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	The Group		The Company	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	72,648	72,648	72,648	72,648
Treasury shares	30	(70)	(736)	(70)	(736)
Capital reserve	31	2,665	1,276	518	180
Defined benefit plans reserve	31	328	337	–	–
Fair value reserve	31	(742)	(742)	–	–
Revaluation reserve	31	198	175	–	–
Other reserve	31	(1,457)	(1,665)	–	–
Currency translation reserve	32	5,204	7,278	–	–
Retained earnings	33	71,997	63,063	22,917	24,359
		150,771	141,634	96,013	96,451
Non-controlling interests	34	10,624	10,104	–	–
TOTAL EQUITY		161,395	151,738	96,013	96,451

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Note	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			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
				reserves	reserves	reserves								
	72,648	(736)	1,276	337	(742)	175	(1,665)	7,278	63,063	10,104	151,738			
	-	-	-	-	-	-	-	-	11,139	1,450	12,589			
	-	-	-	(9)	-	-	-	-	-	-	(9)			
	-	-	1,051	-	(15)	269	17	-	-	-	1,322			
22	-	-	-	-	38	-	-	-	-	-	38			
	-	-	-	-	-	-	(2,091)	-	-	(278)	(2,369)			
	-	-	1,051	(9)	23	269	(2,074)	-	-	(278)	(1,018)			
	-	-	1,051	(9)	23	269	(2,074)	11,139	10,399	1,172	11,571			
	Distributions to owners:													
35	-	-	-	-	-	-	-	(743)	-	-	(743)			
35	-	-	-	-	-	-	-	(1,462)	-	-	(1,462)			
	-	-	-	-	-	-	-	(2,205)	-	-	(2,205)			
	Others:													
30 & 31	-	666	338	-	-	-	-	-	-	1,004	-	1,004		
34	-	-	-	-	(61)	-	-	-	-	(380)	(441)			
34	-	-	-	-	-	-	-	-	-	92	92			
34	-	-	-	-	-	-	-	-	-	(334)	(334)			
34	-	-	-	-	-	-	-	-	-	(30)	(30)			
	-	666	338	-	(61)	-	-	-	943	(652)	291			
	72,648	(70)	2,665	328	(742)	198	(1,457)	5,204	71,997	10,624	161,395			

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Note	Attributable to equity holders of the Company											
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
	72,648	(736)	1,276	29	(804)	45	(1,665)	4,813	63,689	139,295	7,939	147,234
Profit for the year	-	-	-	-	-	-	-	-	261	261	1,144	1,405
Other comprehensive income/(loss):												
Defined benefit plans' actuarial gain	-	-	-	308	-	-	-	-	-	308	-	308
Share of associated companies' other comprehensive loss	-	-	-	-	-	(11)	-	(117)	-	(128)	-	(128)
Gain on revaluation of property, plant and equipment transferred to investment property	-	-	-	-	-	141	-	-	-	141	-	141
Currency translation differences	-	-	-	-	-	-	-	2,582	-	2,582	(111)	2,471
Other comprehensive income/(loss) for the year, net of tax	-	-	-	308	-	130	-	2,465	-	2,903	(111)	2,792
Total comprehensive income for the year	-	-	-	308	-	130	-	2,465	261	3,164	1,033	4,197
Distributions to owners:												
One-tier tax-exempt final cash dividend for year 2019	-	-	-	-	-	-	-	-	(825)	(825)	-	(825)
Total distributions to owners	-	-	-	-	-	-	-	-	(825)	(825)	-	(825)
Others:												
Transfer of reserve upon disposal of investment	-	-	-	-	62	-	-	-	(62)	-	-	-
Investment in a subsidiary by a non-controlling interest	-	-	-	-	-	-	-	-	-	-	77	77
Subscription of additional interests in subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,025	1,025
Dividend paid to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	(24)	(24)
Disposal/closure of subsidiaries	-	-	-	-	-	-	-	-	-	-	54	54
Total others	-	-	-	-	62	-	-	-	(62)	-	1,132	1,132
Balance at 31 December 2020	72,648	(736)	1,276	337	(742)	175	(1,665)	7,278	63,063	141,634	10,104	151,738

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Cash flows from operating activities			
Profit before income tax		14,099	1,619
Adjustments for:			
Amortisation of computer software license costs		104	129
Amortisation of distribution rights		–	12
Depreciation of property, plant and equipment		2,848	3,724
Property, plant and equipment written off		216	3
Gain on disposal of property, plant and equipment		(43)	(33)
Fair value gain on investment properties		(427)	(56)
Fair value gain on financial assets, at fair value through profit or loss		(917)	(481)
Gain on sale of financial assets, at fair value through profit or loss		(239)	(43)
Fair value loss on financial assets, at fair value through profit or loss		–	43
Dividend income from financial assets, at fair value through profit or loss		(17)	(20)
Fair value (gain)/loss on derivative financial instruments		(1,441)	62
Impairment loss on goodwill arising from acquisition of subsidiaries		–	4,220
Gain on closure of subsidiaries		(104)	–
Gain on disposal of interest in an associated company		(306)	–
Gain on dilution of interest in associated companies		(15)	–
Loss on re-measuring previously held equity in a joint venture		165	–
Provision for defined benefit plans liabilities		354	241
Reversal of other borrowings/other payables due to a previous shareholder/ shareholders of subsidiaries		–	(4,813)
Interest income		(2,325)	(2,656)
Interest expense		5,254	5,269
Share of results of associated companies		658	251
Operating cash flow before working capital changes		17,864	7,471
Change in working capital			
Trade and other receivables		(26,581)	(19,215)
Financial assets, at fair value through profit or loss	14	5,093	17,965
Inventories		(25,382)	13,286
Other current assets		(2,889)	(2,167)
Other assets (non-current)		(546)	(18)
Trade and other payables		(16,451)	(2,942)
Cash (used in)/from operations		(48,892)	14,380
Income tax paid	9(c)	(936)	(1,717)
Net cash (used in)/generated from operating activities		(49,828)	12,663

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Cash flows from investing activities			
Payments for intangible assets (computer software license costs)		(20)	(7)
Payments for property, plant and equipment		(982)	(613)
Proceeds from disposal of property, plant and equipment		177	26
Proceeds from sale of financial assets, at fair value through profit or loss		868	1,034
Net cash outflow on disposal/closure of subsidiaries		–	(126)
Proceeds from disposal of interest in associated companies		841	–
Net cashflow on step up acquisition from a joint venture to a subsidiary	20(a)	100	–
Payments for financial assets, at fair value through profit or loss		(3,758)	(537)
Payments for investments in associated companies	18(e),(f)&(h)	(147)	(3,101)
Dividend received from financial assets, at fair value through profit or loss		17	20
Dividend received from an associated company		–	50
Interest received		2,325	2,666
Net cash used in investing activities		(579)	(588)
Cash flows from financing activities			
Proceeds from placement of treasury shares		1,004	–
Subscription of additional interests and investments in subsidiaries by non-controlling interests	34	92	1,102
Payments for acquisition of additional interests in subsidiaries from non-controlling interests	34	(441)	–
Net cash inflow from non-controlling interests on disposal/closure of subsidiaries	34	–	54
Dividend paid to shareholders of the Company	35	(2,205)	(825)
Dividend paid to non-controlling interests	34	(334)	(24)
Proceeds from bank borrowings		561,203	490,628
Proceeds from other borrowings		12,937	17,970
Repayment of bank borrowings		(513,796)	(480,407)
Repayment of other borrowings		(15,129)	(15,931)
Principal payments of lease liabilities		(1,323)	(2,064)
Refund of bank deposits pledged for overdraft facility		–	1,000
Interest paid		(5,226)	(5,410)
Net cash generated from financing activities		36,782	6,093
Net (decrease)/increase in cash and cash equivalents held		(13,625)	18,168
Cash and cash equivalents at the beginning of the year		64,739	46,110
Effect of currency translation on cash and cash equivalents		(151)	461
Cash and cash equivalents at the end of the year	11	50,963	64,739

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

1. General information

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

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

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

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

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards International (SFRS(I)) and the provisions of the Companies Act 1967 (Singapore). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

The accounting policies adopted are consistent with those of the previous financial year except that for the financial year ended 31 December 2021, the Group has adopted all the new and revised SFRS(I) issued that are relevant to the Group and effective for annual periods beginning 1 January 2021. The adoption of the new and revised SFRS(I) had no material financial impact on the financial statements of the Group.

2.2 Group accounting

(a) Subsidiaries

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(b) Acquisition of businesses

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. All subsequent changes in debt contingent consideration are recognised in the consolidated income statement, rather than the goodwill.

In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

Acquisition related costs are expensed as incurred.

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

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

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

(c) Disposals of subsidiaries or businesses

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

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

(d) Transactions with non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.2 Group accounting (continued)

(e) Associated companies and joint ventures

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

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

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

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

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

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

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

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

2.3 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States dollar (US\$), which is the Company's functional and presentation currency. All values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.3 Currency translation (continued)

(b) Transactions and balances

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

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

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity. These currency translation differences are reclassified to the consolidated income statement on disposal (i.e. a disposal involving loss of control) of the entity giving rise to such reserve. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to consolidated income statement.

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

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

2.4 Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.4 Revenue recognition (continued)

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

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

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

(i) Sale of goods

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

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

(ii) Services

Revenue for services rendered is recognised over time, and in accordance with the substance of the relevant agreements.

(iii) Other income

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

(iv) Dividend income

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

2.5 Income taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.5 Income taxes (continued)

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment property. Investment property measured at fair value is presumed to be recovered entirely through sale.

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

2.6 Financial assets

(a) Classification and measurement

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

- (i) Amortised cost;
- (ii) Fair value through other comprehensive income; and
- (iii) Fair value through profit or loss.

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

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

Initial recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(a) Classification and measurement (continued)

Subsequent measurement

(i) Debt instruments

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

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

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

(ii) Equity instruments

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

(b) Impairment

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

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

- (i) 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime expected credit losses – represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument or contract asset.

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

Simplified approach – Trade receivables

The Group applies the simplified approach to provide expected credit losses for all trade receivables as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(b) Impairment (continued)

General approach – Other financial instruments and financial guarantee contracts

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

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

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

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

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

Credit-impaired financial assets

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

Measurement of expected credit losses

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

Write-off policy

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(c) Recognition and derecognition

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

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

2.7 Cash and cash equivalents

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

2.8 Financial liabilities

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

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

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

2.9 Inventories

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

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

2.10 Investments in subsidiaries and associated companies

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.11 Property, plant and equipment

(a) Measurement

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

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

(b) Depreciation

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.12 Investment properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.12 Investment properties (continued)

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

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

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

2.13 Intangible assets

(a) Goodwill

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

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

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

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

(b) Computer software

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

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

(c) Distribution rights

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.14 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

(b) Intangible assets (other than goodwill)

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.15 Borrowings

(a) Borrowings

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

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

(b) Borrowing costs

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

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

2.16 Trade and other payables

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

2.17 Offsetting financial instruments

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

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

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

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

2.19 Fair value estimation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.19 Fair value estimation (continued)

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

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

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

2.20 Provisions

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

2.21 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the consolidated income statement on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated income statement in the period in which they become receivable.

2.22 Financial guarantees

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

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

2.23 Employee compensation

(a) Defined contribution plans

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

(b) Defined benefit plans – post employment benefits

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.23 Employee compensation (continued)

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

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

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

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

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

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

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

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

(c) Employee leave entitlement

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

(d) Share-based compensation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.24 Leases

(a) When the Group is the lessee:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.24 Leases (continued)

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

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

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

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

(b) When the Group is the lessor:

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

2.25 Segment reporting

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

2.26 Share capital and treasury shares

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

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

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

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

2.27 Dividends

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised SFRS(I) that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods beginning on or after 1 January 2022. Management is in the process of assessing the impact of these new standards on the financial performance or financial position of the Group.

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-16, <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37, <i>Provisions: Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to SFRS(I) 3, <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
Annual improvements to SFRS(I)s / FRS Standards 2018-2020, SFRS(I) 9, <i>Financial Instruments: Fees in the '10 per cent' Test for De-recognition</i>	1 January 2022
Amendments to SFRS(I) 1-1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1, <i>Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements</i>	1 January 2023
Amendments to SFRS(I) 1-8, <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

(i) Amendments to SFRS(I) 1-16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit an entity deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in consolidated income statement.

(ii) Amendments to SFRS(I) 1-37, *Provisions: Onerous Contracts – Cost of Fulfilling a Contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract.

(iii) Amendments to SFRS(I) 3, *Business Combinations: Reference to the Conceptual Framework*

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

(iv) Annual Improvements SFRS(I)s 2018-2020

SFRS(I) 9, *Financial Instruments: Fees in the '10 per cent' Test for De-recognition*

The amendment clarifies that, in applying the de-recognition test for financial liabilities under paragraph B3.3.6 of SFRS(I) 9, a borrower includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

(v) Amendments to SFRS(I) 1-1, *Classification of Liabilities as Current or Non-current*

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

(vi) Amendments to SFRS(I) 1-1, *Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

(vii) Amendments to SFRS(I) 1-8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimates that results from new information or new developments is not correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

(viii) Amendments to SFRS(I) 1-12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

4. Critical accounting estimates, assumptions and judgements

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

Management has taken into consideration the impact of the Covid-19 pandemic and whether there are indications that any assets may be impacted adversely. If any such indication exists, an estimate will be made on the realisable amount and/or fair value of the relevant assets.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

(a) Critical accounting estimates and assumptions

(i) Valuation of investments in associated companies

The Group's management determined the recoverable amounts of the individual cash-generating units based on the higher of the fair value less cost of disposal and value-in-use calculations as disclosed in Note 2.14(b). The calculations require the use of estimates and assumptions. Changes to these estimates and assumptions would result in changes in the carrying amount of the Group's investments in associated companies at the reporting date.

During the financial year, based on external and internal sources of information, there are impairment indicators for the investments in associated companies.

If the management's estimated discount rate applied to the discounted cash flows for the value-in-use calculations increased by 1%, there will be an impairment loss on investments in associated companies of US\$197,000 (2020: US\$192,000).

As at the reporting date, the carrying amount of the Group's investments in associated companies amounted to US\$8,736,000 (2020: US\$7,003,000) as disclosed in Note 18 to the financial statements.

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

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

If the management's estimated discount rate applied to the discounted cash flows for the CGUs is raised by 1.0% (2020: 1.0%), the impairment loss on goodwill would have been increased by approximately US\$941,000 (2020: Nil).

As at the reporting date, the carrying amount of goodwill arising from acquisition of subsidiaries amounted to US\$3,126,000 (2020: US\$2,938,000) as disclosed in Note 23 to the financial statements.

(iii) Loss allowance for receivables

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

As at the reporting date, the carrying amount of the Group's trade and other receivables amounted to US\$169,649,000 (2020: US\$146,608,000). The information about the expected credit losses on the Group's trade and other receivables is disclosed in Note 12 and Note 37(b) to the financial statements.

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 2 to 54.5 years. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

(a) Critical accounting estimates and assumptions (continued)

(iv) Estimated useful lives of property, plant and equipment (continued)

If depreciation on property, plant and equipment increases/decreases by 10% (2020: 10%) from management's estimates, the Group's profit after tax will decrease/increase by approximately US\$254,000 (2020: US\$323,000).

As at the reporting date, the carrying amount of the Group's property, plant and equipment amounted to US\$33,980,000 (2020: US\$33,800,000) as disclosed in Note 21 to the financial statements.

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

(i) Tax recoverable

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

As at the reporting date, the carrying amount of the tax recoverable amounted to HK\$13,000,000 (US\$1,667,000) (2020: HK\$13,000,000 (US\$1,667,000)) as disclosed in Note 9(b) to the financial statements.

(ii) Write down of inventories

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

The Group wrote back allowances for inventory obsolescence during the financial year amounting to US\$3,128,000 (2020: US\$3,027,000).

Inventory items identified to be obsolete and unusable are also written off and charged as an expense during the financial year. During the financial year, certain inventories which became obsolete and unusable amounting to US\$1,634,000 (2020: US\$2,581,000) have been written off.

As at the reporting date, the carrying amount of inventories amounted to US\$133,688,000 (2020: US\$107,688,000) as disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5. Revenue

	The Group	
	2021 US\$'000	2020 US\$'000
Sales of goods	895,893	731,400
Other operating income	12,926	18,552
Interest income	2,325	2,656
	911,144	752,608
<i>Performance obligations satisfied at a point in time</i>		
Sales of goods:		
- electronic components	814,612	668,884
- consumer products	73,047	52,692
- others [Note 40(a)]	7,700	9,540
	895,359	731,116
<i>Performance obligations satisfied over time</i>		
Service rendered	534	284
	895,893	731,400

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

	The Group	
	2021 US\$'000	2020 US\$'000
Other operating income:		
Commission and service income	2,693	1,735
Rebate income from suppliers	2,354	2,747
Warehouse management and rental income	237	807
Gain on sale of financial assets, at fair value through profit or loss	239	43
Fair value gain on financial assets, at fair value through profit or loss		
- listed securities [Note 14(a)]	305	133
- unlisted security [Note 14(b)]	612	–
- derivative financial instruments	1,441	348
Dividend income from financial assets, at fair value through profit or loss	17	20
Reversal of other borrowings/other payables due to a previous shareholder/ shareholders of subsidiaries	–	4,813
Write-back of allowances for inventory obsolescence (Note 13)	3,128	3,027
Government grants received	476	1,680
Recovery of trade bad debts previously written off	–	93
Gain on closure of subsidiaries	104	–
Gain on disposal of interest in an associated company	306	–
Gain on dilution of interest in associated companies	15	–
Fair value gain on investment properties (Note 22)	427	56
Gain on disposal of property, plant and equipment	43	33
Foreign exchange gain (net)	–	2,419
Sundry income	529	598
Total other operating income	12,926	18,552
Interest income:		
- project financing, factoring and leasing	2,238	2,044
- bank balances	77	293
- loan to a joint venture	10	319
Total interest income	2,325	2,656

During the financial year, the Group has received various government grant income related to various temporary wage support schemes as introduced by the Singapore, Hong Kong, People's Republic of China and Malaysia governments aimed to aid entities to retain and pay their employees as businesses are adversely impacted by the Covid-19 pandemic. The Group recorded government grant income of US\$476,000 (2020: US\$1,680,000) related to various temporary wage support schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. Profit before income tax

	Note	The Group	
		2021 US\$'000	2020 US\$'000
This is arrived at after charging:			
Amortisation charges for intangible assets*			
- computer software license costs	23(b)	104	129
- distribution rights	23(c)	–	12
Depreciation of property, plant and equipment*	21	2,848	3,724
Property, plant and equipment written off*		216	3
Fair value loss on financial assets, at fair value through profit or loss*	14(a)	–	43
Fair value loss on derivative financial instruments*		–	62
Loss on re-measuring previously held equity in a joint venture*	20(a)	165	–
Impairment loss on goodwill arising from acquisition of subsidiaries*	23(a)	–	4,220
Loss allowance:			
- trade receivables (third parties)	37(b)	647	362
- non-trade receivables (joint venture/third parties)	37(b)	2,265	1,150
Inventories:			
- cost of inventories recognised as an expense (included in 'cost of sales')		822,886	685,485
- write-off of inventories*		1,634	2,581
Cost of services (included in 'cost of sales')		34	19
Employee benefits expense	7	35,034	28,520
Rental expense - operating leases (short-term leases)		2,138	2,061
Freight and handling charges		6,227	5,009
Travelling and transportation expenses		1,664	1,359
Sales commission expense		4,014	2,312
Foreign exchange loss (net)*		231	–
Other expenses (included in distribution, administrative and other expenses)		11,026	8,418
Total cost of sales, distribution, administrative and other expenses		891,133	745,469

* Included in "other operating expenses"

7. Employee benefits expense

	The Group	
	2021 US\$'000	2020 US\$'000
Wages, salaries and bonuses	30,260	24,968
Employer's contribution to defined contribution plans	3,754	2,646
Defined benefit plans [Note 28(b)]	354	241
Other long term benefits	666	665
Total (Note 6)	35,034	28,520

Key management personnel compensation is disclosed in Note 39(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8. Finance expense

	The Group	
	2021 US\$'000	2020 US\$'000
Interest expense:		
Bank borrowings	1,435	1,225
Trust receipts	1,853	1,995
Factoring	1,041	1,335
Lease liabilities	99	117
Loan from an associated company	55	96
Others	771	501
	5,254	5,269

9. Income taxes

(a) Income tax expense

	The Group	
	2021 US\$'000	2020 US\$'000
Tax expense attributable to profit is made up of:		
Current income tax – Singapore	232	83
Current income tax – Foreign	1,323	796
	1,555	879
Deferred income tax [Note 29(a)]	31	(95)
	1,586	784
(Over)/under provision in preceding financial years		
Current income tax [Note 9(c)]	(73)	(579)
Deferred income tax [Note 29(a)]	(3)	9
	1,510	214

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. Income taxes (continued)

(a) Income tax expense (continued)

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

	The Group	
	2021	2020
	US\$'000	US\$'000
Profit before income tax	14,099	1,619
Tax calculated at a tax rate of 17% (2020: 17%)	2,397	275
Effects of:		
Tax rate differences in other countries	194	(61)
Income not subject to tax	(1,010)	(1,515)
Expenses not deductible for tax purposes	1,360	2,061
Utilisation of previously unrecognised deferred income tax assets	(2,122)	(524)
Deferred income tax assets not recognised	529	337
Tax effect on share of results of associated companies	112	43
Withholding taxes - foreign	126	168
Over provision of current income tax in preceding financial years	(73)	(579)
(Over)/under provision of deferred income tax in preceding financial years	(3)	9
Tax expense	1,510	214

The income not subject to tax mainly relates to other operating income arising from write-back of allowances for inventory obsolescence, fair value gain and gain on sale of financial assets, at fair value through profit or loss, fair value gain on investment properties, reversal of other borrowings/other payables due to a previous shareholder/shareholders of subsidiaries, foreign exchange gain arising from revaluation of non-trade balances and certain government grants received.

The expenses not deductible for tax purposes mainly relate to loss allowance on receivables, foreign exchange loss arising from revaluation of non-trade balances, interest expense relating to non-income producing assets, private car expenses, professional fees incurred on capital transactions, restriction on deduction for entertainment expenses incurred by certain subsidiaries and impairment loss on goodwill arising from acquisition of subsidiaries.

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

	2021	2020
Country/region of the subsidiaries:		
Singapore	17.0%	17.0%
China	25.0%	25.0%
Hong Kong	16.5%	16.5%
Malaysia	24.0%	24.0%
South Korea	20.0%	20.0%
Taiwan	20.0%	20.0%
Thailand	20.0%	20.0%
India	30.0%	30.0%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. Income taxes (continued)

- (b) Income tax recoverable

	The Group	
	2021	2020
	US\$'000	US\$'000
Non-current	1,667	1,667

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

At the date of this report, the assessment by the Hong Kong tax authority has not been finalised and the amount is classified as non-current in the statement of financial position.

- (c) Current income tax liabilities

The movements in current income tax liabilities are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	949	2,435	–	93
Income tax paid	(936)	(1,717)	–	(65)
Tax expense on profit [Note 9(a)]	1,555	879	–	51
Over provision in preceding financial years [Note 9(a)]	(73)	(579)	–	(79)
Currency translation differences	(112)	(69)	–	–
End of financial year	1,383	949	–	–

10. Earnings per share

- (a) Basic earnings per share

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

	The Group	
	2021	2020
Net profit attributable to equity holders of the Company (US\$'000)	11,139	261
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	900,083	895,842
Basic earnings per share (US\$)	1.24 cents	0.03 cent

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10. Earnings per share (continued)

(b) Diluted earnings per share

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

There are no potential dilutive ordinary shares during the financial years ended 31 December 2021 and 31 December 2020. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for financial year ended 31 December 2021 and 31 December 2020.

11. Cash and cash equivalents

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Cash at bank and on hand	50,000	63,309	1,067	4,683
Short-term bank deposits	963	1,430	1	1
Cash and cash equivalents per consolidated statement of cash flows	50,963	64,739	1,068	4,684

(a) As at the reporting date, the cash and cash equivalents denominated in Chinese Renminbi amounted to US\$4,623,000 (2020: US\$3,850,000). The Chinese Renminbi is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

(b) As at the reporting date, short-term bank deposits matured on varying dates within one month to twelve months (2020: one month to twelve months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2021	2020	2021	2020
Singapore Dollar	0.21%	0.20%	0.05%	0.05%
United States Dollar	–	0.09%	–	–
New Taiwan Dollar	0.44%	0.44%	–	–
Chinese Renminbi	2.40%	1.75%	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. Trade and other receivables

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade receivables:				
Third parties	165,182	140,312	–	–
Subsidiaries	–	–	5,704	2,896
	165,182	140,312	5,704	2,896
Loss allowance	(6,046)	(5,516)	(257)	(279)
Net trade receivables	159,136	134,796	5,447	2,617
Other receivables:				
Third parties	10,240	7,592	447	91
Loss allowance	(2,248)	(1,648)	(42)	(42)
	7,992	5,944	405	49
Due from:				
Subsidiaries [Note 12(d)]	–	–	31,847	30,744
Associated companies [Note 12(e)]	2,276	2,239	1,781	1,779
Joint ventures [Note 12(f)]	3,547	5,285	–	–
	5,823	7,524	33,628	32,523
Loss allowance	(3,302)	(1,656)	(3,409)	(1,512)
	2,521	5,868	30,219	31,011
Net other receivables	10,513	11,812	30,624	31,060
Total	169,649	146,608	36,071	33,677

- (a) 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 amount of consideration as trade receivables for its sales arrangements with the customers.

The Group generally grants a credit period that ranges from 0 to 90 days to its customers. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Loss allowance for trade receivables are measured at an amount equal to lifetime expected credit losses. The details are disclosed in Note 37(b) to the financial statements.

- (b) The trade receivables included notes receivables amounting to US\$9,119,000 (2020: US\$4,661,000) which mature within six months from 31 December 2021 (2020: six months from 31 December 2020).
- (c) Other receivables (including amounts due from subsidiaries, associated companies and joint ventures) are considered to have low credit risk as there is no significant increase in the risk of default on the receivables since initial recognition. The loss allowances are measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures, except for an amount of US\$5,550,000 (2020: US\$3,304,000) which is measured based on lifetime expected credit loss in line with the significant change in credit risks of the debtors. Details of the loss allowance for other receivables are disclosed in Note 37(b) to the financial statements.

As at 31 December 2020, included in other receivables were government grant receivables of US\$137,000 related to cash grants in relation to various temporary wage support schemes introduced by the Singapore government during the financial year; and a loan receivable of US\$1,000,000 due from a third party, which is unsecured, interest-free and repayable by cash, on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. Trade and other receivables (continued)

- (d) As at the reporting date, the non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable in cash, on demand, except for an amount of US\$10,344,000 (2020: US\$8,451,000) which bears interest at a weighted average rate of 4.55% (2020: 5.08%) per annum.
- (e) As at the reporting date, the non-trade amounts due from associated companies are unsecured, interest-free and are repayable in cash, on demand. As at the reporting date, there was a loss allowance for amount due from an associated company amounting to US\$515,000 (2020: US\$515,000), measured based on lifetime expected credit loss.
- (f) As at the reporting date, the non-trade amounts due from joint ventures are unsecured and are repayable in cash, on demand, except for an amount of US\$3,375,000 (2020: US\$3,501,000) which bears interest at a weighted average rate of 5.00% (2020: 5.00%) per annum. As at the reporting date, there was a loss allowance for amount due from joint venture amounting to US\$2,787,000 (2020: US\$1,141,000), measured based on lifetime expected credit loss.

13. Inventories

	The Group	
	2021 US\$'000	2020 US\$'000
Finished goods	132,739	106,601
Work in progress	30	19
Raw materials	919	1,068
	133,688	107,688

During the financial year, the Group wrote back allowances for inventory obsolescence amounting to US\$3,128,000 (2020: US\$3,027,000) (Note 5).

The write-back of allowances for inventory obsolescence mainly resulted from the Group's efforts to sell aged inventories and return of aged inventories to suppliers through inventory programs with these suppliers. Accordingly, the net realisable value of these inventories was reversed to their costs and the allowances made for these aged inventories were written back to the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

	The Group	
	2021 US\$'000	2020 US\$'000
Current	10,715	15,907
Non-current	7,481	3,487
	18,196	19,394
Comprised:		
Listed equity securities [Note 14(a)]:		
- Singapore	478	650
- South Korea	1,113	1,431
- Taiwan	1,304	732
	2,895	2,813
Unlisted equity security [Note 14(b)]:		
- Sweden	620	–
Preference shares [Note 14(c)]:		
- Singapore	469	103
- Thailand	1,925	223
- United States [Note 14(d)]	100	–
	2,494	326
Convertible bonds – Singapore and United States [Note 14(d)]	1,374	100
Trade receivables [Note 14(e)]	10,715	15,807
Derivative receivables - Singapore [Note 14(f)]	98	348
	12,187	16,255
Total	18,196	19,394

(a) The movements in the listed equity securities are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	2,813	2,715
Additions	211	211
Fair value gain, net (Note 5 & 6)	305	90
Disposals	(527)	(239)
Currency translation differences	93	36
End of financial year	2,895	2,813

(b) As at the reporting date, the Group has an investment amounting to US\$620,000 in an unlisted equity security incorporated in Sweden. During the financial year, the Group recognised a fair value gain on this investment amounting to US\$612,000 in the consolidated income statement (Note 5).

(c) As at the reporting date, the Group has investments in preference shares totalling US\$2,494,000 (2020: US\$326,000) issued by third party entities incorporated in Singapore, Thailand and United States respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

- (d) As at the reporting date, the Group has unsecured convertible bonds amounting to US\$1,374,000 issued by a third party entity incorporated in Singapore. The bonds bear interest at the rate of 6% per annum and mature in May 2023 and August 2023. The Group has options to convert the debt instruments to ordinary shares of the bond issuer prior to the maturity dates in accordance to the terms and conditions of the debt instruments.

As at 31 December 2020, the Group had an unsecured convertible bond of US\$100,000 issued by a third party entity incorporated in the United States. The bond incurred interest at the rate of 2% per annum and matured on 2 December 2021. During the financial year, the Group exercised its option to convert the debt instrument into preference shares of the bond issuer amounting to US\$100,000.

- (e) The Group entered into factoring agreements with certain banks so as to obtain bank financing. Financial assets, at fair value through profit or loss are trade receivables that do not meet the criteria for measurement at either amortised cost or fair value through other comprehensive income as the objective of the Group's business model is achieved by selling these assets. As at the reporting date, the fair value of the trade receivables amounted to US\$10,715,000 (2020: US\$15,807,000). During the financial year, changes in fair values of these financial assets, at fair value through profit or loss amounting to US\$12,000 (2020: US\$97,000) are recorded under finance expenses in the consolidated income statement.

As at the reporting date, trade receivables of US\$21,676,000 (2020: US\$31,364,000) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements. Under these arrangements, the Group is not exposed to default risk of the trade receivables after the transfer, and subsequent to the transfer, the Group did not retain any rights on the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. Accordingly, these trade receivables measured at fair value through profit or loss as at 31 December 2021 and 31 December 2020, were de-recognised.

- (f) Derivative receivables relate to foreign forward exchange contracts on one of the Group's non-current bank borrowings denominated in Singapore dollar.

15. Other current assets

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Prepayments	1,685	2,281	397	318
Advances to suppliers	2,046	877	–	–
Deposits	4,869	2,682	–	–
	8,600	5,840	397	318

- (a) The prepayments and advances to suppliers are denominated in the following currencies:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Singapore Dollar	236	214	200	183
United States Dollar	1,872	875	190	128
Hong Kong Dollar	55	43	–	–
New Taiwan Dollar	486	372	–	–
Korean Won	433	943	–	–
Chinese Renminbi	464	590	7	7
Thailand Baht	183	110	–	–
Others	2	11	–	–
	3,731	3,158	397	318

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16. Loans and other receivables

	The Company	
	2021 US\$'000	2020 US\$'000
Loans to subsidiaries:		
Interest bearing		
Gross amount	31,695	21,279
Loss allowance	(418)	(687)
	31,277	20,592
Non-interest bearing		
Gross amount	7,214	7,052
Loss allowance	(398)	(208)
Less: Fair value adjustment to investments in subsidiaries	(260)	(254)
Add: Imputed interest recognised in Company's income statement	260	254
	6,816	6,844
Total	38,093	27,436

- (a) As at the reporting date, the weighted average effective interest rate of the interest bearing unsecured loans to subsidiaries based on prevailing market interest rates is 3.65% (2020: 4.11%) per annum.
- (b) As at the reporting date, the non-interest bearing unsecured loans to subsidiaries are repayable on 31 December 2023 (2020: 31 December 2022). The amounts are adjusted to be measured at fair value at date of inception.

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

The financial asset was disposed during the financial year ended 31 December 2020 and the cumulative losses amounting to US\$62,000 was transferred from fair value reserve to retained earnings.

18. Investments in associated companies

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Listed equity shares, at cost	9,707	10,155	1,217	1,217
Unlisted equity shares, at cost	4,655	3,138	–	–
	14,362	13,293	1,217	1,217
Share of post-acquisition results and reserves	(5,379)	(6,016)	–	–
Currency translation differences	(247)	(274)	–	–
	8,736	7,003	1,217	1,217
Market value of listed equity shares	6,429	3,082	3,020	1,217

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

18. Investments in associated companies (continued)

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

Name of associated companies	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by the Group and Company				
(2) Bull Will Co., Ltd	Manufacturing and sale of passive electronic components and trading of electronic components.	Taiwan	18.3	19.0
Held by the Group				
(1) Globaltronics International Pte. Ltd.	Investment holding	Singapore	45.0	45.0
(3) PT Sentral Mitra Informatika	Provision of managed print services and distribution of copiers and printers	Indonesia	16.7	20.0
(1) Stars Tea & Coffee Asia Pte. Ltd.	Retail sale of beverages	Singapore	29.6	30.6
(4) Otsaw Digital Pte. Ltd.	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	Singapore	19.9	19.9
(4) Otsaw Technology Solutions Pte. Ltd.	Investment holding in entities that provide security services and manage commercial and industrial estate	Singapore	2.8	–
(5) Grandpointe Acquisition LLC	Manufacturing and retail sale of organically grown health products	United States	25.5	–
Edith-United International Pte. Ltd.	Inactive	Singapore	21.0	21.0
Imperial Kitchen Catering Pte. Ltd.	Inactive	Singapore	21.0	21.0
(1)	Audited by Moore Stephens LLP, Singapore.			
(2)	Audited by member firm of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.			
(3)	Audited by Kap Krisnawan Busroni & Fahmi.			
(4)	Audited by Mazars LLP, Singapore. Audited by Nexia TS Public Accounting Corporation for financial year ended 30 April 2020.			
(5)	Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. This entity is not considered significant associated company pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

18. Investments in associated companies (continued)

- (b) During the financial year, the Company's equity interest in Bull Will Co., Ltd was diluted from 19.0% to 18.3% following the exercise of 604,000 share options by employees of Bull Will Co., Ltd. The Group recorded a gain on dilution of US\$6,000 in the consolidated income statement.
- (c) The Group has not recognised losses relating to Globaltronics International Pte. Ltd. where its share of losses exceeds the Group's investment in this associated company. As at the reporting date, the Group's cumulative share of unrecognised losses of Globaltronics International Pte. Ltd. was US\$288,000 (2020: US\$202,000), after the share of the loss of US\$86,000 (2020: US\$19,000) during the financial year. The Group has no obligation in respect of these unrecognised losses.
- (d) During the financial year, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. disposed a total of 24,000,000 shares in PT Sentral Mitra Informatika for a total cash consideration of IDR10,615,265,000 (US\$760,000). The Group's equity interest in PT Sentral Mitra Informatika was reduced from 20.0% to 16.7% following the disposal. The Group recorded a gain on disposal of US\$306,000 in the consolidated income statement. The Group continues to have board representation in the associated company.
- (e) During the financial year, the Group's equity interest in Stars Tea & Coffee Asia Pte. Ltd. was diluted from 30.6% to 29.6% following the issue of 50,000 new ordinary shares to an employee of Stars Tea & Coffee Asia Pte. Ltd. for a cash consideration of S\$50,000 (US\$38,000). The Group recorded a gain on dilution of US\$9,000 in the consolidated income statement.

During the financial year ended 31 December 2020, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired a total of 30.6% equity interest in Stars Tea & Coffee Asia Pte. Ltd. in cash for a total consideration of S\$420,000 (US\$307,000).

- (f) During the financial year, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired 2.8% equity interest in Otsaw Technology Solutions Pte. Ltd. in cash for a total consideration of S\$199,000 (US\$147,000). The Group has board representation in the associated company.
- (g) During the financial year, the Company's 85% owned subsidiary, SB Global Ventures Pte. Ltd. subscribed to a 30.0% equity interest in Grandpointe Acquisition LLC in exchange for an amount of US\$1,371,000 owing from a third party to SB Global Ventures Pte. Ltd.
- (h) During the financial year ended 31 December 2020, the Company's wholly owned subsidiary, Serial System International Pte. Ltd. acquired 19.9% equity interest in Otsaw Digital Pte. Ltd. in cash for a total consideration of S\$3,736,000 (US\$2,794,000). The Group has board representation in the associated company.
- (i) The following table summarises, in aggregate, the carrying amount, share of loss and other comprehensive income/(loss) of the associated companies that are not individually material to the Group and accounted for using the equity method:

	The Group	
	2021	2020
	US\$'000	US\$'000
Share of:		
Loss from continuing operations	(658)	(251)
Other comprehensive income/(loss)	1,322	(128)
Total comprehensive income/(loss)	664	(379)
Aggregate carrying amount of investments in associated companies	8,736	7,003

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

19. Investments in joint ventures

	The Group	
	2021 US\$'000	2020 US\$'000
Unlisted equity shares, at cost	2,344	2,393
Share of post-acquisition results and reserves	(858)	(907)
Impairment loss	(1,487)	(1,487)
Currency translation differences	1	1
	-	-

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

Name of joint ventures	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by the Group				
(1) Musang Durians Frozen Food (M) Sdn. Bhd.	Manufacturing, processing, trading and exporting of durian puree and durian related products	Malaysia	27.5	27.5
(2) Lierda Serial China Limited	Distribution of electronic and electrical components	Hong Kong	-	44.6

(1) Audited by WK Hong & Co., Chartered Accountants, Kuala Lumpur, Malaysia.

(2) Audited by Moore Hong Kong. Audited by PricewaterhouseCoopers, Hong Kong for financial year ended 31 December 2020.

(b) As at the reporting date, the Group carried out its annual impairment review. An impairment loss of US\$1,487,000 on its 27.5% equity interest in Musang Durians Frozen Food (M) Sdn. Bhd. was recognized during the financial year ended 31 December 2019. The recoverable amount was determined based on fair value less cost of disposal, which approximated to its adjusted net assets at the reporting date (Level 3 of fair value measurement).

(c) During the financial year ended 31 December 2020, the investment in Lierda Serial China Limited was classified as investment in a joint venture as the Group and the independent third party jointly controlled Lierda Serial China Limited and unanimous consent from all joint venture partners were required to make significant operating decisions.

On 16 February 2021, Lierda Serial China Limited amended its articles of association and the 51,000 ordinary shares (51.0%) of Lierda Serial China Limited held by the independent third party were converted into 51,000 preference shares for US\$51,000. After the conversion, the Group through its 91.0% owned subsidiary, Serial Microelectronics (HK) Limited held 100% equity interest in Lierda Serial China Limited. The Group has considered its existing voting right held in its capacity and in trust, which gives its majority voting right and the practical ability to direct the relevant activities of Lierda Serial China Limited. Consequently, Lierda Serial China Limited is controlled by the Group and became a wholly-owned subsidiary of Serial Microelectronics (HK) Limited. Refer to Note 20(a) of the financial statements for more details.

(d) The Group has not recognised losses relating to the joint venture, Musang Durians Frozen Food (M) Sdn. Bhd. where its share of losses exceeds the Group's investment in this joint venture. The Group's cumulative share of unrecognised losses of Musang Durians Frozen Food (M) Sdn. Bhd. was US\$1,050,000 (2020: US\$1,008,000), after the share of the loss of US\$42,000 (2020: US\$932,000) during the financial year. The Group has no obligation in respect of these unrecognised losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries

	The Company	
	2021	2020
	US\$'000	US\$'000
Equity investments at cost:		
Beginning of financial year	75,950	75,171
Addition [Note 20(b)(i)]	441	–
Reduction [Note 20(b)(i)]	(850)	–
Accounting for financial guarantee contracts	401	779
End of financial year	75,942	75,950
Accumulated impairment losses:		
Beginning of financial year	(18,687)	(18,597)
Additions	–	(90)
End of financial year	(18,687)	(18,687)
Net investment	57,255	57,263

(a) Business combination

On 16 February 2021, the Group's effective interest in Lierda Serial China Limited increased from 44.6% to 91.0% and Lierda Serial China Limited became a subsidiary of the Group, as the Group obtained the control of Lierda Serial China Limited by majority of shareholding and voting rights. Please refer to Note 19(c) to the financial statements for details.

There were no significant acquisition related costs incurred by the Group for the conversion of Lierda Serial China Limited to a subsidiary of the Group. The trade and other receivables acquired in this transaction with a fair value of US\$218,000 had a gross contractual amount of US\$218,000. At the acquisition date, none of the contractual cash flows pertaining to the trade receivables were not expected to be collected.

The goodwill of US\$223,000 arising from the conversion of Lierda Serial China Limited was computed as excess of the fair value of the net identifiable assets of the subsidiary acquired over the sum of the consideration transferred and the acquisition date fair value of the previously held equity interest in the acquiree.

Since the conversion, Lierda Serial China Limited contributed US\$5,039,000 and US\$156,000 to the Group's revenue and net profits respectively, included in the consolidated income statement for the financial year ended 31 December 2021. Had the business combination taken place at 1 January 2021, the consolidated revenue and net profit for the financial year ended 31 December 2021 would have been US\$896,645,000 and US\$12,784,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

(a) Business combination (continued)

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

The Group	Lierda Serial China Limited US\$'000
2021	
Purchase consideration:	
Deemed settlement of receivables	1,110
Total	1,110
Identified assets acquired and liabilities assumed:	
Cash and cash equivalents	100
Inventories	1,409
Trade and other receivables	218
Trade and other payables	(1,005)
Total identifiable net assets acquired	722
Add: Loss on equity method investment [Note 6]	165
Add: Goodwill recognised [Note 23(a)]	223
Total consideration	1,110
Effect on cash flow of the Group:	
Cash and cash equivalents acquired	100
Cash inflow on acquisition	100

(b) Additional interests in subsidiaries

- (i) On 19 February 2021, the Company acquired the remaining 49.0% equity interest in SSTW Technology Pte. Ltd. for a cash consideration of US\$441,000 from an existing shareholder. SSTW Technology Pte. Ltd. became a wholly-owned subsidiary of the Group upon completion of the acquisition.

During the financial year, SSTW Technology 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 cancelling US\$100,000 which has been lost and unrepresented by available assets.

- (ii) On 1 June 2021, the Company's wholly-owned subsidiary, Serial System International Pte. Ltd. acquired 25% equity interest in SB Global Ventures Pte. Ltd. for a cash consideration of US\$1.00 from an existing shareholder. SB Global Ventures Pte. Ltd. became a 85.0% owned subsidiary of the Group upon completion of the acquisition.
- (iii) On 27 October 2020, the Company's wholly owned subsidiary, SCE Enterprise Pte. Ltd. acquired the remaining 30.0% equity interest in Hydra & Thermal Pte. Ltd. for a cash consideration of S\$1.00 (US\$0.76) from an existing shareholder. Hydra & Thermal Pte. Ltd. became a wholly-owned subsidiary of the Group upon completion of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

(c) Investment / divestment / capital reduction in subsidiaries

- (i) On 1 September 2021, the Group's 85.0% owned subsidiary, SB Global Ventures Pte. Ltd. acquired a 51.0% equity interest in a company, Nokivi Pte. Ltd. in Singapore for a cash consideration of S\$51 (US\$38), which approximated its carrying amount comprising cash and cash equivalents.

On 1 September 2021, Nokivi Pte. Ltd. issued 999,000 new ordinary shares for a cash consideration of S\$100,000 (US\$74,000). The Group through its 85.0% owned subsidiary, SB Global Ventures Pte. Ltd. subscribed 509,490 ordinary shares for a cash consideration of S\$51,000 (US\$38,000), with the remaining 489,510 ordinary shares subscribed for a cash consideration of S\$49,000 (US\$36,000) by the 49.0% non-controlling interests of Nokivi Pte. Ltd. Nokivi Pte. Ltd. remains a 43.4% owned subsidiary of the Group following the new shares issue.

- (ii) On 27 October 2021, the Group's wholly-owned subsidiary, SerialTec Pte. Ltd. reduced its issued and paid up share capital from US\$27,246,000 to US\$200,000 via a capital reduction exercise to cancel US\$27,046,000 which has been lost and unrepresented by available assets.
- (iii) On 23 December 2021, the Company's wholly-owned subsidiary, SSTW Technology Pte. Ltd. acquired a 100.0% equity interest in Serial Microelectronics Information Limited in Taiwan for a cash consideration of NTD1,500,000 (US\$54,000), which approximated its carrying amount comprising primarily cash and cash equivalents.
- (iv) On 20 February 2020, the Company's 51.0% owned subsidiary, SSTW Technology Pte. Ltd. reduced its issued and paid up share capital from US\$1,643,000 to US\$1,000,000 via a capital reduction exercise to cancel US\$643,000 which has been lost and unrepresented by available assets.
- (v) On 15 April 2020 and 23 July 2020, the Group's 46.4% owned subsidiary, UniSerial Electronics Limited issued 15,600,000 new ordinary shares for a cash consideration of HK\$15,600,000 (US\$2,000,000). The Group through its 91.0% owned subsidiary, Serial Microelectronics (HK) Limited subscribed to 7,956,000 ordinary shares for a cash consideration of HK\$7,956,000 (US\$1,020,000), with the remaining 7,644,000 ordinary shares for a cash consideration of HK\$7,644,000 (US\$980,000) subscribed by the 49.0% non-controlling interest, Unitrontech Co., Ltd, a company in which the Group has about 2.0% equity interest. The Group's effective equity interest in Uniserial Electronics Limited remained at 46.4% following the subscription.
- (vi) On 3 July 2020, the Group's 45.5% owned subsidiary, URG Pte. Ltd. issued 99,000 new ordinary shares for a cash consideration of S\$99,000 (US\$71,000). The Group, through its 65.0% owned subsidiary, SB Global Ventures Pte. Ltd. subscribed to 69,300 ordinary shares for a cash consideration of S\$69,000 (US\$50,000), with the remaining 29,700 ordinary shares for a cash consideration of S\$30,000 (US\$21,000) subscribed by the 30.0% non-controlling interest. The Group's effective equity interest in URG Pte. Ltd. remained at 45.5% following the subscription.

On 15 September 2020, the Company's wholly-owned subsidiary, Serial System International Pte. Ltd. disposed 5.0% equity interest in SB Global Ventures Pte. Ltd. for a cash consideration of US\$77. The Group's effective equity interest in SB Global Ventures Pte. Ltd. reduced from 65.0% to 60.0% following the divestment and the Group's effective equity interest in URG Pte Ltd. reduced from 45.5% to 42.0%.

- (vii) On 15 September 2020, the Group's wholly-owned subsidiary, Serial Multivision Pte. Ltd. increased its issued and paid up share capital from S\$500,000 (US\$368,000) to S\$5,200,000 (US\$3,826,000) through the issuance of 4,700,000 new ordinary shares for a consideration of S\$4,700,000 (US\$3,458,000). The consideration is fully satisfied through the capitalisation of an amount for S\$4,700,000 (US\$3,458,000), being amount owing from Serial Multivision Pte. Ltd. to SCE Enterprise Pte. Ltd., the holding company of Serial Multivision Pte. Ltd.
- (viii) On 31 December 2020, the Company's wholly-owned subsidiary, Serial Microelectronics Pte Ltd took up 1,453,412 new ordinary shares in Serial Microelectronics Inc. through a bonus share issue paid out from its retained earnings to its existing shareholders. The Group's effective equity interest in Serial Microelectronics Inc. remained at 95.5% following the bonus share issue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

(d) Incorporation of subsidiaries

- (i) On 5 April 2021, the Group's wholly-owned subsidiary, SerialTec Pte. Ltd. acquired a 100.0% equity interest in a newly incorporated company, SerialTec (Japan) Co., Ltd in Japan for a cash consideration of JPY 10,000,000 (US\$90,000), which approximated its carrying amount.
- (ii) On 1 September 2021, the Group's wholly-owned subsidiary, Contract Sterilization Services Pte Ltd acquired a 75.0% equity interest in a newly incorporated company, CSS Medisys Pte. Ltd. in Singapore for a cash consideration of S\$225,000 (US\$167,000), which approximated its carrying amount.
- (iii) On 4 February 2020, the Company's wholly-owned subsidiary, Serial System International Pte. Ltd. acquired a 49.0% equity interest in a newly incorporated company, Print IQ Co., Ltd in Thailand for a cash consideration of THB 2,940,000 (US\$94,000), which approximated its carrying amount.
- (iv) On 29 June 2020, the Group's wholly-owned subsidiary, Achieva Technology Sdn. Bhd. incorporated a wholly-owned subsidiary, Straitsmart Sdn. Bhd. in Malaysia with an issued and paid up share capital of MYR 1.00 (US\$0.23).

(e) Closure/disposal of subsidiaries

- (i) On 11 August 2021, the Group deregistered its wholly-owned subsidiary, Achieva Technology Australia Pty Ltd and recognised a net gain on closure of US\$74,000 in the consolidated income statement.
- (ii) On 20 September 2021, the Group's 91.0% owned subsidiary, Serial Microelectronics (HK) Limited deregistered its wholly-owned subsidiary, Serial Automotive Limited and recognised a net gain on closure of US\$30,000 in the consolidated income statement.
- (iii) The following table summarises the carrying amount of the major class of the identifiable assets and liabilities disposed:

The Group	Achieva Technology Australia Pty Ltd US\$'000	Serial Automotive Limited US\$'000	Total US\$'000
2021			
Carrying amounts of assets and liabilities as at the date of closure:			
Cash and cash equivalents	*	-	*
Trade and other receivables	*	-	*
Net assets de-recognised	*	-	*
Less: Non-controlling interest	-	(30)	(30)
Less: Release of currency translation reserve	(74)	-	(74)
	(74)	(30)	(104)
Cash consideration received	*	-	*
Gain on closure	74	30	104
Effect on cash flows of the Group:			
Cash consideration received as above	*	-	*
Less: Cash and cash equivalents in subsidiaries disposed of	*	-	*
Net cash outflow on closure	*	-	*

*Amount less than US\$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

(e) Closure/disposal of subsidiaries (continued)

(iv) During the financial year ended 31 December 2020, the Group struck off or dissolved the following wholly owned or partially-owned subsidiaries. There were no significant loss arising from the closure of these subsidiaries.

- 91.0% owned Teampal Microelectronics (Shanghai) Co., Ltd.
- 91.0% owned Serial Vision Limited
- 70.0% owned Hydra & Thermal International (Cambodia) Co., Ltd
- 42.0% owned Serial Netcom Co., Ltd.
- 100.0% owned Serial I-Tech (Cambodia) Pte Ltd

(v) On 29 February 2020, the Group's 91.0% owned subsidiary, Serial Microelectronics (HK) Limited disposed its entire 70.0% equity interest in Xuanhong Automotive Electronics Limited and Xuanli Automotive Electronics Co., Limited for a cash consideration of US\$1.00. The Group recognised a net loss on disposal of US\$* in the consolidated income statement. The following table summarises the carrying amount of the major class of the identifiable assets and liabilities disposed:

The Group	Xuanhong Automotive Electronics Limited US\$'000	Xuanli Automotive Electronics Co., Limited US\$'000	Total US\$'000
2020			
Carrying amounts of assets and liabilities as at the date of disposal:			
Cash and cash equivalents	*	62	62
Trade and other receivables	–	224	224
Trade and other payables	(2)	(298)	(300)
Net liabilities de-recognised	(2)	(12)	(14)
Less: Non-controlling interest	(44)	58	14
	(46)	46	–
Cash consideration received	*	*	*
Gain/ (loss) on disposal	46	(46)	–
Effect on cash flows of the Group:			
Cash consideration received as above	*	*	*
Less: Cash and cash equivalents in subsidiaries disposed of	*	(62)	(62)
Net cash outflow on disposal	*	(62)	(62)

* Amount less than US\$1,000

(f) Impairment of subsidiaries

As at the reporting date, the Company conducted an impairment review and recognised accumulated impairment losses of US\$18,687,000 (2020: US\$18,687,000) in its investments in subsidiaries, based on fair values less costs of disposal, which approximated to their adjusted net assets after considering relevant internal and external factors (Level 3 of the fair value measurements).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by the Company				
(1) Serial Microelectronics Pte Ltd	Investment holding and distribution of electronic and electrical components	Singapore	100.0	100.0
(1) SCE Enterprise Pte. Ltd.	Investment holding and trading	Singapore	100.0	100.0
(1) Serial Investment Pte Ltd	Investment holding and rental of investment properties	Singapore	100.0	100.0
(4) Serial Investment (Taiwan) Inc.	Investment holding and rental of investment properties	Taiwan	100.0	100.0
(1) Serial System International Pte. Ltd.	Investment holding	Singapore	100.0	100.0
(1) Swift-Value Business Pte. Ltd.	Distribution of printer accessories	Singapore	100.0	100.0
(1) SSTW Technology Pte. Ltd. (formerly known as UniSerial Electronics Pte. Ltd.)	Distribution of electronic and electrical components and provision of technical support services	Singapore	100.0	51.0
Held by Serial Microelectronics Pte Ltd				
(3) Serial Microelectronics Korea Limited	Distribution of electronic and electrical components	South Korea	100.0	100.0
(4) Serial Microelectronics Inc.	Distribution of electronic and electrical components	Taiwan	95.5	95.5
(5) PT. Serial Microelectronics Indonesia	In process of liquidation	Indonesia	99.0	99.0
(4) Serial Microelectronics Sdn. Bhd.	Provision of management, marketing and administrative services	Malaysia	100.0	100.0
(1) STECH Global Trading Pte. Ltd.	Inactive	Singapore	90.0	90.0
(4) Serial Microelectronics India LLP	Provision of management, marketing and administrative services	India	99.9	99.9
(5) Serial Electronics Investment Limited	Investment holding	British Virgin Islands	100.0	100.0
Held by Serial Electronics Investment Limited				
(5) XIN Holdings International Limited	Investment holding	Cayman Islands	91.0	91.0
Held by XIN Holdings International Limited				
(5) Xin Capital Limited	Investment holding	British Virgin Islands	91.0	91.0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by Xin Capital Limited				
⁽²⁾ Serial Microelectronics (HK) Limited	Investment holding and distribution of electronic and electrical components	Hong Kong	91.0	91.0
Held by SCE Enterprise Pte. Ltd.				
⁽¹⁾ Serial Multivision Pte. Ltd.	Hospitality and healthcare solutions	Singapore	100.0	100.0
⁽¹⁾ Contract Sterilization Services Pte Ltd	Assembly and distribution of medical devices and ethylene oxide sterilization	Singapore	100.0	100.0
⁽¹⁾ Serial I-Tech (Far East) Pte. Ltd.	Investment holding and trading and distribution of consumer products, information technology and photographic products	Singapore	100.0	100.0
⁽¹⁾ Hydra & Thermal Pte. Ltd.	Inactive	Singapore	100.0	100.0
⁽⁵⁾ PT. Achieva Technology Indonesia	Inactive	Indonesia	80.0	80.0
⁽¹⁾ SerialTec Pte. Ltd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Singapore	100.0	100.0
⁽⁵⁾ Achieva Technology Australia Pty Ltd	Deregistered	Australia	–	100.0
Held by Serial Investment Pte. Ltd.				
⁽⁵⁾ Serial Investment (Korea) Limited	Investment holding	South Korea	100.0	100.0
Held by Serial System International Pte. Ltd.				
⁽⁴⁾ Serial Factoring (Thailand) Co., Ltd.	Provision of project financing in the form of leasing, hire purchase, factoring and loan	Thailand	49.0	49.0
⁽¹⁾ Print-IQ Singapore Pte. Ltd.	Provision of managed print services and supply of printers, toners and papers	Singapore	91.4	91.4
⁽¹⁾ Bast Investment Pte. Ltd.	Investment holding	Singapore	55.0	55.0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by Serial System International Pte. Ltd.				
⁽¹⁾ SB Global Ventures Pte. Ltd.	Investment holding	Singapore	85.0	60.0
⁽¹⁾ SG Networks Pte. Ltd.	Communications and power line construction	Singapore	55.0	55.0
⁽⁴⁾ Print IQ Co., Ltd	Provision of managed print services and supply of printers, toners and papers	Thailand	49.0	49.0
Held by SSTW Technology Pte. Ltd.				
⁽²⁾ Serial Microelectronics Information Limited	Distribution of electronic and electrical components and provision of technical support services	Taiwan	100.0	–
Held by SerialTec Pte. Ltd.				
⁽⁴⁾ SerialTec (Japan) Co., Ltd	Trading and distribution of information technology, computer peripherals, parts, software and related products	Japan	100.0	–
Held by Serial Factoring (Thailand) Co., Ltd				
⁽⁴⁾ Serial Consulting Co., Ltd	Provision of financial and legal consultancy services	Thailand	47.5	47.5
Held by Bast Investment Pte. Ltd.				
⁽⁴⁾ Bast Global Sdn. Bhd.	Investment holding	Malaysia	55.0	55.0
Held by SB Global Ventures Pte. Ltd.				
⁽¹⁾ URG Pte. Ltd.	Trading and distribution of consumer products	Singapore	59.5	42.0
⁽¹⁾ Nokivi Pte. Ltd.	Research and experimental development on biotechnology, life and medical science and trading and distribution of scientifically proven healthy food products	Singapore	43.4	–
Held by Contract Sterilization Services Pte Ltd				
⁽⁵⁾ CSS Medisys Pte. Ltd.	Manufacturing of medical disposables and surgical supplies	Singapore	75.0	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by Serial Microelectronics (HK) Limited				
⁽²⁾ Serial Design Limited	Inactive	Hong Kong	91.0	91.0
⁽²⁾ Serial Microelectronics (Shenzhen) Co., Ltd	Distribution of electronic and electrical components	China	91.0	91.0
⁽²⁾ Serial Automotive Limited	Deregistered	Hong Kong	–	91.0
⁽²⁾ Serial Microelectronics (Beijing) Co., Ltd	Investment holding	China	91.0	91.0
⁽²⁾ Newstone Technology Limited	Investment holding and marketing, promotion, sale, export and distribution of semiconductor components	Hong Kong	46.4	46.4
⁽²⁾ UniSerial Electronics Limited	Distribution of electronic and electrical components	Hong Kong	46.4	46.4
⁽²⁾ Lierda Serial China Limited	Distribution of electronic and electrical components	Hong Kong	44.6	–
Held by Newstone Technology Limited				
⁽²⁾ Newstone Technology (Shenzhen) Company Limited	Marketing, promotion, sale, export and distribution of semiconductor components	China	46.4	46.4
Held by UniSerial Electronics Limited				
⁽²⁾ UniSerial Electronics (Shenzhen) Limited	Distribution of electronic and electrical components	China	46.4	46.4
Held by Serial Microelectronics Inc.				
⁽⁴⁾ TeamPal Enterprise Corp.	Inactive	Taiwan	95.5	95.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Investments in subsidiaries (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of effective equity interest held by the Group	
			2021 %	2020 %
Held by Serial I-Tech (Far East) Pte. Ltd.				
(4) Achieva Technology Sdn. Bhd.	Distribution and marketing of information technology, computer peripherals, parts, software and related products	Malaysia	100.0	100.0
(1) Inkcarts Pte. Ltd.	Trading and distribution of information technology, computer peripherals and related products	Singapore	100.0	100.0
(5) Serial I-Tech (ME) Pte. Ltd.	Inactive	British Virgin Islands	100.0	100.0
(5) JEL Trading (Bangladesh) Ltd	Inactive	Bangladesh	100.0	100.0
Held by Achieva Technology Sdn. Bhd.				
(4) Straitsmart Sdn. Bhd.	Trading and distribution of consumer products	Malaysia	100.0	100.0

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by Moore Hong Kong. Audited by PricewaterhouseCoopers, Hong Kong for financial year ended 31 December 2020.

(3) Audited by Samhwa & Co., South Korea.

(4) Audited by member firms of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.

(5) Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. Property, plant and equipment

The Group	Leasehold land	Leasehold buildings	Freehold land	Freehold buildings	Renovations	Furniture and fittings	Office equipment	Other equipment	Motor vehicles	Computers	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021											
Cost											
At 1 January 2021	1,604	35,478	1,874	8,069	5,050	1,525	1,922	1,032	1,403	3,926	61,883
Additions	-	3,499	-	-	199	36	185	183	176	203	4,481
Transfer to investment property (Note 22)	-	(1,179)	-	-	-	-	-	-	-	-	(1,179)
Disposals/write-off	-	(281)	-	-	(86)	(82)	(82)	(156)	(218)	(93)	(998)
Currency translation differences	(36)	372	(154)	(178)	19	(1)	15	(12)	(15)	(90)	(80)
At 31 December 2021	1,568	37,889	1,720	7,891	5,182	1,478	2,040	1,047	1,346	3,946	64,107
Accumulated depreciation											
At 1 January 2021	485	13,442	-	1,038	4,664	1,454	1,729	791	708	3,772	28,083
Transfer to investment property (Note 22)	-	(154)	-	-	-	-	-	-	-	-	(154)
Depreciation charges (Note 6)	29	1,886	-	133	231	48	100	77	198	146	2,848
Disposals/write-off	-	(54)	-	-	(86)	(82)	(65)	(22)	(215)	(93)	(617)
Currency translation differences	(11)	104	-	(46)	21	(1)	12	(7)	(15)	(90)	(33)
At 31 December 2021	503	15,224	-	1,125	4,830	1,419	1,776	839	676	3,735	30,127
Net book value											
At 31 December 2021	1,065	22,665	1,720	6,766	352	59	264	208	670	211	33,980

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. Property, plant and equipment (continued)

The Group	Leasehold land	Leasehold buildings	Freehold land	Freehold buildings	Renovations	Furniture and fittings	Office equipment	Other equipment	Motor vehicles	Computers	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2020											
Cost											
At 1 January 2020	1,572	34,138	1,761	7,672	5,003	1,472	1,848	823	1,360	3,850	59,499
Additions	-	567	-	-	158	14	31	199	164	47	1,180
Transfer to investment property (Note 22)	-	(532)	-	-	-	-	-	-	-	-	(532)
Disposals/write-off	-	(7)	-	-	(294)	(1)	(13)	(5)	(154)	(18)	(492)
Currency translation differences	32	1,312	113	397	183	40	56	15	33	47	2,228
At 31 December 2020	1,604	35,478	1,874	8,069	5,050	1,525	1,922	1,032	1,403	3,926	61,883
Accumulated depreciation											
At 1 January 2020	447	10,738	-	854	4,480	1,357	1,511	729	669	3,438	24,223
Transfer to investment property (Note 22)	-	(78)	-	-	-	-	-	-	-	-	(78)
Depreciation charges (Note 6)	28	2,510	-	129	300	62	180	51	160	304	3,724
Disposals/write-off	-	-	-	-	(290)	(1)	(10)	(5)	(151)	(18)	(475)
Currency translation differences	10	272	-	55	174	36	48	16	30	48	689
At 31 December 2020	485	13,442	-	1,038	4,664	1,454	1,729	791	708	3,772	28,083
Net book value											
At 31 December 2020	1,119	22,036	1,874	7,031	386	71	193	241	695	154	33,800

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. Property, plant and equipment (continued)

The Company	Renovations US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Other equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Total US\$'000
2021							
Cost							
At 1 January 2021	425	561	260	105	437	1,567	3,355
Additions	15	–	–	33	–	21	69
At 31 December 2021	440	561	260	138	437	1,588	3,424
Accumulated depreciation							
At 1 January 2021	401	554	259	105	91	1,526	2,936
Depreciation charges	9	3	1	5	44	42	104
At 31 December 2021	410	557	260	110	135	1,568	3,040
Net book value							
At 31 December 2021	30	4	–	28	302	20	384
2020							
Cost							
At 1 January 2020	403	555	259	105	437	1,562	3,321
Additions	22	6	1	–	–	5	34
At 31 December 2020	425	561	260	105	437	1,567	3,355
Accumulated depreciation							
At 1 January 2020	397	551	255	101	47	1,436	2,787
Depreciation charges	4	3	4	4	44	90	149
At 31 December 2020	401	554	259	105	91	1,526	2,936
Net book value							
At 31 December 2020	24	7	1	–	346	41	419

- (a) As at the reporting date, the carrying amount of office equipment and motor vehicles held under leasing arrangement for the Group and the Company amounted to US\$336,000 (2020: US\$406,000) and US\$302,000 (2020: US\$346,000) respectively [Note 26(a)(x)].

Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class. During the financial year, the additions to property, plant and equipment included US\$3,499,000 (2020: US\$567,000) of right-of-use assets acquired under leasing arrangement [Note 27(a)].

- (b) The Group's leasehold land and building at 8 Ubi View, Serial System Building, Singapore used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$6,679,000 (2020: US\$7,011,000). The leasehold land and building are held as security for bank borrowings of the Company amounting to US\$5,918,000 (2020: US\$6,056,000) [Note 26(a)(i)].
- (c) The Group's freehold building in Taipei, Taiwan, used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$3,508,000 (2020: US\$3,438,000). The freehold building is held as security for the Group's bank borrowings and trust receipts totaling US\$8,615,000 (2020: US\$6,691,000) [Note 26(a)(ii)]. See Note 22(a) to the financial statements for the portion of the freehold building included as investment properties.
- (d) The Group's freehold land and building in Seoul, South Korea used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$4,243,000 (2020: US\$4,710,000). The freehold land and building, is held as security for the Group's bank borrowings of US\$5,567,000 (2020: US\$6,488,000) [Note 26(a)(iii)].
- (e) The Group's freehold building in Penang, Malaysia used by the Group and classified as property, plant and equipment, has a net carrying value amounting to US\$735,000 (2020: US\$756,000). The freehold building is held as security for the Group's bank borrowings of US\$287,000 (2020: US\$358,000) [Note 26(a)(iv)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. Property, plant and equipment (continued)

- (f) The Group's leasehold buildings in Shenzhen and Shanghai, China used by the Group and classified as property, plant and equipment, have a net carrying value amounting to US\$9,724,000 (2020: US\$10,852,000). The leasehold buildings are held as security for the Group's bank borrowing of US\$12,843,000 (2020: US\$11,486,000) [Note 26(a)(v)]. See Note 22(b) to the financial statements for the portion of the leasehold buildings included as investment properties.

22. Investment properties

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	5,543	4,510
Additions	–	132
Transfer from property, plant and equipment (Note 21)	1,025	454
Revaluation gain arising from the transfer	38	141
Fair value gain (Note 5)	427	56
Currency translation differences	154	250
End of financial year	7,187	5,543

- (a) The Group's freehold building in Taipei, Taiwan which is leased to an associated company, Bull Will Co., Ltd, with a fair value of US\$5,374,000 (2020: US\$4,804,000) is held as security for the Group's bank borrowings (including trust receipts) of US\$8,615,000 (2020: US\$6,690,000) [Note 26(a)(ii)].
- (b) The Group's leasehold buildings in Shenzhen and Shanghai, China which are leased to third parties, with a fair value of US\$1,063,000 (2020: Nil) and US\$624,000 (2020: US\$607,000) respectively, are held as security for the Group's bank borrowing of US\$12,843,000 (2020: US\$11,486,000) [Note 26(a)(v)].

The fair values of the leasehold buildings in Shenzhen and Shanghai, China as at the date of transfer on 26 May 2021 and 1 April 2020 respectively were revalued by independent professional valuers and the fair value gain of US\$38,000 (2020: US\$141,000) has been recognised in other comprehensive income. The most significant input into the estimation approach is price per unit of floor area (Level 3 of the fair value measurements).

- (c) During the financial year ended 31 December 2020, the Group's Malaysia subsidiary exercised its right to take over a leasehold building belonging to one of its customers. The leasehold building with a fair value of US\$126,000 (2020: US\$132,000) is intended for investment and lease to third party.
- (d) The Group has no restrictions on the reliability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
- (e) As at the reporting date, investment properties are carried at fair values, determined by independent professional valuers. Valuations are performed annually based on the investment properties' highest-and-best use value using the Direct Market Comparison Method and if required, adjusted with appropriate adjustments, such as location, date of transaction and size of property.

The following amounts in respect of the investment properties are recognised in the consolidated income statement:

	The Group	
	2021 US\$'000	2020 US\$'000
Rental income	166	111
Direct operating expenses on investment properties that generated rental income	(7)	(7)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23. Intangible assets

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Goodwill arising from acquisition of subsidiaries	3,126	2,938	–	–
Computer software license costs	217	292	14	53
	3,343	3,230	14	53

(a) Goodwill arising from acquisition of subsidiaries

	The Group	
	2021 US\$'000	2020 US\$'000
Cost		
Beginning of financial year	21,142	20,942
Acquisition of a subsidiary [Note 20(a)]	223	–
Currency translation differences	(35)	200
End of financial year	21,330	21,142
Accumulated impairment loss		
Beginning of financial year	18,204	13,984
Impairment loss (Note 6)	–	4,220
End of financial year	18,204	18,204
Net book value	3,126	2,938
Impairment tests for goodwill		

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to geographical and business segments.

A segment-level geographical summary of the goodwill allocation is presented below:

The Group	Electronic components distribution		Other businesses		Total	
	2021	2020	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Singapore	–	–	1,470	1,504	1,470	1,504
Hong Kong	1,656	1,434	–	–	1,656	1,434
	1,656	1,434	1,470	1,504	3,126	2,938

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period to the fifth year were extrapolated using the estimated growth rates stated below. The forecasted growth rates are based on management's best estimates from industry research and do not exceed the long-term average growth rate for the electronic components distribution, consumer products distribution and other businesses in which the CGU operated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23. Intangible assets (continued)

(a) Goodwill arising from acquisition of subsidiaries (continued)

Key assumptions used for value-in-use calculations:

	Electronic components distribution		Consumer products distribution		Other businesses			
	Hong Kong		South Korea		Singapore			
	2021	2020	2021	2020	2021	2020		
Gross margin ⁽¹⁾	6.6%	6.5%	–	9.0%	–	5.3%	57.0%	56.8%
Growth rate ⁽²⁾	6.6%	5.8%	–	3.0%	–	5.5%	5.5%	2.2%
Discount rate ⁽³⁾	11.3%	12.8%	–	12.8%	–	8.5%	11.3%	11.6%

⁽¹⁾ Budgeted gross margin based on management's assumptions with reference to past and expected future performance.

⁽²⁾ Weighted average growth rate used to extrapolate cash flows for the first five-year period. Thereafter, the terminal growth rate used beyond the fifth year is zero.

⁽³⁾ Pre-tax discount rate applied to the pre-tax cash flow projections estimated based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital.

These assumptions were used for the analysis of each CGU. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segment.

Impairment charges of US\$4,220,000 were provided during the financial year ended 31 December 2020. The impairment charges arose mainly from the consumer products distribution's CGU in Singapore and the electronic components distribution's CGU in South Korea where the carrying amount of each CGU exceeds the recoverable amount of each CGU as the environment became more competitive coupled with rising business costs.

(b) Computer software license costs

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Beginning of financial year	292	398	53	117
Additions	20	7	15	–
Amortisation (Note 6)	(104)	(129)	(54)	(64)
Currency translation differences	9	16	–	–
End of financial year	217	292	14	53
Cost	3,538	3,509	2,768	2,753
Accumulated amortisation	(3,321)	(3,217)	(2,754)	(2,700)
Net book value	217	292	14	53

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23. Intangible assets (continued)

(c) Distribution rights

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	–	12
Amortisation (Note 6)	–	(12)
End of financial year	–	–
Cost	11,233	11,233
Accumulated amortisation	(11,233)	(11,233)
Net book value	–	–

24. Other assets

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Club memberships	129	140	–	–
Deposits	658	101	600	–
	787	241	600	–

(a) The club memberships are denominated in Korean Won.

(b) Deposits relate mainly to deposit placed with a financial institution [Note 26(a)(vi)] and refundable deposits placed for the rental of office units for certain subsidiaries. These deposits are refundable upon full repayment of the loan facility of the Company and termination of the tenancy agreements of the Group. The Group and the Company do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be refunded. The currency exposure for deposits is disclosed in [Note 37(a)(i)] to the financial statements under “other financial assets”.

25. Trade and other payables

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Current				
Trade payables:				
Third parties	66,063	70,770	–	–
Other payables and accrued operating expenses	19,929	30,278	1,396	830
Contract liabilities [Note 25(a)]	2,389	598	–	–
Derivative financial instruments [Note 25(b)]	–	1,770	–	–
Due to subsidiaries [Note 25(c)]	–	–	7,591	5,752
Due to an associated company [Note 25(d)]	1,006	2,008	1,004	2,008
Financial guarantee contracts	–	–	819	797
Total	89,387	105,424	10,810	9,387

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25. Trade and other payables (continued)

	The Company	
	2021 US\$'000	2020 US\$'000
Non-current		
Due to subsidiaries [Note 25(e)]	16,232	8,740
Total	16,232	8,740

- (a) Contract liabilities relate to the Group's obligation to transfer goods/render services to customers for which the Group has received consideration. Contract liabilities are recognised as revenue as the Group performs under the contract.

	The Group		
	2021 US\$'000	2020 US\$'000	1 January 2020 US\$'000
Contract liabilities	2,389	598	522

The significant changes in the contract liabilities during the financial year are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
<u>Contract liabilities</u>		
Revenue recognised at the beginning of the financial year	598	522
Increase due to cash received, excluding amounts recognised as revenue during the financial year	(2,389)	(598)

- (b) The Group used foreign exchange forward contracts to manage exposures to currency risks arising from assets and liabilities denominated in Singapore Dollar, Australian Dollar, Chinese Renminbi, Malaysian Ringgit, New Taiwan Dollar and Korean Won. As at 31 December 2020, the outstanding non-hedging derivative financial instruments comprised:

	The Group	
	2020	
	Contract notional amount US\$'000	Fair value liability US\$'000
Foreign exchange forward contracts	69,760	1,770

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25. Trade and other payables (continued)

(b) (continued)

The range of the contractual rates to buy or sell United States Dollar against the respective foreign currencies are summarised as follows:

	2020 Buy United States Dollar
Against Australian Dollar	1.351 to 1.471
Against Singapore Dollar	<u>1.350 to 1.400</u>

These foreign exchange forward contracts have maturity dates within eight months from 31 December 2020 and were closed upon maturity during the financial year.

- (c) As at the reporting date, the amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable in cash, on demand, except for amounts of US\$5,771,000 (2020: US\$2,790,000) due to subsidiaries which bear interest at 3.26% (2020: 3.26%) per annum.
- (d) As at the reporting date, the amount due to an associated company is non-trade in nature, unsecured, repayable in cash, on demand, and bears interest at 4.80% (2020: 4.80%) per annum.
- (e) As at the reporting date, the amounts due to subsidiaries are non-trade in nature, unsecured, bear interest at 3.24% (2020: 3.26%) per annum and are repayable on 31 December 2023 (2020: 31 December 2022).

26. Borrowings

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Current				
Bank borrowings	35,276	35,962	1,540	6,056
Invoice factoring	35,980	19,018		
Trust receipts	88,391	62,998	–	–
Lease liabilities	1,533	853	54	55
Other borrowings	6,250	8,781	3,699	3,792
	<u>167,430</u>	<u>127,612</u>	<u>5,293</u>	<u>9,903</u>
Non-current				
Bank borrowings	14,461	9,207	6,224	–
Lease liabilities	2,021	494	48	105
Other borrowings	296	–	–	–
	<u>16,778</u>	<u>9,701</u>	<u>6,272</u>	<u>105</u>
Total	<u>184,208</u>	<u>137,313</u>	<u>11,565</u>	<u>10,008</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Borrowings (continued)

(a) Security granted/corporate guarantees granted

- (i) As at the reporting date, the balance of a term loan re-financed to be payable on 31 May 2023 by the Company amounting to US\$5,918,000 included in non-current borrowings (2020: US\$6,056,000 included in current borrowings) of the Group and the Company is secured by the following:
- a first legal mortgage of the leasehold land and building at 8 Ubi View, Serial System Building, Singapore ("Mortgaged Property") [Note 21(b)];
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- (ii) As at the reporting date, bank borrowing amounting to US\$4,765,000 (2020: US\$4,927,000), included in current borrowings of US\$2,469,000 (2020: US\$2,401,000) and non-current borrowings of US\$2,296,000 (2020: US\$2,526,000), due by a wholly-owned subsidiary, Serial Investment (Taiwan) Inc. is secured by a first legal mortgage of the freehold building [Note 21(c) and Note 22(a)]. The freehold building is additionally secured for trust receipts of the Group amounting to US\$3,850,000 (2020: US\$1,764,000) [Note 26(a)(ix)].
- (iii) As at the reporting date, bank borrowings amounting to US\$5,567,000 (2020: US\$6,488,000) included in current borrowings, due by a wholly-owned subsidiary, Serial Microelectronics Korea Limited to two banks for working capital, are secured by a first legal mortgage of the freehold land and building [Note 21(d)]. An amount of US\$2,615,000 (2020: US\$3,401,000) is also obtained with corporate guarantee of the Company.
- (iv) As at the reporting date, the balance of a MYR2,247,000 (US\$538,000) (2020: US\$558,000) ten-year term loan drawn down by a wholly-owned subsidiary, Serial Microelectronics Sdn. Bhd. to partially finance the acquisition of a freehold building in Malaysia amounting to US\$287,000 (2020: US\$358,000) included in current borrowings of US\$61,000 (2020: US\$64,000) and non-current borrowings of US\$226,000 (2020: US\$294,000) is secured by a first legal mortgage of the freehold building [Note 21(e)].
- (v) As at the reporting date, bank borrowings amounting to US\$12,843,000 (2020: US\$11,486,000) included in current borrowings, due by a 91.0% owned subsidiary, Serial Microelectronics (Shenzhen) Co., Ltd for working capital, are secured by a first legal mortgage of the leasehold buildings [Note 21(f) and Note 22(b)].
- (vi) As at the reporting date, bank borrowing amounting to US\$1,846,000 (2020: Nil), included in current borrowings of US\$1,540,000 and non-current borrowings of US\$306,000 of the Group and the Company is secured by a security deposit of US\$600,000 placed with the financial institution [Note 24(b)].
- (vii) As at the reporting date, other than as disclosed in Note 26(a)(i)-(vi) above, bank borrowings amounting to US\$15,782,000 (2020: US\$15,602,000), included in current borrowings of US\$10,066,000 (2020: US\$9,215,000) and non-current borrowings of US\$5,715,000 (2020: US\$6,387,000) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. The remaining current bank borrowings of US\$2,730,000 (2020: US\$252,000) are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Borrowings (continued)

(a) Security granted/corporate guarantees granted (continued)

- (viii) As at the reporting date, invoice factoring amounting to US\$2,982,000 (2020: US\$3,000,000) of the Group are obtained with corporate guarantees of the Company. The remaining invoice factoring of US\$32,998,000 (2020: US\$16,018,000) are unsecured.
- (ix) As at the reporting date, trust receipts amounting to US\$70,578,000 (2020: US\$57,274,000) of the Group are obtained with corporate guarantees of the Company and certain subsidiaries of the Group. An amount of US\$3,850,000 (2020: US\$1,764,000) is secured by a freehold building [Note 26(a)(ii)]. The remaining trust receipts of US\$13,963,000 (2020: US\$3,960,000) are unsecured.
- (x) As at the reporting date, lease liabilities amounting to US\$102,000 (2020: US\$160,000) of the Company and US\$151,000 (2020: US\$238,000) of the Group are secured on office equipment and motor vehicles, which have been acquired under leasing arrangements [Note 21(a)].
- (xi) As at the reporting date, current other borrowings of US\$1,568,000 (2020: US\$3,351,000) due to a third party are secured on trade receivable of the Group with carrying amount of US\$3,979,000 (2020: US\$4,020,000). The remaining current other borrowings of US\$4,682,000 (2020: US\$5,430,000) and non-current other borrowings of US\$296,000 (2020: Nil) are unsecured. During the financial year ended 31 December 2020, the Group entered into a deed of settlement with the previous shareholder of a Singapore subsidiary to waive current other borrowings amounting to US\$3,833,000 due to the previous shareholder.

(b) Maturity of borrowings

The maturity of the borrowings is as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Within one year	167,430	127,612	5,293	9,903
Between one and five years	15,448	8,352	6,272	105
Over five years	1,330	1,349	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Borrowings (continued)

(c) Interest rate risk

The weighted average effective interest rates of the borrowings as at the reporting date are as follows:

The Group	Singapore Dollar	United States Dollar	Hong Kong Dollar	New Taiwan Dollar	Korean Won	Malaysian Ringgit	Thailand Baht	Chinese Renminbi	Euro
	2021								
Bank borrowings	2.31%	2.08%	–	1.75%	4.48%	3.77%	–	4.36%	–
Invoice factoring	–	2.45%	–	–	–	–	–	–	–
Trust receipts	2.49%	2.70%	–	1.72%	3.44%	3.96%	–	–	2.00%
Lease liabilities	4.47%	–	–	–	–	–	–	–	–
Other borrowings	4.50%	–	–	–	–	–	7.61%	6.38%	–
2020									
Bank borrowings	2.10%	2.65%	4.25%	1.74%	3.88%	3.74%	–	4.34%	–
Invoice factoring	–	2.50%	–	–	–	–	–	–	–
Trust receipts	2.47%	2.69%	2.75%	1.42%	–	3.89%	–	–	2.00%
Lease liabilities	4.46%	–	–	–	–	–	–	–	–
Other borrowings	4.50%	4.00%	–	–	–	–	7.48%	7.00%	–

The Company	United States Dollar	Singapore Dollar	Singapore Dollar
	2021	2021	2020
Bank borrowings	1.72%	1.94%	1.85%
Lease liabilities	–	5.19%	5.19%
Other borrowing	–	4.50%	4.50%

(d) Carrying amounts and fair values

As at the reporting date, the carrying amounts of current borrowings approximate their fair values.

The fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
The Group	16,778	9,701	16,250	9,567
The Company	6,272	105	6,086	105

The fair values are determined from discounted cash flow analysis at the borrowing rates which the management expects to be available to the Group and the Company at the reporting date.

(e) Loan compliance

The Group regularly monitors its compliance with the covenants and is up to date with the scheduled repayments of the borrowings. As at the reporting date, the Group complied with covenants entered with various banks, except for certain banks, which have the right to call for the immediate repayment of the outstanding borrowings of US\$2,824,000 (2020: US\$3,097,000). The Group obtained waivers from compliance from the relevant banks for borrowings of US\$2,824,000 (2020: US\$3,097,000) subsequent to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Borrowings (continued)

(f) Changes in liabilities arising from Financing Activities

The Group	Bank borrowings	Invoice factoring	Trust receipts	Lease liabilities	Other borrowings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021						
At 1 January 2021	45,169	19,018	62,998	1,347	8,781	137,313
Proceeds	65,338	105,329	390,536	–	12,937	574,140
Repayment	(60,301)	(88,367)	(365,128)	(1,323)	(15,129)	(530,248)
<u>Non-cash changes</u>						
Additions	–	–	–	3,499	51	3,550
Interest expense	–	–	–	99	–	99
Currency translation differences	(469)	–	(15)	(68)	(94)	(646)
At 31 December 2021	49,737	35,980	88,391	3,554	6,546	184,208
2020						
At 1 January 2020	30,633	8,367	76,922	2,782	10,668	129,372
Proceeds	76,859	41,749	372,020	–	17,970	508,598
Repayment	(63,429)	(31,098)	(385,880)	(2,064)	(15,931)	(498,402)
<u>Non-cash changes</u>						
Additions	–	–	–	550	–	550
Interest expense	–	–	–	117	–	117
Credited to income statement	–	–	–	(21)	(3,588)	(3,609)
Currency translation differences	1,106	–	(64)	(17)	(338)	687
At 31 December 2020	45,169	19,018	62,998	1,347	8,781	137,313

27. Lease liabilities

(a) The Group as a lessee

The Group and the Company have made periodic lease payments for buildings for the purpose of office usage, office equipment and motor vehicles. These are recognised within property, plant and equipment (Note 21). The lease liabilities of the Group and the Company as at the reporting date are disclosed in Note 26.

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Leasehold buildings	12,916	11,661	–	–
Office equipment and motor vehicles	336	406	302	344

Additions of right-of-use assets classified within property, plant and equipment during the financial year are US\$3,499,000 (2020: US\$567,000) [Note 21(a)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27. Lease liabilities (continued)

(a) The Group as a lessee (continued)

Depreciation charges on right-of-use assets classified within property, plant and equipment during the financial year are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Leasehold buildings	1,564	2,214
Office equipment and motor vehicles	69	82

Amounts recognised in the consolidated income statement and consolidated statements of cash flows are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Interest expense on lease liabilities	99	117
Expenses relating to short-term leases	2,138	2,061
Total cash outflows for leases (excludes short-term leases)	1,323	2,064

(b) The Group as a lessor

The Group has leased out its freehold building in Taipei, Taiwan to an associated company, Bull Will Co., Ltd and leasehold buildings in Shenzhen and Shanghai, China to non-related third parties. Undiscounted lease payments from the operating leases to be received after the reporting date are set out in Note 36(b) to the financial statements.

28. Defined benefit plans liabilities

The Group has defined benefit pension plans for certain subsidiaries which require contributions to be made to separately administered funds. The Group provides employees with a minimum severance lump sum benefit equivalent to one month salary for each year of service upon termination for any reason. It is permissible under the current severance pay system for the employer to cash out in whole or in part of the accrued severance benefits to employees who remain in service. The Group funds the employee benefits by setting aside external funds via insurance policies ("plan assets").

(a) The amounts recognised in the statements of financial position are determined as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Present value of defined benefit obligations	1,338	1,346
Fair value of plan assets	(943)	(954)
	395	392

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28. Defined benefit plans liabilities (continued)

(b) Changes in present value of the defined benefit obligations are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	1,346	1,622
Interest costs – charged to consolidated income statement	19	26
Current service costs – charged to consolidated income statement	354	241
Remeasurement (gain)/loss arising from changes in:		
- demographic assumptions	(6)	(132)
- financial assumptions	9	(186)
Benefits paid	(204)	(263)
Currency translation differences	(180)	38
End of financial year	1,338	1,346

(c) Changes in fair value of plan assets are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	954	980
Interest income – credited to consolidated income statement	10	20
Remeasurement losses – return on plan assets	(6)	(10)
Contribution by the Group	269	170
Benefits paid	(204)	(263)
Currency translation differences	(80)	57
End of financial year	943	954

(d) Independent actuarial valuation of the defined benefit plans liabilities was performed and the principal actuarial assumptions used in the actuarial valuation are as follows:

	The Group	
	2021	2020
Discount rate	2.3% - 2.7%	1.7% - 3.1%
Future salary increases	4.0% - 5.0%	3.0% - 5.0%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28. Defined benefit plans liabilities (continued)

- (e) The sensitivity analysis determined based on reasonably possible changes of each significant assumption by 0.25% (2020: 0.25%) on the defined benefit plans liabilities is as follows:

	The Group	
	Defined benefit plans liabilities Increase/(Decrease)	
	2021	2020
	US\$'000	US\$'000
Discount rate		
- increase	(42)	(45)
- decrease	44	47
Future salary		
- increase	47	52
- decrease	(45)	(49)

The methods and types of assumptions used in preparing the sensitivity analysis during the financial year did not change as compared to the financial year ended 31 December 2020.

- (f) The Group expects to contribute US\$215,000 to the defined benefit plans in 2022 (2020: US\$218,000 in 2021).
- (g) The average duration of the defined benefit obligation as at the reporting date is 4.7 years (2020: 5.5 years) for the defined benefit plans.

29. Deferred income taxes

- (a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statements of financial position as follows:

	The Group		The Company	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Recovered/settled after one year				
- Deferred income tax assets	(1,001)	(962)	-	-
- Deferred income tax liabilities	1,029	899	479	481
	28	(63)	479	481

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. Deferred income taxes (continued)

(b) (continued)

The movements in the deferred income tax account are as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Beginning of financial year	(63)	58	481	334
Tax charged/(credited) to consolidated income statement [Note 9(a)]	31	(95)	–	481
(Over)/under provision in preceding financial years [Note 9(a)]	(3)	9	(2)	(334)
Currency translation differences	63	(35)	–	–
End of financial year	28	(63)	479	481

(b) Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at the reporting date, the Group has the following unrecognised tax losses and capital allowances which can be carried forward and used to offset against future taxable profits, subject to meeting certain statutory requirements by those entities with unrecognised tax losses in their respective countries of incorporation.

	The Group	
	2021 US\$'000	2020 US\$'000
Tax losses	32,825	41,905
Capital allowances	2,751	2,699
	35,576	44,604

The tax losses and capital allowances that are available for offset against future taxable profits, are subject to the agreement of the relevant tax authorities and compliance with the relevant tax provisions. As at the reporting date, included in the tax losses was US\$1,792,000 arising in China that will expire in one to five years after 31 December 2021 (2020: US\$1,878,000, expiring one to five years after 31 December 2020). The deferred income tax assets arising from these unutilised tax losses and capital allowances have not been recognised because it is not probable that future taxable profits will be available against which the entities can utilise.

(c) As at the reporting date, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries of the Group for which no deferred income tax liability has been recognised amounted to US\$15,410,000 (2020: US\$13,822,000) based on the Group's policy as stated in Note 2.5. The deferred tax income liability not recognised is estimated to be US\$1,831,000 (2020: US\$1,545,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. Deferred income taxes (continued)

- (d) The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

Deferred income tax assets

	Provisions	
	2021	2020
The Group	US\$'000	US\$'000
Beginning of financial year	(962)	(652)
Credited to consolidated income statement	(100)	(272)
Currency translation differences	61	(38)
End of financial year	(1,001)	(962)

Deferred income tax liabilities

The Group	Investment	Others	Total
	properties		
	US\$'000	US\$'000	US\$'000
2021			
Beginning of financial year	200	699	899
Charged to consolidated income statement	86	45	131
Over provision in preceding financial years	–	(3)	(3)
Currency translation differences	–	2	2
End of financial year	286	743	1,029
2020			
Beginning of financial year	189	521	710
Charged to consolidated income statement	11	166	177
Under provision in preceding financial years	–	9	9
Currency translation differences	–	3	3
End of financial year	200	699	899
The Company			
2021			
Beginning of financial year	–	481	481
Over provision in preceding financial years	–	(2)	(2)
End of financial year	–	479	479
2020			
Beginning of financial year	–	334	334
Charged to income statement	–	481	481
Over provision in preceding financial years	–	(334)	(334)
End of financial year	–	481	481

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

30. Share capital and treasury shares

	Issued number of shares		Total share capital	
	Share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
The Group and The Company				
2021				
At 1 January 2021	905,788	(9,946)	72,648	(736)
Placement of treasury shares [Note 31(a)]	–	9,000	–	666
At 31 December 2021	905,788	(946)	72,648	(70)
2020				
At 1 January 2020 and 31 December 2020	905,788	(9,946)	72,648	(736)

(a) All issued ordinary shares are fully paid and do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Share options

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

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

- (i) confirmed full-time employees of the Company and its subsidiaries who have attained the age of 21 years on or before the date of grant of the share options;
- (ii) executive directors of the Company;
- (iii) non-executive directors of the Company; and
- (iv) employees who qualify under sub-paragraph (i) above and are seconded to an associated company or a company outside the Group in which the Company and/or Group has an equity interest, and who, in the absolute discretion of the Committee is selected to participate in the 2014 Scheme.

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

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

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

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

No share options were granted during the financial years ended 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31. Reserves

The Company	Capital reserve US\$'000
2021	
At 1 January 2021	180
Placement of treasury shares	338
At 31 December 2021	518
2020	
At 1 January 2020 and 31 December 2020	180

The movements in the reserves for the Group are set out in the Consolidated Statement of Changes in Equity.

(a) Capital reserve

Capital reserve represents share of capital reserve of associated companies of the Group and the Company's repurchase of its ordinary shares in the open market in preceding financial years.

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 for a total proceed of S\$1,350,000 (US\$1,004,000). An amount of US\$338,000, in excess of the proportionate cost of treasury shares purchased in preceding financial years was recorded in capital reserve in the statement of financial position.

(b) Defined benefit plans reserve

Defined benefit plans reserve represents movements in the net defined benefit plans liabilities or assets resulting from remeasurements at each reporting date.

(c) Fair value reserve

Fair value reserve represents the cumulative fair value changes of financial assets.

(d) Revaluation reserve

Revaluation reserve represents increases in the fair value of investment properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(e) Other reserve

Other reserve represents the equity recognised on differences between the amount by which the non-controlling interests are adjusted and the fair value of any consideration paid or received, and attributes to the Group when the proportion of the equity held by non-controlling interests changes.

32. Currency translation reserve

The movements in the currency translation reserve for the Group are set out in the Consolidated Statement of Changes in Equity.

33. Retained earnings

- (a) As at the reporting date, included in the Group's retained earnings of US\$71,997,000 (2020: US\$63,063,000) as at the reporting date are legal reserves amounting to US\$669,000 (2020: US\$653,000) which are set aside in compliance with local laws of certain overseas subsidiaries and are non-distributable. These legal reserves can only be used upon approval by the relevant authorities, to offset accumulated losses (if any) or increase capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33. Retained earnings (continued)

(b) The movements in the retained earnings for the Company are as follows:

	The Company	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	24,359	27,402
Total profit/(loss)	763	(2,218)
Dividends paid (Note 35)	(2,205)	(825)
End of financial year	22,917	24,359

The movements in the retained earnings for the Group are set out in the Consolidated Statement of Changes in Equity.

34. Non-controlling interests

	The Group	
	2021 US\$'000	2020 US\$'000
Beginning of financial year	10,104	7,939
Share of results of subsidiaries	1,450	1,144
Share of currency translation reserve	(278)	(111)
	1,172	1,033
Investment in subsidiaries by non-controlling interests [Note 34(c), (d) & (e)]	92	77
Subscription of additional interests in subsidiaries by non-controlling interests [Note 34(f), (g), (h) & (i)]	–	1,025
Acquisition of additional interests in subsidiaries from non-controlling interests [Note 34(a) & (b)]	(380)	–
Dividend paid to non-controlling interests	(334)	(24)
Disposal/closure of subsidiaries	(30)	54
End of financial year	10,624	10,104

- (a) On 19 February 2021, the Company increased its equity interest in SSTW Technology Pte. Ltd. from 51.0% to 100.0% by acquiring the remaining 49.0% equity interest from the non-controlling interest for a cash consideration of US\$441,000.
- (b) On 1 June 2021, the Company's wholly-owned subsidiary, Serial System International Pte. Ltd. increased its equity interest in SB Global Ventures Pte. Ltd. from 60.0% to 85.0% by acquiring the 25.0% equity interest from the non-controlling interest for a cash consideration of US\$1.00. The net liabilities of SB Global Ventures Pte. Ltd. amounting to US\$61,000 attributed to the 25.0% equity interest was transferred to other reserve in the statement of financial position.
- (c) On 1 September 2021, the non-controlling interest subscribed for 25.0% equity interest in CSS Medisys Pte. Ltd. for a cash consideration of S\$75,000 (US\$55,000).
- (d) On 1 September 2021, the non-controlling interests subscribed for 49.0% equity interest in Nokivi Pte. Ltd. for a cash consideration of US\$37,000.
- (e) On 4 February 2020, the non-controlling interest subscribed for 51.0% equity interest in Print IQ Co., Ltd for a cash consideration of THB 2,400,000 (US\$77,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. Non-controlling interests (continued)

- (f) On 15 April 2020 and 23 July 2020, UniSerial Electronics Limited issued new ordinary shares for a cash consideration of HK\$15,600,000 (US\$2,000,000). The 49.0% non-controlling interest subscribed for its entitlement for cash of HK\$7,644,000 (US\$980,000).
- (g) On 3 July 2020, URG Pte. Ltd. issued new ordinary shares for a cash consideration of S\$99,000 (US\$71,000). The 30.0% non-controlling interest subscribed for its entitlement for cash of S\$29,700 (US\$21,000).
- (h) On 15 September 2020, the non-controlling interest subscribed for an additional 5.0% equity interest in SB Global Ventures Pte. Ltd. for a cash consideration of US\$77.
- (i) On 31 December 2020, Serial Microelectronics Inc. issued new ordinary shares through capitalisation of its retained earnings amounting to NT\$ 15,218,000 (US\$535,000). The 4.5% non-controlling interest's share of the bonus share issue amounted to NT\$ 685,000 (US\$24,000).

35. Dividends

	The Group and the Company	
	2021 US\$'000	2020 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 interim cash dividend of 0.22 SGD cent (0.16 USD cent) per share paid in respect of the financial year ended 31 December 2021	1,462	–
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	2,205	825

At the forthcoming Annual General Meeting on 28 April 2022, a one-tier tax-exempt final cash dividend of 0.45 SGD cent (0.33 USD cent) per share will be recommended for approval by shareholders of the Company. These financial statements do not reflect this dividend payable, which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022, subject to shareholders' approval at the forthcoming Annual General Meeting on 28 April 2022.

36. Commitments and contingencies

- (a) Guarantees

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Unsecured guarantees provided by the Company for/to:				
- banking facilities of subsidiaries	–	–	113,938	100,168
- suppliers of subsidiaries	–	–	10,342	19,351
Unsecured bank guarantees provided by the subsidiaries to suppliers of subsidiaries	279	996	–	–
	279	996	124,280	119,519

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36. Commitments and contingencies (continued)

- (b) Operating lease commitments - where the Group is a lessor

The Group leases out certain investment properties to an associated company and non-related third parties under non-cancellable operating leases [Note 27(b)]. These leases have varying terms and renewal rights but no purchase options clauses. As at the reporting date, undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Within one year	253	252

- (c) Capital commitments

As at the reporting date, capital expenditures contracted for, but not recognised in the financial statements are as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
Office equipment	–	55
Renovations	–	28

37. Financial risk management

The Group's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provide guidelines for overall risk management. Management reviews and agrees on policies for managing the various financial risks.

Financial Assets and Financial Liabilities

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial assets at amortised cost:				
Cash and bank balances	50,963	64,739	1,068	4,684
Trade and other receivables, loans and other receivables	169,649	146,608	74,164	61,113
Deposits	5,527	2,783	600	–
	226,139	214,130	75,832	65,797
Financial liabilities at amortised cost:				
Borrowings	184,208	137,313	11,565	10,008
Trade and other payables	89,387	103,654	27,042	18,127
	273,595	240,967	38,607	28,135

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk

(i) Currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group.

The Group's businesses conduct the majority of their sale and purchase transactions in the same currency, mainly United States Dollar (US\$). The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases.

In addition, the Group operates internationally and is exposed to currency translation risk arising from various currency exposures, primarily with respect to the Singapore Dollar (S\$), Korean Won (KRW), Hong Kong Dollar (HK\$), Chinese Renminbi (RMB), New Taiwan Dollar (NT\$), Malaysian Ringgit (MYR), Thailand Baht (THB), Japanese Yen (JPY) and Australian Dollar (AUD). Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure is as follows:

The Group	United States Dollar		Singapore Dollar		Korean Won		Hong Kong Dollar		Chinese Renminbi		New Taiwan Dollar		Malaysian Ringgit		Thailand Baht		Japanese Yen		Others		Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
2021																							
Financial assets:																							
Cash and cash equivalents and financial assets, at fair value through profit or loss	47,510	5,056	1,521	224	4,623	2,246	1,417	4,688	573	1,301	69,159												
Trade and other receivables	88,175	4,049	7,868	5,267	36,031	3,991	6,202	16,098	1,336	632	169,649												
Other financial assets	4,825	164	58	178	–	63	67	21	47	104	5,527												
	140,510	9,269	9,447	5,669	40,654	6,300	7,686	20,807	1,956	2,037	244,335												
Financial liabilities:																							
Borrowings	(119,164)	(23,146)	(5,567)	–	(16,893)	(12,501)	(5,340)	(1,092)	–	(505)	(184,208)												
Trade and other payables	(60,699)	(3,630)	(1,064)	(2,437)	(16,830)	(3,097)	(9)	(635)	(492)	(494)	(89,387)												
	(179,863)	(26,776)	(6,631)	(2,437)	(33,723)	(15,598)	(5,349)	(1,727)	(492)	(999)	(273,595)												
Net financial (liabilities)/assets	(39,353)	(17,507)	2,816	3,232	6,931	(9,298)	2,337	19,080	1,464	1,038	(29,260)												
Add/Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(11,290)	1,874	(1,481)	(731)	(79,085)	9,555	(2,401)	(8,574)	3,059	–	(89,074)												
Currency exposure	(50,643)	(15,633)	1,335	2,501	(72,154)	257	(64)	10,506	4,523	1,038	(118,334)												

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	United States Dollar US\$'000	Singapore Dollar US\$'000	Korean Won US\$'000	Hong Kong Dollar US\$'000	Chinese Renminbi US\$'000	New Taiwan Dollar US\$'000	Malaysian Ringgit US\$'000	Thailand Baht US\$'000	Others US\$'000	Total US\$'000
The Group										
2020										
Financial assets:										
Cash and cash equivalents and financial assets, at fair value through profit or loss	66,739	5,017	2,255	226	3,850	1,659	2,346	1,194	847	84,133
Trade and other receivables	67,240	4,391	7,623	1,571	34,559	3,880	7,286	19,389	669	146,608
Other financial assets	1,167	455	101	842	-	61	120	24	13	2,783
	135,146	9,863	9,979	2,639	38,409	5,600	9,752	20,607	1,529	233,524
Financial liabilities:										
Borrowings	(74,122)	(23,765)	(6,488)	(3,252)	(15,354)	(8,658)	(3,694)	(1,492)	(488)	(137,313)
Trade and other payables	(84,670)	(3,942)	(565)	(2,857)	(9,566)	(2,620)	(5)	(877)	(322)	(105,424)
	(158,792)	(27,707)	(7,053)	(6,109)	(24,920)	(11,278)	(3,699)	(2,369)	(810)	(242,737)
Net financial (liabilities)/assets	(23,646)	(17,844)	2,926	(3,470)	13,489	(5,678)	6,053	18,238	719	(9,213)
Add/Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(35,223)	858	(1,388)	2,166	6,617	5,875	(6,190)	(8,493)	(83)	(35,861)
Currency exposure	(58,869)	(16,986)	1,538	(1,304)	20,106	197	(137)	9,745	636	(45,074)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure is as follows:

	United States Dollar	Singapore Dollar	Hong Kong Dollar	Thailand Baht	New Taiwan Dollar	Total
The Company	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021						
Financial assets:						
Cash and cash equivalents	821	235	–	1	11	1,068
Trade and other receivables	25,926	7,920	–	2,225	–	36,071
Loans and other receivables	26,330	4,918	932	5,913	–	38,093
Other financial assets	600	–	–	–	–	600
	53,677	13,073	932	8,139	11	75,832
Financial liabilities:						
Borrowings	(1,845)	(9,720)	–	–	–	(11,565)
Trade and other payables	(14,539)	(12,503)	–	–	–	(27,042)
	(16,384)	(22,223)	–	–	–	(38,607)
Net financial assets/(liabilities)	37,293	(9,150)	932	8,139	11	37,225
Add/Less: Net financial assets denominated in the Company's functional currency	(37,293)	–	–	–	–	(37,293)
Currency exposure	–	(9,150)	932	8,139	11	(68)
2020						
Financial assets:						
Cash and cash equivalents	4,091	574	–	1	18	4,684
Trade and other receivables	24,389	7,520	–	1,768	–	33,677
Loans and other receivables	14,087	4,953	932	7,464	–	27,436
	42,567	13,047	932	9,233	18	65,797
Financial liabilities:						
Borrowings	–	(10,008)	–	–	–	(10,008)
Trade and other payables	(3,517)	(14,610)	–	–	–	(18,127)
	(3,517)	(24,618)	–	–	–	(28,135)
Net financial assets/(liabilities)	39,050	(11,571)	932	9,233	18	37,662
Add/Less: Net financial assets denominated in the Company's functional currency	(39,050)	–	–	–	–	(39,050)
Currency exposure	–	(11,571)	932	9,233	18	(1,388)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the foreign currencies strengthen/weaken against the United States Dollar by the following percentages:

	The Group	
	2021	2020
Singapore Dollar	5%	5%
Korean Won	5%	5%
Hong Kong Dollar	1%	1%
Chinese Renminbi	5%	5%
New Taiwan Dollar	5%	5%
Malaysian Ringgit	10%	10%
Thailand Baht	10%	10%

with all other variables including the tax rate being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

	2021		2020	
	Profit after income tax	Equity	Profit after income tax	Equity
	US\$'000	US\$'000	US\$'000	US\$'000
The Group				
Singapore Dollar against United States Dollar				
- strengthened	(678)	(94)	(737)	(43)
- weakened	678	94	737	43
Korean Won against United States Dollar				
- strengthened	58	74	67	69
- weakened	(58)	(74)	(67)	(69)
Hong Kong Dollar against United States Dollar				
- strengthened	22	7	(11)	(22)
- weakened	(22)	(7)	11	22
Chinese Renminbi against United States Dollar				
- strengthened	(3,131)	3,954	872	(331)
- weakened	3,131	(3,954)	(872)	331
New Taiwan Dollar against United States Dollar				
- strengthened	11	(478)	9	(294)
- weakened	(11)	478	(9)	294
Malaysian Ringgit against United States Dollar				
- strengthened	(6)	240	(12)	619
- weakened	6	(240)	12	(619)
Thailand Baht against United States Dollar				
- strengthened	912	857	846	849
- weakened	(912)	(857)	(846)	(849)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Profit after income tax	
	← Increase/(Decrease) →	
	2021	2020
	US\$'000	US\$'000
The Company		
Singapore Dollar against United States Dollar		
- strengthened	(380)	(480)
- weakened	380	480
Hong Kong Dollar against United States Dollar		
- strengthened	8	8
- weakened	(8)	(8)
Thailand Baht against United States Dollar		
- strengthened	676	766
- weakened	(676)	(766)
New Taiwan Dollar against United States Dollar		
- strengthened	–	39
- weakened	–	(39)

(ii) Price risk

The Group is exposed to market risk of its listed equity securities which are classified on the statement of financial position as financial assets, at fair value through profit or loss. These investments are not hedged.

If prices for equity securities increase/decrease by 10% (2020: 10%), with all other variables including tax rate being held constant, the profit after income tax and equity will increase/decrease by:

	Profit after income tax	
	← Increase/(Decrease) →	
	2021	2020
	US\$'000	US\$'000
The Group		
Financial assets, at fair value through profit or loss		
Listed in:		
Singapore	40	56
South Korea	89	124
Taiwan	104	64

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk mainly arises from bank borrowings and various trade and loan financing facilities. These facilities are from reputable banks and financial institutions with favourable interest rates available in the market. The Group has funds that are placed with reputable banks and financial institutions. The interest rates of these funds are at prevailing rates.

For the Group's borrowings at variable rates on which effective hedges have not been entered into, if the interest rates increase/decrease by 1% (2020: 1%) with all other variables including the tax rate being held constant, the profit after income tax will decrease/increase by approximately US\$1,614,000 (2020: US\$1,182,000) as a result of higher/lower interest expense on these borrowings.

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates				Fixed rates			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
The Group	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021									
Assets:									
Cash and cash equivalents	-	-	-	-	934	29	-	50,000	50,963
Trade and other receivables	17,790	-	-	-	3,375	-	-	148,484	169,649
Financial assets, at fair value through profit or loss	-	-	-	-	-	-	1,374	16,822	18,196
Other financial assets	-	-	-	-	-	-	600	4,927	5,527
Total financial assets	17,790	-	-	-	4,309	29	1,974	220,233	244,335
Liabilities:									
Borrowings	74,937	4,462	1,211	1,085	78,126	8,453	12,529	3,405	184,208
Trade and other payables	-	-	-	-	-	-	-	89,387	89,387
Total financial liabilities	74,937	4,462	1,211	1,085	78,126	8,453	12,529	92,792	273,595
2020									
Assets:									
Cash and cash equivalents	-	-	-	-	1,402	28	-	63,309	64,739
Trade and other receivables	18,477	-	-	-	3,501	-	-	124,630	146,608
Financial assets, at fair value through profit or loss	-	-	-	-	-	-	100	19,294	19,394
Other financial assets	-	-	-	-	-	-	-	2,783	2,783
Total financial assets	18,477	-	-	-	4,903	28	100	210,016	233,524
Liabilities:									
Borrowings	111,664	5,219	1,696	1,349	8,613	2,116	6,656	-	137,313
Trade and other payables	-	-	-	-	-	-	-	105,424	105,424
Total financial liabilities	111,664	5,219	1,696	1,349	8,613	2,116	6,656	105,424	242,737

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

	← Variable rates →			← Fixed rates →			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	1 to 5 years	Less than 6 months	6 to 12 months	1 to 5 years		
The Company	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021								
Assets:								
Cash and cash equivalents	-	-	-	1	-	-	1,067	1,068
Trade and other receivables	-	2,559	-	-	4,734	-	28,778	36,071
Loans and other receivables	-	-	25,437	-	-	5,839	6,817	38,093
Other financial assets	-	-	-	-	-	600	-	600
Total financial assets	-	2,559	25,437	1	4,734	6,439	36,662	75,832
Liabilities:								
Borrowings	770	770	305	3,726	27	5,967	-	11,565
Trade and other payables	-	5,771	16,232	-	-	-	5,039	27,042
Total financial liabilities	770	6,541	16,537	3,726	27	5,967	5,039	38,607
2020								
Assets:								
Cash and cash equivalents	-	-	-	1	-	-	4,683	4,684
Trade and other receivables	-	1,445	-	-	7,006	-	25,226	33,677
Loans and other receivables	-	-	13,128	-	-	7,464	6,844	27,436
Total financial assets	-	1,445	13,128	1	7,006	7,464	36,753	65,797
Liabilities:								
Borrowings	6,056	-	-	3,847	-	105	-	10,008
Trade and other payables	-	2,790	8,740	1,386	622	-	4,589	18,127
Total financial liabilities	6,056	2,790	8,740	5,233	622	105	4,589	28,135

(iv) Effect of interest rate benchmark reform

A fundamental financial industry reform of interest rate benchmarks is being undertaken globally, including the cessation and replacement of interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "interest rate benchmark reform"). The Group's interest rate risk that is directly affected by the interest rate benchmark reform predominantly comprises its variable rate borrowings. As at 31 December 2021, the Group has variable rate borrowings of US\$12,451,000 that are indexed to London interbank offered rate ("LIBOR"). The borrowing contracts which are maturing after the cessation of IBORs publication has been transitioned to a new benchmark rate in 2022, of which US\$8,730,000 is expected to transit to secured overnight financing rate ("SOFR") and US\$3,721,000 is expected to transit to Taiwan interbank US dollar lending rate ("TAIFX"). The remaining borrowings are referenced to other indexes which are not affected by the interest rate benchmark reform.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(b) Credit risk

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

The Group's and Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, and loans and other receivables.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables. As at the reporting date, the Group's trade receivables comprised six debtors (2020: seven debtors) that individually represented 2.1% to 8.0% (2020: 2.2% to 6.9%) of the Group's total trade receivables.

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

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as disclosed in the financial statements and as follows:

- (i) The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with trade receivables amounting to US\$2,365,000 (2020: US\$370,000) are mitigated because these are secured by properties and inventories with fair value estimated to be US\$8,260,000 (2020: US\$550,000).

The Group is not permitted to sell or repledge the properties in the absence of default.

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

The credit risk for trade receivables is as follows:

	The Group	
	2021 US\$'000	2020 US\$'000
By geographical areas:		
South Asia	45,981	54,705
Hong Kong	49,218	31,915
China	42,908	34,292
South Korea	8,632	8,197
Taiwan	11,835	5,687
Japan	562	–
	159,136	134,796

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk grading guideline

The internal credit risk grading which is used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss
(i) Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
(ii) Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due)	Lifetime ECL (not credit impaired)
(iii) Non-performing	There is evidence indicating that the asset is credit impaired (i.e. interest and/or principal repayment are more than 90 days past due)	Lifetime ECL (credit impaired)
(iv) Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayment are more than 180 days past due)	Asset is written off

Except as disclosed in the financial statements, the Group has no under-performing and non-performing financial assets. The credit quality of the Group's financial assets, as well as maximum exposure to credit risk rating rates are presented as follows:

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Cash and cash equivalents are entered into with bank and financial institution counterparties, assessed as low credit risks and rated Ba1 to Aa1, based on rating agency's ratings. The amount of impairment allowance on cash and cash equivalents is immaterial. The gross and net carrying amount of cash and cash equivalents are set out in Note 11 to the financial statements.

Trade receivables

For trade receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit ratings based on in-house credit assessments performed in accordance to corporate credit policies and procedures and if available, professional credit reports and sufficient security are obtained, where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with good credit quality counterparties.

The Group applies the SFRS(I) 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables carried at amortised cost. The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before the respective reporting date and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

On that basis, the loss allowance as at the reporting date was determined as follows for trade receivables carried at amortised cost:

The Group	Lifetime expected credit loss rate %	Gross carrying amount US\$'000	Lifetime expected credit losses US\$'000	Net carrying amount US\$'000
2021				
Current	0.1	109,365	(159)	109,206
Past due:				
1 to 30 days	0.3	38,641	(104)	38,537
31 to 60 days	0.7	6,053	(43)	6,010
Over 61 days	51.6	11,123	(5,740)	5,383
		165,182	(6,046)	159,136
2020				
Current	0.2	85,002	(135)	84,867
Past due:				
1 to 30 days	0.5	36,299	(178)	36,121
31 to 60 days	0.8	5,305	(41)	5,264
Over 61 days	38.2	13,706	(5,162)	8,544
		140,312	(5,516)	134,796

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses. Subsequent recovery of amounts previously written off is credited against the same line item.

The movements in the allowance for impairment losses on trade receivables are as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Beginning of financial year	5,516	13,050	279	252
Loss allowance made/(reversal of loss allowance made) (Note 6)	647	362	(22)	27
Impairment written off	(8)	(7,941)	–	–
Currency translation differences	(109)	45	–	–
End of financial year (Note 12)	6,046	5,516	257	279

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(b) Credit risk (continued)

Other receivables

For other receivables, the Group and the Company categorised them as performing debts where the counterparties have a low risk of default and do not have any past-due amounts. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures, except for an amount of US\$5,550,000 (2020: US\$3,304,000) which is measured on lifetime expected credit loss in line with the significant change in the credit risks of the debtors. The gross and net carrying amount of other receivables are set out in Note 12 to the financial statements.

The movements in the allowance for impairment losses on other receivables and loans and receivables are as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Beginning of financial year	3,304	2,288	2,449	827
Loss allowance made (Note 6)	2,265	1,150	1,818	1,622
Impairment written off	–	(149)	–	–
Currency translation differences	(19)	15	–	–
End of financial year (Note 12)	5,550	3,304	4,267	2,449

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount ⁽¹⁾ US\$'000	Cash flow			
		Contractual cash flow US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000
The Group					
2021					
Trade and other payables	89,387	89,387	89,387	–	–
Borrowings	184,208	190,575	173,370	16,086	1,119
Financial guarantee contracts	279	279	279	–	–
	273,874	280,241	263,036	16,086	1,119
2020					
Trade and other payables	105,424	105,424	105,424	–	–
Borrowings	137,313	139,626	129,441	8,782	1,403
Financial guarantee contracts	996	996	996	–	–
	243,733	246,046	235,861	8,782	1,403

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(c) Liquidity risk (continued)

The Company	Carrying amount ⁽¹⁾ US\$'000	Cash flow		
		Contractual cash flow US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000
2021				
Trade and other payables	27,042	28,102	11,340	16,762
Borrowings	11,565	12,087	5,686	6,401
Financial guarantee contracts	124,280	124,280	124,280	–
	162,887	164,469	141,306	23,163
2020				
Trade and other payables	18,127	18,793	9,766	9,027
Borrowings	10,008	10,246	10,127	119
Financial guarantee contracts	119,519	119,519	119,519	–
	147,654	148,558	139,412	9,146

⁽¹⁾ Includes financial guarantee commitments

Liquidity risk is managed while maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities.

As at the reporting date, the Group had at its disposal cash and cash equivalents amounting to US\$50,963,000 (2020: US\$64,739,000).

The amount included for financial guarantee contracts is the maximum amount the Group and the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantees. Based on expectations as at the reporting date, the Group and the Company consider that it is unlikely that such an amount will be payable under the arrangement. However, this estimate is subjected to change depending on the probability of the counterparties claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a net gearing ratio. Management's strategy, which was unchanged for the financial year ended 31 December 2021, is to maintain a net gearing ratio not exceeding 150% (2020: 150%) for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. Financial risk management (continued)

(d) Capital risk (continued)

The net gearing ratio calculated as net debts divided by total equity is as follows:

	The Group		The Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Total borrowings	184,208	137,313	11,565	10,008
Less: Cash and cash equivalents	(50,963)	(64,739)	(1,068)	(4,684)
Net debts	133,245	72,574	10,497	5,324
Total equity	161,395	151,738	96,013	96,451
Net gearing ratio	82.6%	47.8%	10.9%	5.5%

As disclosed in Note 33(a), certain overseas subsidiaries of the Group are required to contribute and maintain a non-distributable reserve fund whose utilisation is subject to approval by the relevant authorities. The Group is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2021 and 31 December 2020, except as disclosed in Note 26(e) to the financial statements.

38. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

The following table presents the assets and liabilities measured at fair value as at the reporting date:

The Group	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	Total
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	US\$'000
2021				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Listed equity securities	2,895	–	–	2,895
Unlisted equity security	–	–	620	620
Preference shares	–	–	2,494	2,494
Convertible bonds	–	–	1,374	1,374
Trade receivables	–	–	10,715	10,715
Derivative financial instruments				
Foreign exchange forward contracts	–	98	–	98
Total financial assets	2,895	98	15,203	18,196
Non-financial assets				
Investment properties	–	5,500	1,687	7,187
Total non-financial assets	–	5,500	1,687	7,187
2020				
Recurring fair value measurements				
Assets				
Financial assets				
Financial assets, at fair value through profit or loss:				
Listed equity securities	2,813	–	–	2,813
Preference shares	–	–	326	326
Convertible bond	–	–	100	100
Trade receivables	–	–	15,807	15,807
Derivative financial instruments				
Foreign exchange forward contracts	–	348	–	348
Total financial assets	2,813	348	16,233	19,394
Non-financial assets				
Investment properties	–	4,936	607	5,543
Total non-financial assets	–	4,936	607	5,543
Liabilities				
Trade and other payables:				
Derivative financial instruments				
Foreign exchange forward contracts	–	(1,770)	–	(1,770)
Total financial liabilities	–	(1,770)	–	(1,770)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. Fair value of assets and liabilities (continued)

(c) Level 1 fair value measurements

The fair values of listed equity securities traded in active markets are based on quoted market prices as at the reporting date. The quoted market prices used for the listed equity securities held by the Group are the closing prices as at the reporting date. These financial assets are included in Level 1.

(d) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivative financial instruments

The fair values of foreign exchange forward contracts that are not traded in an active market are determined using forward market exchange rates as at the reporting date.

Investment property

The valuation of investment property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

(e) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements:

Unlisted equity security

The fair value of the investment in unlisted equity security was determined by reference to recent subscription of new ordinary shares at US\$61 per share.

Preference shares

The fair value of preference shares was determined with reference to recent market subscriptions at the reporting date and dividend based on total profits after tax derived from the underlying projects. The higher the recent market subscriptions and expected profits from the underlying projects, the higher the fair value of the preference shares.

Convertible bonds

The fair value of convertible bonds that is not traded in an active market was determined by reference to the interest-bearing loan amount and the call option to convert the debt instrument into shares, using a valuation technique at the reporting date. The higher the expected value, the higher the fair value of the convertible bonds.

Trade receivables

The fair value of trade receivables represents the expected net proceeds to be received from the banks by selling these assets. The valuation technique is income approach and the most significant unobservable input would be the expected factoring charges for the factoring arrangements. The higher the factoring charges, the lower the fair value of the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. Fair value of assets and liabilities (continued)

(e) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements: (continued)

Investment properties

The fair value of the investment properties are derived from comparing the properties to be valued directly with other comparable properties, which have recently transacted and adjusted with appropriate adjustments, such as location, date of transaction and size of the property. The most significant input into this valuation approach is price per square meter at RMB23,800 (2020: RMB23,700) and RMB45,000 (2020: Nil) per square meter. The higher the price per square meter, the higher the fair value of the investment properties.

There was no transfer between Level 1, Level 2 and Level 3 during the financial year ended 31 December 2021 and 31 December 2020.

(ii) Movements in Level 3 assets measured at fair value

The following table presents the changes in Level 3 instruments:

The Group	Financial assets, at fair value through profit or loss	Investment property
	US\$'000	US\$'000
2021		
Beginning of financial year	16,233	607
Net (redemption)/addition	(1,042)	1,063
Fair value adjustment	12	–
Currency translation differences	–	17
End of financial year	15,203	1,687
2020		
Beginning of financial year	34,487	–
Net (redemption)/addition	(18,351)	595
Fair value adjustment	97	–
Currency translation differences	–	12
End of financial year	16,233	607

(iii) Valuation policies and procedures

The Chief Financial Officer (“CFO”) oversees the financial reporting valuation process and is responsible for setting and documenting the valuation policies and procedures, including the measurement of Level 3 fair values.

The CFO’s team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, the team assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified. The CFO reports to the Audit Committee of the Company for significant valuation issues.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. Fair value of assets and liabilities (continued)

- (f) Assets and liabilities not carried at fair value but for which fair values are disclosed

The Group	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	Total	Carrying amount
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	US\$'000	US\$'000
2021					
Assets					
Investments in associated companies	6,429	–	–	6,429	4,120
Financial liabilities					
Borrowings (non-current)	–	–	16,250	16,250	16,778
2020					
Assets					
Investments in associated companies	3,082	–	–	3,082	4,152
Financial liabilities					
Borrowings (non-current)	–	–	9,567	9,567	9,701
The Company					
2021					
Assets					
Investment in an associated company	3,020	–	–	3,020	1,217
Financial liabilities					
Borrowings (non-current)	–	–	6,086	6,086	6,272
2020					
Assets					
Investment in an associated company	1,217	–	–	1,217	1,217
Financial liabilities					
Borrowings (non-current)	–	–	105	105	105

- (i) The fair values of bank borrowings and lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar type borrowings or leasing arrangements at the reporting date.
- (ii) The carrying amounts of other financial assets and liabilities recognised as at the reporting date with maturity of less than one year approximate their fair values due to their short term maturities.
- (iii) The carrying amounts of the non-current loans to subsidiaries as at the reporting date, which bear interest at prevailing market interest rates (Level 2), are approximation of fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

39. Related party transactions

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

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

(a) Sales and purchases of goods and services

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

	The Group	
	2021	2020
	US\$'000	US\$'000
With associated companies and joint ventures:		
Sales of goods to associated companies	482	9
Purchases of goods from an associated company	11	4
Purchases of goods from a joint venture	–	1,754
Rental received from an associated company	77	76
Interest income received from an associated company	5	–
Interest expense paid to an associated company	55	96
Interest income received from a joint venture	–	145
With directors and substantial shareholder:		
Service fees paid to an entity associated with a director of the Company	73	27
Purchase of goods from an entity which a director of a subsidiary is a director and shareholder	287	775
Interest expense paid to a substantial shareholder of the Company*	109	161

Sales and purchases of goods and services were carried out on commercial terms and conditions as agreed between the parties. Outstanding balances as at the reporting date arising from sales/purchases of goods and services, are set out in Note 12 and Note 25 respectively.

* Interest expense on unsecured principal amount of S\$5,000,000 (US\$3,699,000) [2020: S\$5,000,000 (US\$3,791,000)] included in other borrowings of the Group and the Company as at the reporting date.

(b) Share options granted/exercised by directors of the Company

There were no share options granted to or exercised by directors of the Company during the financial year ended 31 December 2021 and 31 December 2020. There were no outstanding share options granted to the directors of the Company as at 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

39. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2021	2020
	US\$'000	US\$'000
Salaries and other short-term employees' benefits	2,661	2,666
Post employment benefits contribution to defined contribution plans	90	17
Other long term benefits	584	581
	3,335	3,264

Included in the above are remuneration (salaries, bonuses, other long term benefits, directors' fees and other emoluments) paid/payable to directors of the Company. Fees payable to directors of the Company amounted to US\$188,000 (2020: US\$167,000).

The banding of Directors' remuneration is disclosed in Note 1 of the Additional Requirements of Singapore Exchange Securities Trading Limited's Listing Manual.

40. Segment information

(a) Operating segments

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

- Electronic components distribution
- Consumer products distribution
- Other businesses

Other businesses include investment holding and trading, investment holding and 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, provision of project financing in the form of leasing, hire purchase, factoring and loan, trading and distribution 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, provision of security services and management of commercial and industrial estate, retail sale of beverages and manufacturing and retail sale of organically grown health products.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

40. Segment information (continued)

(a) Operating segments (continued)

Segment assets comprise cash and cash equivalents, trade and other receivables, inventories, financial assets, at fair value through profit or loss, other current assets, loans to associated companies and joint ventures, investments in associated companies, investments in joint ventures, property, plant and equipment, investment properties, intangible assets and other assets. Segment assets exclude deferred income tax assets.

Segment liabilities comprise trade and other payables, borrowings and defined benefit plans liabilities. Segment liabilities exclude current income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets such as computer software license costs.

The investments in associated companies and joint ventures, as disclosed in Note 18(a) and Note 19(a) to the financial statements, are accounted for by the equity method. The investments and the share of results of the associated companies and joint ventures are shown in respective segments, in line with their principal activities.

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
2021					
Sales – external	831,931	73,601	7,972	(17,611)	895,893
Segment results - operating profit/(loss)	17,580	636	(545)	–	17,671
Unallocated gain	6	–	9	–	15
Finance income	757	381	2,459	(1,272)	2,325
Finance expense	(4,306)	(741)	(1,479)	1,272	(5,254)
Share of results of associated companies (after income tax)	27	2	(687)	–	(658)
Profit before income tax					14,099
Income tax expense					(1,510)
Profit after income tax					12,589
Segment assets	403,112	40,072	58,281	(73,405)	428,060
Investments in associated companies	1,879	2,241	4,616	–	8,736
Deferred income tax assets					1,001
Consolidated total assets					437,797
Segment liabilities	96,676	16,037	50,474	(73,405)	89,782
Borrowings	144,832	20,558	18,818	–	184,208
Current and deferred income tax liabilities					2,412
Consolidated total liabilities					276,402

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
2021					
Capital expenditure on property, plant and equipment	3,475	272	734	–	4,481
Capital expenditure on intangible assets (computer software license costs)	16	–	4	–	20
Investments in associated companies	–	–	1,519	–	1,519
Investments in financial assets, at fair value through profit or loss	91	–	3,667	–	3,758
Depreciation of property, plant and equipment	1,923	308	617	–	2,848
Amortisation of intangible assets (computer software license costs)	102	–	2	–	104
Fair value (gain)/loss on investment properties	(429)	2	–	–	(427)
Fair value loss/(gain) on financial assets, at fair value through profit or loss	235	–	(1,152)	–	(917)
Fair value gain on derivative financial instruments	(1,441)	–	–	–	(1,441)
Gain on sale of financial assets, at fair value through profit or loss	(44)	–	(195)	–	(239)
(Reversal of loss allowance)/ loss allowance on trade receivables	(39)	130	556	–	647
Loss allowance on non-trade receivables (joint venture/ third parties)	–	–	2,265	–	2,265

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
2020					
Sales – external	685,323	52,726	9,790	(16,439)	731,400
Segment results - operating profit*	2,673	1,412	398	–	4,483
Finance income	698	490	2,565	(1,097)	2,656
Finance expense	(4,122)	(735)	(1,509)	1,097	(5,269)
Share of results of associated companies (after income tax)	54	(31)	(274)	–	(251)
Profit before income tax					1,619
Income tax expense					(214)
Profit after income tax					1,405
Segment assets	366,690	38,106	54,242	(70,288)	388,750
Investments in associated companies	1,423	2,727	2,853	–	7,003
Deferred income tax assets					962
Consolidated total assets					396,715
Segment liabilities	114,291	13,472	48,341	(70,288)	105,816
Borrowings	101,732	19,925	15,656	–	137,313
Current and deferred income tax liabilities					1,848
Consolidated total liabilities					244,977

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

40. Segment information (continued)

(a) Operating segments (continued)

The Group	Electronic components distribution US\$'000	Consumer products distribution US\$'000	Other businesses US\$'000	Inter-segment eliminations US\$'000	Total US\$'000
2020					
Capital expenditure on property, plant and equipment	265	594	321	–	1,180
Capital expenditure on intangible assets (computer software license costs)	7	–	–	–	7
Investments in associated companies	–	–	3,101	–	3,101
Investments in financial assets, at fair value through profit or loss	212	–	325	–	537
Depreciation of property, plant and equipment	2,258	829	637	–	3,724
Amortisation of intangible assets (computer software license costs)	127	–	2	–	129
Amortisation of distribution rights	12	–	–	–	12
Fair value gain on an investment property	–	–	(56)	–	(56)
Fair value (gain)/loss on financial assets, at fair value through profit or loss	(578)	–	97	–	(481)
(Gain)/loss on sale of financial assets, at fair value through profit or loss	(47)	–	4	–	(43)
Impairment loss on goodwill arising from acquisition of subsidiaries	860	3,360	–	–	4,220
Loss allowance/(reversal of loss allowance) on trade receivables	(344)	36	670	–	362
Loss allowance on non-trade receivables (joint venture/ third parties)	–	22	1,128	–	1,150
Reversal of other borrowings/ other payables due to a previous shareholder/ shareholders of subsidiaries	–	(3,833)	(980)	–	(4,813)

* The Group has restated its segment results – operating profit for financial year ended 31 December 2020, arising from the reversal of allowance for impairment losses on intercompany loans and receivables, in order to conform to the same basis of presentation in financial year ended 31 December 2021. The reclassification has resulted in a decrease of US\$3,007,000 in the electronic components distribution segment, an increase of US\$145,000 in the consumer products distribution segment and an increase of US\$2,862,000 in the other businesses segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

40. Segment information (continued)

(b) 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 (which include provision of managed print services and the administrative, maintenance and distribution of copiers, printers and toners) is located in Southeast Asia and India (comprising mainly Singapore, Malaysia, Thailand and Indonesia) and Japan.

Other businesses in Southeast Asia and India (mainly Singapore, Malaysia and Thailand), Taiwan and China include investment holding and trading, investment holding and 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, provision of project financing in the form of leasing, hire purchase, factoring and loan, trading and distribution of consumer goods, 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, provision of security services and management of commercial and industrial estate, retail sale of beverages and manufacturing and retail sale of organically grown health products.

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

	Sales		Non-current assets*	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
The Group				
Southeast Asia and India	229,307	229,905	11,550	12,844
Hong Kong	418,183	312,825	6,081	3,717
China	136,533	92,803	15,834	16,030
South Korea	52,924	34,806	4,541	4,956
Taiwan	54,188	61,061	8,956	6,934
Japan	4,758	–	2	–
Southeast Asia and India - Associated company	–	–	5,532	5,579
Taiwan - Associated company	–	–	1,879	1,424
United States - Associated company	–	–	1,325	–
	895,893	731,400	55,700	51,484

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

(c) Information about major customers

Sales of US\$52,228,000 (2020: US\$50,601,000) during the financial year were derived from two external customers (2020: one external customer). These sales were attributed to the electronic components distribution segment in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

41. Contingent liabilities

- (a) On 23 February 2017, the Group received notice that the Securities and Futures Investors Protection Center of Taiwan ("SFIPC") has filed a civil suit against the Company and three of its senior executives amounting to US\$3.63 million (NT\$113.7 million) ("Suit"). The Suit arose due to charges brought by the public prosecutor of New Taipei District Prosecutor Office against the Group's associated company, Bull Will Co., Ltd's former chairman, Peter Ho I-Chin, concerning alleged financial statement fraud.

In June 2021, Bull Will Co., Ltd received the court written judgement of the Suit. According to the court written judgement, the Taiwan Shillin District Court has dismissed the Suit on the basis that the alleged charges by SFIPC are without merit and the court's litigation costs were ordered to be borne by SFIPC. SFIPC filed a civil statement appeal on 13 July 2021. Consequently, on 5 November 2021, Bull Will Co., Ltd responded to the ground of appeal by SFIPC. Proceedings in the Suit are currently in progress. Bull Will Co., Ltd has insured its directors and supervisors with a US\$5 million liability insurance which is more than adequate to cover the claims under the suit. The Group has been advised by its lawyers in Taiwan that the Suit is without merit and unlikely to succeed. Accordingly, no provision for any liability has been made in these financial statements.

- (b) A Writ of Summons and Statement of Claim were filed to the High Court of Malaya, Kuala Lumpur, Malaysia, on 14 January 2022 by the Group's subsidiary, Bast Investment Pte. Ltd. (the "Litigation") against the Group's joint venture, Musang Durians Frozen Food (M) Sdn. Bhd. for the breach of the terms of the shareholder agreement ("Agreement") and seek to recover the outstanding loan amount and unpaid interest totaling RM15.45 million (US\$3.68 million) (the "Claim"). Bast Investment Pte. Ltd. also sued Dato' John Lee Siew Neng, the managing director and 40% shareholder of Musang Durians Frozen Food (M) Sdn. Bhd., for breach of the personal guarantee clause in the Agreement to pay the guaranteed amount of RM7.73 million (US\$1.84 million), being 50% of the Claim. The case managements took place on 4 February 2022 and 17 February 2022.

On 11 March 2022, Bast Investment Pte. Ltd. received a statement of defence and counterclaim from Musang Durians Frozen Food (M) Sdn. Bhd. and Dato' John Lee Siew Neng of RM3.92 million (US\$0.93 million) for alleged outstanding amounts being loss of remuneration and outstanding rental owed by Bast Investment Pte. Ltd.

The Group has made full provision for the Claim in financial year ended 31 December 2021 and 31 December 2020. Based on the Group's assessment and after taking into consideration the advice of its lawyers in Malaysia, the Group is confident of success in the Litigation and the Claim. The Group also believes that the defence and counterclaim have no sufficient basis. Accordingly, no contingent assets and no provision for any liability have been made in these financial statements.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors of Serial System Ltd on 31 March 2022.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 31 December 2021

1. Directors' remuneration

The following information relates to remuneration of directors of the Company during the financial year:

	2021	2020
Number of directors of the Company in remuneration bands:		
S\$1,750,000 to S\$1,999,999	–	1*
S\$1,250,000 to S\$1,499,999	1*	–
S\$500,000 to S\$749,999	1	–
S\$0 to S\$249,999	5	5
Total	7	6

* Includes deferred compensation of S\$783,228 (2020: S\$799,021)

2. Auditors' remuneration

The following information relates to remuneration of auditors of the Company and the Group during the financial year:

	2021 US\$'000	2020 US\$'000
Auditors' remuneration paid/payable to:		
- auditors of the Company	187	197
- other auditors*	184	202
Other fees paid/payable to:		
- other auditors*	9	30

* Includes member firms of Moore Global Network Limited of which the auditors of the Company is a member.

3. Risk management

(a) Operational risk

The Group's electronic components distribution, consumer products distribution and other businesses face constant market risks from technology obsolescence, competition, business and market condition changes. As the Group is engaged in a wide range of products and has a good mix of business serving various industries, it is unlikely that there is a significant concentration of risks in any particular area. The Group operates primarily in Singapore, Hong Kong, China, South Korea, Taiwan, Malaysia, Thailand, Philippines, India, Indonesia, Vietnam and Japan. The Group has no reasons to believe these regions/countries are politically unstable. The Group's management team oversees and manages the operations closely with regular business reviews and meetings with operation executives.

(b) Investment risk

The Group invests to enhance growth as well as for strategic alliances and risk diversifications. The management team and key executives of its subsidiaries constantly review its investment portfolios. The Group's non-executive directors serve as advisors and collectively the board of directors of the Company reviews and approves all investment decisions. Impairment in investments is constantly reviewed and necessary allowances are made when required.

As in all business acquisitions, there is always an adjustment period before the systems of the new business can be fully integrated into the Group's operations. To minimise disruption and to ensure continuity in the operations of the Group's acquired entities after the acquisitions, the Group takes appropriate steps to ensure minimum disruptions to the existing business structure of the acquired entities and that key personnel will continue to be employed by the Group where appropriate.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 31 December 2021

4. Material contracts

There is no material contract entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder of the Company, either still subsisting at the end of the financial year or entered into since the end of the previous financial year, except for a loan agreement dated 21 May 2021 (2020: loan agreement dated 10 December 2019) between the Company and Mr. Goi Seng Hui, a substantial shareholder of the Company for an aggregate principal amount of S\$5,000,000 (US\$3,699,000) at an interest rate of 4.5% per annum. S\$5,000,000 (US\$3,699,000) of the loan amount was outstanding as at the reporting date [(2020: S\$5,000,000 (US\$3,791,000)]. The loan of S\$5,000,000 (US\$3,791,000) outstanding as at 31 December 2020 was fully repaid on 21 May 2021.

5. Investment properties

Major properties of the Group held for investment as at the reporting date were:

Location	Description	Existing Use	Tenure	Unexpired term of lease
3rd Floor No.193,195,197,199, Ruei Hu Street Neihu,Taipei Taiwan	1 storey of a 5-storey commercial building	Commercial	Freehold	–
5th Floor Room 515, Building B3, Fortune Plaza, No.3 Shihua Road, Futian Free Trade Zone, Futian District, Shenzhen People's Republic of China	1 unit of a 7-storey commercial building	Commercial	Leasehold	21 years
15th Floor No. 1506 Building 4, 5 Central Times Square of China Railway Lane 299, Jiangchang West Road Jing'an District, Shanghai People's Republic of China	1 unit of a 18-storey commercial building	Commercial	Leasehold	37 years
No.249, Jalan Dagang 1/9 Taman Dagang, 68000 Ampang, Selangor Darul Ehsan Malaysia	3 stories linked house residential building	Residential	Leasehold	83 years

6. Use of proceeds

The Company has on 13 July 2021, 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 share, raising a total of S\$1,350,000 (US\$1,004,000) in net proceeds.

As at the reporting date, the Company had fully utilized the net proceeds of S\$1,350,000 (US\$1,004,000) to invest in convertible loans in Transwap Private Limited, a Singapore incorporated fintech company, pursuant to convertible loan agreements dated 5 August 2021 and 30 November 2021, in line with the intended use.

STATISTICS OF SHAREHOLDINGS

As at 31 March 2022

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	US\$ 72,648,475
Issued and Fully Paid-Up Capital (excluding Treasury Shares)	:	US\$ 72,578,471
Number of Issued Shares (excluding Treasury Shares)	:	904,841,914
Number/Percentage of Treasury Shares	:	946,000 (0.10%)
Number/Percentage of Subsidiary Holdings	:	0 (0%)
Class Of Shares	:	Ordinary share
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	467	8.57	13,373	0.00
100 – 1,000	668	12.25	402,312	0.04
1,001 - 10,000	2,286	41.93	10,148,290	1.12
10,001- 1,000,000	1,985	36.41	137,410,523	15.19
1,000,001 and above	46	0.84	756,867,416	83.65
Total	5,452	100.00	904,841,914	100.00

Top Twenty Largest Shareholders

Name of Shareholder	Number of Shares	%
Derek Goh Bak Heng	234,492,954	25.92
Goi Seng Hui	122,864,238	13.58
Hong Leong Finance Nominees Pte Ltd	80,650,000	8.91
UOB Nominees (2006) Pte Ltd	51,334,016	5.67
Raffles Nominees (Pte) Ltd	38,482,694	4.25
Tee Yih Jia Food Manufacturing Pte Ltd	24,862,800	2.75
Ho Yung	24,576,200	2.72
Goh Tiong Yong	21,000,000	2.32
DBS Nominees Pte Ltd	19,232,286	2.12
United Overseas Bank Nominees Pte Ltd	12,433,806	1.37
Chin Yeow Hon	11,076,542	1.22
Kim Sang Yeol	10,807,920	1.19
Yu Jie	8,649,064	0.96
Phillip Securities Pte Ltd	7,628,276	0.84
Goh Lip Ming	7,500,000	0.83
Citibank Nominees Singapore Pte Ltd	6,687,476	0.74
UOB Kay Hian Pte Ltd	6,685,590	0.74
OCBC Securities Private Ltd	5,492,053	0.61
Chen Seow Phun John	5,210,000	0.58
Cheong Hooi Hong	5,059,254	0.56
Total	704,725,169	77.88

STATISTICS OF SHAREHOLDINGS

As at 31 March 2022

Substantial Shareholders

(including shares held under nominees accounts)

Name of Substantial Shareholder	Direct Interest Number of Shares	Deemed Interest Number of Shares	Total Interest Number of Shares	%
Derek Goh Bak Heng	365,826,970	171,000	365,997,970	40.45
Goi Seng Hui	122,864,238	24,862,800*	147,727,038	16.33

* Goi Seng Hui is deemed to have an interest in 24,862,800 shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act 1967 (Singapore).

As at 31 March 2022, approximately 38.80% of the Company's ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

This Notice has been made available on the SGXNET, the Company's website and published in The Business Times on 6 April 2022. A printed copy of this Notice will not be despatched to shareholders.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Serial System Ltd (the "Company") will be convened and held by way of electronic means on Thursday, 28 April 2022 at 11.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2021 and Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a one-tier tax-exempt Final Cash Dividend of 0.45 Singapore cent per ordinary share for the financial year ended 31 December 2021 (2020: One-tier tax-exempt Final Cash Dividend of 0.11 Singapore cent per ordinary share). **(Resolution 2)**
3. To approve the payment of Directors' Fees of S\$341,000 (US\$251,000) for the financial year ending 31 December 2022 payable quarterly in arrears [2021: S\$252,900 (US\$188,000)]. **(Resolution 3)**
4. To re-elect Mr. Sean Goh Su Teng who is retiring by rotation pursuant to Article 88 of the Company's Constitution, and who, being eligible, offers himself for re-election as a Director of the Company.
(see Explanatory Note (i) below) **(Resolution 4)**
5. To re-elect Ms. Victoria Goh Si Hui who is retiring by rotation pursuant to Article 88 of the Company's Constitution, and who, being eligible, offers herself for re-election as a Director of the Company.
(see Explanatory Note (i) below) **(Resolution 5)**
6. To re-elect Mr. Goi Kok Ming Kenneth who is retiring by rotation pursuant to Article 89 of the Company's Constitution, and who, being eligible, offers himself for re-election as a Director of the Company.
(see Explanatory Note (ii) below) **(Resolution 6)**
7. To re-elect Mr. Ravindran s/o Ramasamy who is retiring by rotation pursuant to Article 89 of the Company's Constitution, and who, being eligible, offers himself for re-election as a Director of the Company.
(See Explanatory Note (ii) below) **(Resolution 7)**
8. To re-appoint Messrs Moore Stephens LLP as Auditors of the Company, to hold office until the conclusion of the next annual general meeting, and to authorize the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution No. 9, Resolution No. 10 and Resolution No. 11 as Ordinary Resolutions, with or without any modifications:

9. Share Issue Mandate

THAT pursuant to Section 161 of the Companies Act 1967 (Singapore) and listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or grant offers, agreements of options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

NOTICE OF ANNUAL GENERAL MEETING

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options outstanding at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the term of such convertible securities.

(See Explanatory Note (iii) below)

(Resolution 9)

10. Authority to offer and grant share options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014

THAT pursuant to Section 161 of the Companies Act 1967 (Singapore), the Directors of the Company be and are hereby authorised to offer and grant share options in accordance with the provisions of the Serial System Employee Share Option Scheme 2014 (the "2014 Scheme"), and to allot and issue from time to time such number of Shares in the Company as may be required to be issued pursuant to the exercise of share options granted under the 2014 Scheme, provided that the aggregate number of Shares issued and issuable pursuant to the 2014 Scheme, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per centum (15%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.

(See Explanatory Note (iv) below)

(Resolution 10)

11. Proposed renewal of the Share Buyback Mandate

That:

- (a) for the purposes of the Companies Act 1967 (Singapore) (the "Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws, regulations and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buyback Mandate”);

- (b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next annual general meeting of the Company is held or is required by law to be held;
- (ii) the date on which the share buybacks have been carried out to the full extent of the Share Buyback Mandate; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

- (c) in this Resolution:

“Prescribed Limit” means 89,632,791 Shares;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant 5-day period and the date of the Market Purchase; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See Explanatory Note (v) below)

(Resolution 11)

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
6 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Business and Special Business to be transacted:

- (i) Ordinary Resolutions 4 and 5 are to re-elect Mr. Sean Goh Su Teng and Ms. Victoria Goh Si Hui who will be retiring by rotation pursuant to Article 88 of the Company's Constitution.

Mr. Sean Goh Su Teng will, upon re-election as a Director of the Company, remain as the Executive Director of the Company and Chief Operating Officer of the Group.

Ms. Victoria Goh Si Hui will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

Detailed information of Mr. Sean Goh Su Teng and Ms. Victoria Goh Si Hui are set out in the sections "Board of Directors" and "Corporate Governance Report" in the Annual Report and "Additional Information On Directors Seeking Re-election" in this Notice.

- (ii) Ordinary Resolutions 6 and 7 are to re-elect Mr. Goi Kok Ming Kenneth and Mr. Ravindran s/o Ramasamy who will be retiring by rotation pursuant to Article 89 of the Company's Constitution.

Mr. Goi Kok Ming Kenneth will, upon re-election as a Director of the Company, remain as the Non-Executive Director of the Company and will be considered non-independent.

Mr. Ravindran s/o Ramasamy will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information of Mr. Goi Kok Ming Kenneth and Mr. Ravindran s/o Ramasamy are set out in the sections "Board of Directors" and "Corporate Governance Report" in the Annual Report and "Additional Information On Directors Seeking Re-election" in this Notice.

- (iii) The proposed Ordinary Resolution No. 9, if passed, will empower the Directors of the Company from date of the above Annual General Meeting until the date of next annual general meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options outstanding at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- (iv) The proposed Ordinary Resolution No. 10, if passed, will empower the Directors of the Company to offer and grant share options under the 2014 Scheme (which was approved at an Extraordinary General Meeting of the Company held on 26 April 2014) and to allot and issue Shares pursuant to the exercise of share options under the 2014 Scheme up to an amount which, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and provided also that, subject to such adjustments as may be made to the 2014 Scheme as a result of any variation in the capital structure of the Company.
- (v) The proposed Ordinary Resolution 11, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Buyback Mandate does not exceed the Prescribed Limit, and at such price or prices as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Appendix I enclosed together with the Annual Report.

Important Notes:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. To minimise physical interactions and COVID-19 transmission risks, shareholders will not be able to attend the AGM in person. Shareholders will be able to watch the proceedings of the AGM through a live webcast via their mobile phones, tablets or computers or listen to these proceedings through a live audio feed via telephone. In order to do so, shareholders must pre-register at <https://agm-serialsystem.com/> ("AGM webcast registration and Q&A link") by 11.00 a.m. on Monday, 25 April 2022 ("Registration Deadline"), to enable the Company to verify their shareholder status. Following authentication of their status as shareholders, authenticated shareholders will receive an email by 9.00 p.m. on Tuesday, 26 April 2022 which contains a unique link, which they can click on to access the webcast and audio feed of the AGM proceedings. Shareholders who register by the Registration Deadline but do not receive the email response by 9.00 p.m. on Tuesday, 26 April 2022 may contact the Company for assistance at (65) 6510 2435 between 9.00 a.m. and 5.00 p.m. on Wednesday, 27 April 2022.

NOTICE OF ANNUAL GENERAL MEETING

3. Shareholders may submit questions, if any, relating to the resolutions to be tabled for approval at the AGM by 11.00 a.m. on Monday, 18 April 2022:
- (a) via the pre-registration link at <https://agm-serialsystem.com/>; or
 - (b) by post to the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554; or
 - (c) by email to ecomm@serialsystem.com.

Due to the current COVID-19 situation in Singapore, shareholders are strongly encouraged to submit questions electronically via the pre-registration link or email. The Company will address all substantial and relevant questions, at least seventy-two (72) hours prior to the closing date and time for the lodgment of the proxy forms, i.e. by Friday, 22 April 2022, by publishing the responses to such questions on the Company's website and SGXNet.

4. Shareholders (whether individual or corporate) who wish to exercise his/her/its voting rights at the AGM must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the AGM. In appointing the Chairman of the Meeting as proxy, shareholders (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the instrument of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes at least seven (7) working days before the date of the meeting (i.e. by 5.00 p.m. on Monday, 18 April 2022).

5. The Chairman of the Meeting, as proxy, needs not be a shareholder of the Company.
6. In the case of joint holders of a share, any one of such persons may vote by proxy, but if more than one of such person votes by proxy, only the vote of the person whose name stands first in the Register of Shareholders or (as the case may be) the Depository Register shall be counted.
7. The instrument appointing the Chairman of the Meeting as proxy must be submitted in the following manner:
- (a) If submitted by post, be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554; or
 - (b) If submitted electronically, be submitted via email to ecomm@serialsystem.com.

in either case, by 11.00 a.m. on Monday, 25 April 2022, being no later than seventy-two (72) hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

A shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation in Singapore, shareholders are strongly encouraged to submit completed proxy forms via email.

8. The Company's annual report for the financial year ended 31 December 2021 ("Annual Report 2021") and the Appendix I to shareholders dated 6 April 2022 in relation to the proposed renewal of the Share Buyback Mandate ("Appendix I") may be accessed at:

https://www.serialsystem.com/wp-content/uploads/2022/04/SSL_AR_2021.pdf or by scanning the QR code on the right.

The Annual Report 2021 and Appendix I will also be made available on SGXNET.



Important Reminder:

As the COVID-19 situation continues to evolve, we seek shareholders' understanding that further measures and/or changes to the AGM arrangements may be made in the ensuing days up to the day of the AGM. Shareholders are advised to check the SGXNET and the Company's website at <https://www.serialsystem.com> regularly for updates on the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, (b) completing the pre-registration in accordance with this Notice, or (c) submitting any question prior to the Annual General Meeting in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof);
- (ii) processing of the pre-registration for purposes of granting access to members to the live webcast or live audio feed of the Annual General Meeting proceedings and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the Annual General Meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Shareholders of the Company will be closed on 27 May 2022 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 77 Robinson Road #06-03 Robinson 77 Singapore 068896 up to 5.00 p.m. on 26 May 2022 will be registered to determine shareholders' entitlements to the proposed dividend.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 26 May 2022 will be entitled to the proposed dividend.

The proposed dividend, if approved by the shareholders at the Annual General Meeting to be held on 28 April 2022, will be paid on 3 June 2022.

By Order of the Board

Alex Wui Heck Koon
Company Secretary

Singapore
6 April 2022

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The required disclosures under Rule 720 (6) of the Listing Manual of the SGX-ST of Directors of the Company who will be retiring and standing for re-election as Directors of the Company at the forthcoming AGM are set out below:-

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
Date of appointment	5 October 2021	26 January 2022	8 May 2019	14 August 2001
Date of last re-appointment	Not applicable	Not applicable	30 April 2020	29 April 2019
Age	42	29	48	62
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed the past contribution and suitability of Mr. Sean Goh Su Teng's requisite knowledge, capabilities and experiences to assume the responsibilities.	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed the past contribution and suitability of Ms. Victoria Goh Si Hui's requisite knowledge, capabilities and experiences to assume the responsibilities.	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed the past contribution and suitability of Mr. Goi Kok Ming Kenneth's requisite knowledge, capabilities and experiences to assume the responsibilities.	The Board has reviewed and considered the recommendation of the Nominating Committee and has assessed the past contribution and suitability of Mr. Ravindran s/o Ramasamy's requisite knowledge, capabilities, experiences and independency to assume the responsibilities.
Whether appointment is executive, and if so, the area of responsibility	The appointment is executive. Mr. Sean Goh Su Teng will continue his role as Group Chief Operating Officer to oversee the Group's business operations and optimize the Information technology, operational and asset management capabilities. He will also be working with the management and board members of Serial System Ltd to develop and execute corporate strategies	The appointment is executive. Ms. Victoria Goh Si Hui will continue her role as Vice President, Business Development & Marketing to manage the business and operation of the Group's consumer products distribution business as well as supply chain and inventory management of the Group. She will also be working with the management and board members of Serial System Ltd on corporate development and strategic planning of the Group.	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Group Chief Operating Officer	Executive Director and Vice President, Business Development & Marketing	Non-Independent	Independent Director, Chairman of Remuneration Committee and member of Nominating and Audit Committee

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
Professional qualifications	<ul style="list-style-type: none"> Bachelor of Engineering degree with Honours from the Nanyang Technological University 	<ul style="list-style-type: none"> Bachelor of Business degree from the Nanyang Technological University 	<ul style="list-style-type: none"> Bachelor degree in Computer Information System from the California State University, Pomona, United States 	<ul style="list-style-type: none"> Bachelor of Law with Honours from the National University of Singapore Master of Law from the National University of Singapore
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/ or substantial shareholder of the Company or of any of its principal subsidiaries	Mr. Sean Goh Su Teng is the cousin of Mr. Derek Goh Bak Heng and uncle of Executive Director, Ms. Victoria Goh Si Hui. Mr. Derek Goh Bak Heng is the Group Chief Executive Officer and Substantial Shareholder of Serial System Ltd.	Ms. Victoria Goh Si Hui is the daughter of Mr. Derek Goh Bak Heng and niece of Mr. Sean Goh Su Teng. Mr. Derek Goh Bak Heng is the Group Chief Executive Officer and Substantial Shareholder of Serial System Ltd. Mr. Sean Goh Su Teng is an Executive Director and Group Chief Operating Officer of Serial System Ltd.	Mr. Goi Kok Ming Kenneth is the son of Mr. Goi Seng Hui. Mr. Goi Seng Hui is a Substantial Shareholder of Serial System Ltd.	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes	Yes
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> Sales Engineer with Serial Microelectronics Pte Ltd (wholly-owned subsidiary of Serial System Ltd) from June 2004 to December 2005 Product Manager with Serial Microelectronics Pte Ltd from January 2006 to December 2008 Marketing Director with Serial Microelectronics Pte Ltd from January 2009 to September 2009 	<ul style="list-style-type: none"> Corporate Development Executive with Serial Microelectronics Pte Ltd (wholly-owned subsidiary of Serial System Ltd) from August 2015 to February 2016 Business Development Executive (Management Trainee Program) with Future Electronics Inc. (Distribution) Pte. Ltd. from February 2016 to December 2016 	<ul style="list-style-type: none"> Director of Tee Yih Jia Food Manufacturing Pte Ltd from 1997 to present Director of Acelink Logistics Pte Ltd from 1999 to present Executive Director and Chief Operating Officer of GSH Corporation Limited from 2012 to present Non-Executive Director of Hanwell Holdings Limited from 2014 to present Non-Executive Director of Union Steel Holdings Limited from 2019 to present 	<ul style="list-style-type: none"> Practising as a Partner with Colin Ng & Partners LLP undertaking corporate and litigation works

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
	<ul style="list-style-type: none"> Vice President of Regional Marketing with Serial Microelectronics Pte Ltd from October 2009 to June 2011 Senior Vice President of Corporate Planning, Development and Regional Marketing with Serial Microelectronics Pte Ltd from July 2011 to June 2018 Group Senior Vice President and Chief Operating Officer of Consumer Products Distribution Division of Serial System Ltd from July 2018 to May 2019 Group Chief Operating Officer of Serial System Ltd from June 2019 to present 	<ul style="list-style-type: none"> Business Development Executive with Serial System Ltd from January 2017 to May 2018 Business Development Manager with Serial System Ltd from June 2018 to March 2019 Director, Business Development & Marketing of Serial System Ltd from April 2019 to December 2021 Vice President, Business Development & Marketing of Serial System Ltd from January 2022 to present 		
Shareholding interest in the listed issuer and its subsidiaries	Yes	Yes	No	No
Shareholding details	1.43% in Print-IQ Singapore Pte. Ltd., a 91.43% owned subsidiary of Serial System Ltd.	Direct interest - 171,000 shares of Serial System Ltd Deemed interest - 102,300 shares of Serial System Ltd	Not applicable	Not applicable
Other Principal Commitments including Directorships				
Past (for the last 5 years)	<ul style="list-style-type: none"> Achieva Technology Australia Pty Ltd Agricola Pte Ltd Edith-United International Pte. Ltd. Eunice Food Catering Pte. Ltd. Imperial Kitchen Catering Pte. Ltd. Nippon Denka Serial Pte. Ltd. 	Not applicable	<ul style="list-style-type: none"> GSH Investments Limited Super Elite Holdings Pte Ltd 	Independent Non-Executive Director of SGX-listed Best World International Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
	<ul style="list-style-type: none"> Serial AMSC Microelectronics Co., Ltd Serial Design Limited Serial I-Tech Strategic Holdings Franchising Pte. Ltd. Serial Netcom Co., Ltd. Tong Chiang Group Pte. Ltd. 			
Present	<p>Listed Companies</p> <ul style="list-style-type: none"> Serial System Ltd Bull Will Co., Ltd <p>Non-Listed Companies</p> <ul style="list-style-type: none"> Bull Will Trading (S) Pte. Ltd. G2 Unity Investment Pte. Ltd. <p>Group Companies (subsidiaries and associated companies) of Serial System Ltd</p> <ul style="list-style-type: none"> Achieva Technology Sdn. Bhd. Bast Global Sdn. Bhd. Bast Investment Pte. Ltd. Contract Sterilization Services Pte. Ltd. Hydra & Thermal Pte. Ltd. Inkcarters Pte. Ltd. Otsaw Digital Pte. Ltd. Otsaw Technology Solutions Pte. Ltd. Print IQ Co., Ltd Print-IQ Singapore Pte. Ltd. 	<p>Listed Companies</p> <ul style="list-style-type: none"> Serial System Ltd Bull Will Co., Ltd <p>Non-Listed Companies</p> <ul style="list-style-type: none"> Asian Prosperity Singapore Pte. Ltd. Bull Will Trading (S) Pte. Ltd. C & G Investment Pte Ltd G2 Unity Investment Pte. Ltd. Global Voice Pte Ltd Nuline Marketing Singapore Pte Ltd Teabrary International Pte. Ltd. Teabrary Investment Pte. Ltd. Yuan Premium Foods Pte. Ltd. <p>Group Companies (subsidiaries and associated companies) of Serial System Ltd</p> <ul style="list-style-type: none"> Bast Global Sdn. Bhd. Bast Investment Pte. Ltd. Contract Sterilization Services Pte. Ltd. 	<p>Listed Companies</p> <ul style="list-style-type: none"> Serial System Ltd GSH Corporation Limited Hanwell Holdings Limited Union Steel Holdings Limited <p>Non-Listed Companies</p> <ul style="list-style-type: none"> Acelink Logistics Pte Ltd Advanced Prestige Sdn. Bhd. Altheim International Limited Aspirasi Kukuh Sdn. Bhd. Borneo Ventures Pte Ltd City View Ventures Sdn. Bhd. Eastworth Source Sdn. Bhd. GSH (Middle East) Pte Ltd GSH (Xiamen) Property Development Pte Ltd GSH (Zhengzhou) Investments Pte Ltd GSH Facilities Management (Malaysia) Sdn. Bhd. 	Partner with Colin Ng & Partners LLP

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
	<ul style="list-style-type: none"> • PT. Achieva Technology Indonesia • PT. Serial Microelectronics Indonesia • Satcom Icenter Limited • SB Global Ventures Pte. Ltd. • SCE Enterprise Pte. Ltd. • Serial Electronics Investment Limited • Serial Factoring (Thailand) Co., Ltd • Serial Investment (Korea) Limited • Serial Investment Taiwan Inc. • Serial I-Tech (Far East) Pte. Ltd. • Serial I-Tech (ME) Pte. Ltd. • Serial Microelectronics (Shenzhen) Co., Ltd • Serial Microelectronics (HK) Limited • Serial Microelectronics Inc. • Serial Microelectronics Information Limited • Serial Microelectronics Korea Limited • Serial Microelectronics Pte. Ltd. • Serial Microelectronics Sdn. Bhd. • Serial Multivision Pte. Ltd. 	<ul style="list-style-type: none"> • CSS Medisys Pte. Ltd. • Newstone Technology Limited • SCE Enterprise Pte. Ltd. • Serial Investment (Korea) Limited • Serial Investment Pte Ltd • Serial Investment Taiwan Inc. • Serial Microelectronics (Shenzhen) Co., Ltd • Serial Microelectronics (HK) Limited • Serial Microelectronics Inc. • Serial Microelectronics Information Limited • Serial Microelectronics Korea Limited • Serial Microelectronics Pte. Ltd. • Serial System International Pte. Ltd. • Stars Tea & Coffee Asia Pte. Ltd. 	<ul style="list-style-type: none"> • GSH International Enterprise Pte Ltd • GSH Island Investments Pte Ltd • GSH Properties (Chongqing) Co., Ltd • GSH Properties (Malaysia) Pte Ltd • GSH Properties (PRC) Pte Ltd • GSH Properties Pte Ltd • Investasia Sdn. Bhd. • Junhe Investment Pte Ltd • Linyi Properties Sdn. Bhd. • Mainfield Holdings Limited • Mewabumi Sdn. Bhd. • MXIM Holdings Pte Ltd • Ocean View Point Pte Ltd • Ocean View Ventures Pte Ltd • Prime Peninsular Holdings Pte Ltd • Qingdao Timi Supply Chain Co., Ltd • Rainbow Properties Sdn. Bhd. • Ritz Properties Sdn. Bhd. • Sutera Harbour Golf & Country Club Berhad • Sutera Harbour Resort Sdn. Bhd. • Sutera Harbour Travel Sdn. Bhd. • Sutera Yacht Services Sdn. Bhd. 	

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
	<ul style="list-style-type: none"> Serial System International Pte. Ltd. SerialTec (Japan) Co., Ltd SerialTec Pte. Ltd. SG Networks Pte. Ltd. SSTW Technology Pte. Ltd. Stars Tea & Coffee Asia Pte. Ltd. STECH Global Trading Pte. Ltd. Straitsmart Sdn. Bhd. Swift-Value Business Pte. Ltd. TeamPal Enterprise Corp. UniSerial Electronics Limited URG Pte. Ltd. 		<ul style="list-style-type: none"> Tee Yih Jia Food Manufacturing Pte Ltd The Little Shop Sdn. Bhd. The Sutera Harbour Group Sdn. Bhd. Twin Towers Properties Limited TYJ Group Pte Ltd Vive La Sdn. Bhd. Xing Asia Impel Sdn. Bhd. 	
Information Required Pursuant to Listing Rule 704(7)				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be partner?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a Director or an equivalent person or a key executive, at the time when he was a Director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	In March 2019, Tong Chiang Group Pte. Ltd., an associated company of the Group, went into a creditors' liquidation. Mr. Sean Goh Su Teng was an alternate director of Tong Chiang Group Pte. Ltd. from 28 August 2015 to 14 September 2018.	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	In February 2017, a civil suit has been initiated by the Securities and Futures Investors Protection Center of Taiwan ("SFIPC") against amongst others; Bull Will Co., Ltd, (a 16.74% associated company of Serial System Ltd), its directors, independent directors, supervisors, accounting supervisors, legal shareholder, and external auditors. In June 2021, the civil suit was dismissed by the Taiwanese Court on the basis that they were without merit. SFIPC subsequently filed an appeal. The civil suit is currently in progress. Mr. Sean Goh Su Teng is Serial System Ltd's legal representative director of Bull Will Co., Ltd.	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-	No	No	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Sean Goh Su Teng	Victoria Goh Si Hui	Goi Kok Ming Kenneth	Ravindran s/o Ramasamy
Disclosure applicable to the appointment of Director only				
<p>Any prior experience as a Director of an issuer listed on the Exchange?</p> <p>If Yes, please provide details of prior experience.</p> <p>If No, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).</p>				Not applicable

APPENDIX TO SHAREHOLDERS DATED 6 April 2022

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Appendix is circulated to the shareholders (the “**Shareholders**”) of Serial System Ltd (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2021 (the “**Annual Report 2021**”). Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders’ approval for, the renewal of the Share Buyback Mandate (as defined in this Appendix) to be tabled at the annual general meeting (“**AGM**”) of the Company to be held on 28 April 2022 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration.

The ordinary resolution proposed to be passed in respect of the renewal of the Share Buyback Mandate is set out in the notice of AGM. The notice of the AGM and a proxy form are enclosed with the Annual Report 2021.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

The legal advisers appointed by the Company for the purpose of the corporate action set out in this Appendix is AEI Legal LLC.

If you have sold all your Shares (as defined in this Appendix), you should immediately forward this Appendix, the Annual Report 2021 and proxy form to the purchaser or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

**SERIAL SYSTEM LTD**

(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

APPENDIX TO SHAREHOLDERS**IN RELATION TO****THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

CONTENTS

DEFINITIONS.....	178
1. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE	181
2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	195
3. ACTION TO BE TAKEN BY SHAREHOLDERS.....	195
4. DIRECTORS' RECOMMENDATIONS.....	196
5. ABSTENTION FROM VOTING	196
6. DIRECTORS' RESPONSIBILITY STATEMENT.....	196
7. CONSENT.....	196
8. DOCUMENTS FOR INSPECTION	196

DEFINITIONS

For the purpose of this Appendix, the following definitions have, where appropriate, been used:

“2011 EGM”	:	The extraordinary general meeting of the Company held on 23 April 2011
“2022 AGM”	:	The annual general meeting of the Company to be held on 28 April 2022 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration, notice of which is enclosed with the Annual Report 2021
“AGM”	:	The annual general meeting of the Company
“Annual Report 2021”	:	The annual report of the Company for FY2021
“Approval Date”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“Associates”	:	Shall bear the meaning assigned to it by the Listing Manual
“Average Closing Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Board”	:	The board of the Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund of Singapore
“CPF Agent Banks”	:	Agent banks included under the CPF Investment Scheme
“CPF Investors”	:	Investors who have purchased Shares using their CPF savings under the CPF Investment Scheme
“Companies Act”	:	The Companies Act 1967 (Singapore), as amended, modified or supplemented from time to time
“Company”	:	Serial System Ltd
“Constitution”	:	The Constitution of the Company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company
“date of the making of the offer”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“Directors”	:	Directors of the Company for the time being
“EPS”	:	Earnings per Share
“Form 2”	:	Has the meaning ascribed to it in Section 1.9.4.3 of this Appendix
“Full Share Purchase”	:	Has the meaning ascribed to it in Section 1.9.4.2 of this Appendix
“FY”	:	Financial year ended or ending 31 December, as the case may be

“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	31 March 2022, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(a) of this Appendix
“Maximum Price”	:	Has the meaning ascribed to it in Section 1.3.4 of this Appendix
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 1.3.3(b) of this Appendix
“Ordinary Resolution”	:	The ordinary resolution relating to the renewal of the Share Buyback Mandate, as set out in the notice of the 2022 AGM
“Prescribed Limit”	:	Has the meaning ascribed to it in Section 1.3.1 of this Appendix
“public”	:	Persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Group, and their Associates
“Registrar”	:	Has the meaning ascribed to it in Section 4 of the Companies Act
“Relevant Period”	:	Has the meaning ascribed to it in Section 1.3.2 of this Appendix
“Securities Account”	:	Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act 2001 (Singapore), as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The general mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Section 1 of this Appendix
“Shareholders”	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	The Securities Industry Council
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
“SRS Operators”	:	Bank operators who manage the SRS accounts under the SRS
“subsidiaries”	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and “subsidiary” shall be construed accordingly

“ Substantial Shareholder ”	:	A Shareholder whose interests in the Company’s issued share capital is equal to or more than 5%
“ Take-over Code ”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time

Currencies and others

“ S\$ ”	:	Singapore dollars
“ US\$ ”	:	United States dollar, being the lawful currency of the United States of America
“ % ” or “ per cent ”	:	Per centum or percentage

Any references in this Appendix to: (a) Dr. Derek Goh shall refer to Dr. Derek Goh Bak Heng; (b) Ms. Victoria Goh shall refer to Ms. Victoria Goh Si Hui; (c) Mr. Sean Goh shall refer to Mr. Sean Goh Su Teng; and (d) Ms. Victoria Goh’s spouse shall refer to Mr. Magno Miguel Baskinas Guidote.

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “**treasury share**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Appendix is a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

SERIAL SYSTEM LTD

(Incorporated in the Republic of Singapore on 22 April 1992)
(Company Registration Number: 199202071D)

Directors:

Mr. Teo Ser Luck (Independent Non-Executive Acting Chairman)
Mr. Sean Goh Su Teng (Executive Director)
Ms. Victoria Goh Si Hui (Executive Director)
Mr. Tan Lye Heng Paul (Lead Independent Non-Executive Director)
Mr. Ravindran s/o Ramasamy (Independent Non-Executive Director)
Mr. Ng Cher Yan (Independent Non-Executive Director)
Mr. Goi Kok Ming Kenneth (Non-Executive Director)

Registered Office:

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

6 April 2022

To: The Shareholders of Serial System Ltd

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

Dear Shareholder,

1. The proposed Renewal of the Share Buyback Mandate

1.1 Introduction

The purpose of this Appendix is to provide Shareholders with relevant information pertaining to, and to seek Shareholders' approval at the 2022 AGM for, *inter alia*, the renewal of the Share Buyback Mandate.

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Constitution of the Company and such other laws and regulations as may for the time being be applicable.

At the 2011 EGM, the Shareholders had approved the Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares. The mandate was last renewed at the AGM held on 28 April 2021, and will unless renewed again, expire on the date of the 2022 AGM.

In this regard, approval is now being sought from Shareholders for the renewal of the Share Buyback Mandate at the 2022 AGM. The Ordinary Resolution will be proposed, pursuant to which authority will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate.

If approved, the renewal of the Share Buyback Mandate will take effect from the date of the 2022 AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, whichever is the earlier, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

The SGX-ST takes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

1.2 Rationale

The Directors are of the view that a Share Buyback, conducted at an appropriate price level, may enhance the return on equity of the Group and increase Shareholders' value. Share Buybacks are a cost-efficient and effective method of returning to the Shareholders surplus cash over and above the Company's ordinary capital requirements, and provide the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA value per Share.

The Directors are also of the view that Share Buybacks may help mitigate short-term market volatility and offset the effects of short-term speculation, as well as bolster the confidence of Shareholders.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via Market Purchases or Off-Market Purchases, after taking into account the amount of cash available and the prevailing market conditions. The Directors do not propose to carry out Share Buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity, the orderly trading of the Shares and/or the financial position of the Group, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Directors, are from time to time appropriate for the Company.

1.3 Terms of the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

1.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The Companies Act provides that the total number of shares that may be purchased or acquired by a company shall not exceed that number of shares representing not more than 10% of the issued ordinary share capital of the company (excluding treasury shares and subsidiary holdings) as at the date of the general meeting at which the renewal of its share buyback mandate is approved (the “**Approval Date**”) (unless the company has effected a reduction of the share capital of the company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the company shall be taken to be the number of the issued ordinary shares of the company as altered, excluding any treasury shares and subsidiary holdings that may be held by the company from time to time). Shares which are held as treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, assuming that the Company has 904,841,914 Shares as at the date of the 2022 AGM (being the number of Shares as at the Latest Practicable Date, excluding treasury shares and subsidiary holdings and assuming no change in the number of Shares on or prior to the date of the 2022 AGM), not more than 90,484,191 Shares representing approximately 10% of the Company’s existing issued ordinary share capital (excluding treasury shares and subsidiary holdings) may be purchased or acquired by the Company, pursuant to the limits set out in the Companies Act.

Notwithstanding the above, subject to the limits under Section 76I(1) of the Companies Act in respect of a company’s shares held in treasury, the maximum number of Shares that the Company can purchase or acquire and hold in treasury (assuming no change in the number of Shares held in treasury on or prior to the 2022 AGM) will be 89,632,791 Shares, instead of the aforesaid 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), i.e. 90,484,191 Shares. As such, the Company is seeking a Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares of up to a maximum of 89,632,791 Shares (the “**Prescribed Limit**”) at the 2022 AGM. Please refer to Section 1.7.2 of this Appendix for further details.

1.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (a) the date on which the next AGM of the Company is held or is required by law to be held;
- (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in general meeting,

(the “**Relevant Period**”).

1.3.3 Manner of purchase of Shares

Purchases of Shares may be made by way of, *inter alia*:

- (a) on-market purchases (“**Market Purchase**”) transacted on the SGX-ST through the SGX-ST’s trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of Shares are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons have a reasonable opportunity to accept the offers made to them; and

- (c) the terms of all the offers are the same, except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buyback;
- (d) the consequences, if any, of Share Buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

1.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant 5-day period and the date of the Market Purchase; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

1.4 **Status of purchased Shares under the Share Buyback Mandate**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

1.5 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

1.5.1 Maximum holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of Shares.

In the event that the number of treasury shares held by the Company exceeds 10% of the total number of Shares, the Company shall dispose of or cancel the excess Shares within six (6) months of the day on which such contravention occurs, or such further period as the Registrar may allow.

1.5.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

1.5.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Pursuant to Rule 704(28) of the Listing Manual, the Company will immediately announce any sale, transfer, cancellation and/or use of treasury shares, including the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) the number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

1.6 Sources of funds for Share Buyback

The Companies Act permits the Company to make payment, pursuant to the purchase or acquisition of its own Shares, out of capital as well as from its distributable profits, so long as the Company is solvent. The Companies Act provides that a Company is solvent if at the date of the relevant payment, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;

- (b) if
 - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal resources, external borrowings or a combination of both to finance purchases or acquisitions of Shares pursuant to the Share Buyback Mandate.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group's working capital, current dividend policy and/ or ability to service its debts would be adversely affected.

1.7 Financial effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2021, are based on the following principal assumptions:

- (a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2021 for the purpose of computing the financial effects on the EPS of the Group and the Company;
- (b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 January 2021 for the purpose of computing the financial effects on the Shareholders' equity, NTA per Share, gearing and current ratio of the Group and the Company; and
- (c) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

1.7.1 Purchase or acquisition out of capital or profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of profits, such amounts will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by such amounts. The total amount of the purchase or acquisition price shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits.

1.7.2 Number of Shares acquired or purchased

Assuming there is no change in the number of Shares, and the number of Shares held in treasury on or prior to the date of the 2022 AGM:

- (i) as at the Latest Practicable Date, the Company has 904,841,914 issued Shares (excluding treasury shares and subsidiary holdings);
- (ii) the Company may purchase or acquire up to 90,484,191 Shares under the Companies Act (being 10% of its issued Shares (excluding treasury shares and subsidiary holdings));
- (iii) as at the Latest Practicable Date, the Company has 946,000 Shares held in treasury;
- (iv) the Company may hold up to 90,578,791 Shares in treasury (being 10% of its total number of Shares) pursuant to Section 76I(1) of the Companies Act; and
- (v) the Company may purchase or acquire up to 89,632,791 Shares under the renewed Share Buyback Mandate to be held as treasury shares.

As at the Latest Practicable Date, no Shares are reserved for issue by the Company.

For illustrative purposes, the Company has assumed that it will only purchase or acquire up to 89,632,791 Shares under the Share Buyback Mandate, to be held as treasury shares.

1.7.3 Maximum price paid for Shares acquired or purchased

In the case of Market Purchases by the Company:

Assuming the Company purchases or acquires 89,632,791 Shares at the maximum price of S\$0.1205 (equivalent to US\$0.0891) for one (1) Share (being the price equivalent to 5% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 89,632,791 Shares is approximately US\$7,986,282.

In the case of Off-Market Purchases by the Company:

Assuming the Company purchases or acquires 89,632,791 Shares at the maximum price of S\$0.1377 (equivalent to US\$0.1018) for one (1) Share (being the price equivalent to 20% above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 89,632,791 Shares is approximately US\$9,124,618.

1.7.4 Illustrative financial effects

For illustrative purposes only, and on the basis of the assumptions set out below, the financial effects of the:

- (i) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and held as treasury shares; and
- (ii) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and cancelled,

based on the audited financial statements of the Group and the Company for FY2021 are set out in the sections below.

The financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of profits are similar to that of purchases made out of capital. Therefore, only the financial effects of the acquisition of the Shares pursuant to the Share Buyback Mandate by way of purchases made out of capital are set out in this Appendix.

Scenario 1(A)

Market Purchases of 89,632,791 Shares out of capital and held in treasury

As at 31 December 2021	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(70)	(8,056)	(70)	(8,056)
Capital Reserve	2,665	2,665	518	518
Defined Benefit Plans Reserve	328	328	–	–
Fair Value Reserve	(742)	(742)	–	–
Revaluation Reserve	198	198	–	–
Other Reserve	(1,457)	(1,457)	–	–
Currency Translation Reserve	5,204	5,204	–	–
Retained Earnings	71,997	71,997	22,917	22,917
Non-Controlling Interests	10,624	10,624	–	–
Shareholders' Equity	161,395	153,409	96,013	88,027
NTA	147,428	139,442	95,999	88,013
Current Assets	373,615	369,622	37,536	33,543
Current Liabilities	258,200	262,193	16,103	20,096
Working Capital	115,415	107,429	21,433	13,447
Total Borrowings ⁽¹⁾	184,208	188,201	11,565	15,558
Cash and Cash Equivalents ⁽¹⁾	50,963	46,970	1,068	(2,925)
Net Profit	11,139	11,139	763	763
Number of Shares ⁽²⁾	904,841,914	815,209,123	904,841,914	815,209,123
Weighted Average Number of Shares	900,083,010	810,450,219	900,083,010	810,450,219
Financial Ratios				
NTA per Share (US\$ cents)	16.29	17.11	10.61	10.80
Basic EPS (US\$ cents) ⁽³⁾	1.24	1.37	0.08	0.09
Gearing % ⁽⁴⁾	114	123	12	18
Current Ratio (times) ⁽⁵⁾	1.45	1.41	2.33	1.67

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes treasury shares and assumes no change in the number of Shares on or prior to the date of the 2022 AGM.
- (3) EPS is computed based on FY2021 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 1(B)

Off-Market Purchases of 89,632,791 Shares out of capital and held in treasury

As at 31 December 2021	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	72,648	72,648	72,648
Treasury Shares	(70)	(9,195)	(70)	(9,195)
Capital Reserve	2,665	2,665	518	518
Defined Benefit Plans Reserve	328	328	–	–
Fair Value Reserve	(742)	(742)	–	–
Revaluation Reserve	198	198	–	–
Other Reserve	(1,457)	(1,457)	–	–
Currency Translation Reserve	5,204	5,204	–	–
Retained Earnings	71,997	71,997	22,917	22,917
Non-Controlling Interests	10,624	10,624	–	–
Shareholders' Equity	161,395	152,270	96,013	86,888
NTA	147,428	138,303	95,999	86,874
Current Assets	373,615	369,052	37,536	32,973
Current Liabilities	258,200	262,762	16,103	20,665
Working Capital	115,415	106,290	21,433	12,308
Total Borrowings ⁽¹⁾	184,208	188,770	11,565	16,127
Cash and Cash Equivalents ⁽¹⁾	50,963	46,400	1,068	(3,495)
Net Profit	11,139	11,139	763	763
Number of Shares ⁽²⁾	904,841,914	815,209,123	904,841,914	815,209,123
Weighted Average Number of Shares	900,083,010	810,450,219	900,083,010	810,450,219
Financial Ratios				
NTA per Share (US\$ cents)	16.29	16.97	10.61	10.66
Basic EPS (US\$ cents) ⁽³⁾	1.24	1.37	0.08	0.09
Gearing % ⁽⁴⁾	114	124	12	19
Current Ratio (times) ⁽⁵⁾	1.45	1.40	2.33	1.60

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes treasury shares and assumes no change in the number of Shares on or prior to the date of the 2022 AGM.
- (3) EPS is computed based on FY2021 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(A)

Market Purchases of 89,632,791 Shares out of capital and cancelled

As at 31 December 2021	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	64,662	72,648	64,662
Treasury Shares	(70)	(70)	(70)	(70)
Capital Reserve	2,665	2,665	518	518
Defined Benefit Plans Reserve	328	328	–	–
Fair Value Reserve	(742)	(742)	–	–
Revaluation Reserve	198	198	–	–
Other Reserve	(1,457)	(1,457)	–	–
Currency Translation Reserve	5,204	5,204	–	–
Retained Earnings	71,997	71,997	22,917	22,917
Non-Controlling Interests	10,624	10,624	–	–
Shareholders' Equity	161,395	153,409	96,013	88,027
NTA	147,428	139,442	95,999	88,013
Current Assets	373,615	369,622	37,536	33,543
Current Liabilities	258,200	262,193	16,103	20,096
Working Capital	115,415	107,429	21,433	13,447
Total Borrowings ⁽¹⁾	184,208	188,201	11,565	15,558
Cash and Cash Equivalents ⁽¹⁾	50,963	46,970	1,068	(2,925)
Net Profit	11,139	11,139	763	763
Number of Shares ⁽²⁾	904,841,914	815,209,123	904,841,914	815,209,123
Weighted Average Number of Shares	900,083,010	810,450,219	900,083,010	810,450,219
Financial Ratios				
NTA per Share (US\$ cents)	16.29	17.11	10.61	10.80
Basic EPS (US\$ cents) ⁽³⁾	1.24	1.37	0.08	0.09
Gearing % ⁽⁴⁾	114	123	12	18
Current Ratio (times) ⁽⁵⁾	1.45	1.41	2.33	1.67

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes treasury shares and 89,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2022 AGM.
- (3) EPS is computed based on FY2021 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Scenario 2(B)

Off-Market Purchases of 89,632,791 Shares out of capital and cancelled

As at 31 December 2021	Group		Company	
	Before the Share Buyback	After the Share Buyback	Before the Share Buyback	After the Share Buyback
	US\$'000	US\$'000	US\$'000	US\$'000
Share Capital	72,648	63,523	72,648	63,523
Treasury Shares	(70)	(70)	(70)	(70)
Capital Reserve	2,665	2,665	518	518
Defined Benefit Plans Reserve	328	328	–	–
Fair Value Reserve	(742)	(742)	–	–
Revaluation Reserve	198	198	–	–
Other Reserve	(1,457)	(1,457)	–	–
Currency Translation Reserve	5,204	5,204	–	–
Retained Earnings	71,997	71,997	22,917	22,917
Non-Controlling Interests	10,624	10,624	–	–
Shareholders' Equity	161,395	152,270	96,013	86,888
NTA	147,428	138,303	95,999	86,874
Current Assets	373,615	369,052	37,536	32,973
Current Liabilities	258,200	262,762	16,103	20,665
Working Capital	115,415	106,290	21,433	12,308
Total Borrowings ⁽¹⁾	184,208	188,770	11,565	16,127
Cash and Cash Equivalents ⁽¹⁾	50,963	46,400	1,068	(3,495)
Net Profit	11,139	11,139	763	763
Number of Shares ⁽²⁾	904,841,914	815,209,123	904,841,914	815,209,123
Weighted Average Number of Shares	900,083,010	810,450,219	900,083,010	810,450,219
Financial Ratios				
NTA per Share (US\$ cents)	16.29	16.97	10.61	10.66
Basic EPS (US\$ cents) ⁽³⁾	1.24	1.37	0.08	0.09
Gearing % ⁽⁴⁾	114	124	12	19
Current Ratio (times) ⁽⁵⁾	1.45	1.40	2.33	1.60

Notes:

- (1) Assuming the Share Buyback will be funded 50% by internal resources and 50% by external borrowings.
- (2) Number of Shares excludes treasury shares and 89,632,791 Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the 2022 AGM.
- (3) EPS is computed based on FY2021 net profit attributable to Shareholders divided by the weighted average number of Shares.
- (4) Gearing equals total borrowings divided by Shareholders' equity.
- (5) Current Ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for FY2021 and is not necessarily representative of future financial performance.

Although the Share Buyback Mandate would authorise the Company to purchase or acquire Shares up to the Prescribed Limit, the Company may not necessarily purchase or acquire or be able to purchase or acquire Shares up to the Prescribed Limit. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

1.8 Listing status of the Shares

Rule 723 of the Listing Manual requires a listed company to ensure that at least 10% of its total number of issued shares excluding treasury shares must be held by public shareholders. As at the Latest Practicable Date, approximately 38.80% of the issued Shares (excluding treasury shares and subsidiary holdings) are held by public Shareholders. As at the Latest Practicable Date and assuming the Company undertakes purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate, approximately 32.07% of the issued Shares (excluding treasury shares and subsidiary holdings) will be held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the Prescribed Limit pursuant to the renewed Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

1.9 Take-over implications

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

1.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

1.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to the instructions of that individual, companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, a company is an "associated company" of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

1.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. The Directors and their concert parties will be exempted from the obligation to make a take-over offer subject to certain conditions, including, *inter alia*, the submission by each of the Directors of an executed form prescribed by the SIC within seven (7) days of the passing of the resolution to authorise the renewal of the Share Buyback Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be obliged to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buyback Mandate.

1.9.4 Application of the Take-over Code

Details of the holdings in Shares by the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date are set out in Section 2 below.

1.9.4.1 *Mr. Sean Goh, Ms. Victoria Goh, Dr. Derek Goh, and Ms. Victoria Goh's spouse*

For the purposes of the Take-over Code, Mr. Sean Goh, an Executive Director and our Group Chief Operating Officer, Ms. Victoria Goh, an Executive Director and our Vice President, Business Development and Marketing, Dr. Derek Goh, our Group Chief Executive Officer and Substantial Shareholder, Ms. Victoria Goh's father and Mr. Sean Goh's cousin, and Ms. Victoria Goh's spouse, may be presumed to be acting in concert.

As at the Latest Practicable Date, the combined shareholding of Mr. Sean Goh, Ms. Victoria Goh, Dr. Derek Goh, and Ms. Victoria Goh's spouse in the Company amounts to 366,100,270 Shares, representing approximately 40.46% of the issued Shares (excluding treasury shares and subsidiary holdings) of the Company.

1.9.4.2 *Consequence of Share Buybacks*

Based on 904,841,914 issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, the exercise in full of the Share Buyback Mandate, given the limits under Section 76I(1) of the Companies Act in respect of a Company's Shares held in treasury, up to the Prescribed Limit would result in the purchase of 89,632,791 Shares.

If the exercise in full of the Share Buyback Mandate by the Company ("**Full Share Purchase**") causes the aggregate voting rights of Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, to increase by more than 1% (assuming such increases occur within six (6) months), Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, would thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

Based on the direct holdings of Shares of Mr. Sean Goh, Ms. Victoria Goh, Dr. Derek Goh, and Ms. Victoria Goh's spouse as at the Latest Practicable Date and assuming that:

- (a) the Company undertakes Share Buybacks under the Share Buyback Mandate up to the Prescribed Limit as permitted by the Share Buyback Mandate;
- (b) there is no change in Mr. Sean Goh's, Ms. Victoria Goh's, Dr. Derek Goh's, and Ms. Victoria Goh's spouse's direct holdings of Shares between the Latest Practicable Date and the date of the 2022 AGM; and
- (c) there is no change in Mr. Sean Goh's, Ms. Victoria Goh's, Dr. Derek Goh's, and Ms. Victoria Goh's spouse's direct holdings of Shares between the date of the 2022 AGM and the date of the Full Share Purchase,

the aggregate voting rights of Mr. Sean Goh and Ms. Victoria Goh in the Company will increase from approximately 0.019% to approximately 0.021%, and the aggregate voting rights of Mr. Sean Goh, Ms. Victoria Goh, Dr. Derek Goh, and Ms. Victoria Goh's spouse in the Company will increase from approximately 40.46% to approximately 44.91%.

In such event, Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, will, unless exempted, thereby incur an obligation to make a general offer under Rule 14 of the Take-over Code.

1.9.4.3 Exemption under Section 3(a) of Appendix 2 of the Take-over Code

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, would be eligible to be exempted from the obligation to make a general offer for the Company under Rule 14 of the Take-over Code as a result of the Company buying back its Shares pursuant to the renewed Share Buyback Mandate, subject to the following conditions:

- (a) the Letter to Shareholders on the Ordinary Resolution to contain advice to the effect that by voting to approve the renewal of the Share Buyback Mandate, Shareholders are waiving their rights to a general offer at the required price from Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, who, as a result of the Share Buybacks, would increase their voting rights by more than 1% in any period of six (6) months;
- (b) the Letter to Shareholders discloses the names of Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, and their voting rights at the time of the 2022 AGM and after the Company exercises the renewed Share Buyback Mandate in full;
- (c) the Ordinary Resolution is approved by a majority of those Shareholders present and voting at the 2022 AGM on a poll who could not become obliged to make a general offer for the Company as a result of the Company purchasing Shares under the Share Buyback Mandate;
- (d) Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, will abstain from voting on the Ordinary Resolution in respect of all their Shares as of the date of the 2022 AGM and/or abstain from making a recommendation to Shareholders to vote in favour of the Ordinary Resolution;
- (e) within seven (7) days after the passing of the Ordinary Resolution, each of Mr. Sean Goh and Ms. Victoria Goh to submit to the SIC a duly signed form as prescribed by the SIC; and
- (f) Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, together holding between 30% and 50% of the Company's voting rights, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:
 - (i) the date on which authority for the renewed Share Buyback Mandate expires; and
 - (ii) the date on which the Company announces it has (a) bought back such number of Shares as authorised by Shareholders at the 2022 AGM, or (b) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

If the aggregate voting rights held by Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, increase by more than 1% solely as a result of the Company buying back Shares as authorised by the Share Buyback Mandate, and none of them has acquired any Shares during the period as defined in Section 1.9.4.3(f) above, then Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, would be eligible for the SIC's exemption from the obligation to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

Shareholders should note that by voting in favour of the Ordinary Resolution at the forthcoming 2022 AGM, Shareholders are waiving their rights to a general offer at the required price from Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable.

One of the conditions for exemption from the obligation to make a general offer under Rule 14 of the Take-over Code is the submission by each of Mr. Sean Goh and Ms. Victoria Goh to the SIC of a duly signed form as prescribed by the SIC ("**Form 2**"). As at the Latest Practicable Date, each of Mr. Sean Goh and Ms. Victoria Goh has informed the Company that he/ she will be submitting a Form 2 to the SIC within seven (7) days after the passing of the Ordinary Resolution.

The Company understands that Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate is imminent and the earlier of:

- (i) the date on which authority for the renewed Share Buyback Mandate expires; and
- (ii) the date on which the Company announces it has (a) bought back such number of Shares as authorised by Shareholders at the 2022 AGM, or (b) decided to cease buying back its Shares,

as the case may be, if such acquisitions, taken together with the Share Buybacks under the renewed Share Buyback Mandate, would cause the aggregate voting rights held by Mr. Sean Goh, Ms. Victoria Goh and parties acting in concert with them, including Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, in the Company to increase by more than 1% in the preceding six (6) months.

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the renewed Share Buyback Mandate.

Appendix 2 of the Take-over Code requires that the resolution to authorise the renewal of the Share Buyback Mandate be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make a take-over offer under the Take-over Code as a result of the Share Buyback. Accordingly, the Ordinary Resolution is proposed to be taken on a poll, and Mr. Sean Goh, Ms. Victoria Goh, Dr. Derek Goh and Ms. Victoria Goh's spouse, if applicable, will abstain, and will procure their concert parties (if any) to abstain, from voting on the Ordinary Resolution.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any Share Buyback pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity before they acquire any Shares during the period when the Share Buyback Mandate is in force.

1.10 Reporting requirements

Within 30 days of the passing of a Shareholders' resolution to approve the proposed Share Buyback Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with the Registrar.

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of, *inter alia*, the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable. Such announcement will be made in the form prescribed by the Listing Manual.

1.11 No purchases during price-sensitive developments

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on dealings in securities under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing one (1) month before the announcement of the Company’s half-year and full-year financial statements.

1.12 Shares purchased by the Company in the 12 months preceding the Latest Practicable Date

The Company has not purchased or acquired any Shares in the 12 months preceding the Latest Practicable Date.

2. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the Shares (as extracted from the Register of Directors’ shareholdings), and the interests of the Substantial Shareholders in the Shares (as extracted from the Register of Substantial Shareholders) are as follows:

	Number of Shares					
	Direct Interest ⁽¹⁾	% ⁽²⁾	Deemed Interest	% ⁽²⁾	Total Interest	% ⁽²⁾
Directors						
Teo Ser Luck	–	–	–	–	–	–
Sean Goh Su Teng	–	–	–	–	–	–
Victoria Goh Si Hui ⁽³⁾	171,000	0.02	102,300	0.01	273,300	0.03
Tan Lye Heng Paul	350,000	0.04	–	–	350,000	0.04
Ravindran s/o Ramasamy	–	–	–	–	–	–
Ng Cher Yan	150,000	0.02	–	–	150,000	0.02
Goi Kok Ming Kenneth	–	–	–	–	–	–
Substantial Shareholders						
Derek Goh Bak Heng ⁽⁴⁾	365,826,970	40.43	171,000	0.02	365,997,970	40.45
Goi Seng Hui ⁽⁵⁾	122,864,238	13.58	24,862,800	2.75	147,727,038	16.33

Notes:

- (1) Including Shares held under nominees accounts.
- (2) “%” is based on 904,841,914 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (3) Ms. Victoria Goh Si Hui is deemed interested in the 102,300 Shares held by her spouse.
- (4) Dr. Derek Goh Bak Heng is deemed interested in the 171,000 Shares held by his daughter, Ms. Victoria Goh Si Hui.
- (5) Mr. Goi Seng Hui is deemed interested in the 24,862,800 Shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Companies Act.

Save as disclosed above, none of the Directors and Substantial Shareholders or their respective Associates has any interest, direct or indirect, in the Share Buyback Mandate.

3. ACTION TO BE TAKEN BY SHAREHOLDERS

The 2022 AGM will be held on 28 April 2022 at 11.00 a.m. via a live webcast at an online link that will be provided to Shareholders upon pre-registration, notice of which is enclosed with the Annual Report 2021 for the purpose of, *inter alia*, considering and, if thought fit, passing with or without modification the Ordinary Resolution as set out in the notice of the 2022 AGM.

A Shareholder (whether individual or corporate) who wishes to exercise his/her/its voting rights at the 2022 AGM must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the 2022 AGM. In appointing the Chairman of the Meeting as proxy, Shareholders (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of an Ordinary Resolution in the instrument of proxy, failing which the appointment of the Chairman of the Meeting for the Ordinary Resolution will be treated as invalid.

CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on Monday, 18 April 2022.

The Chairman of the Meeting, as proxy, need not be a member of the Company.

The instrument appointing the Chairman of the Meeting as proxy must be submitted in the following manner:

- (a) If submitted by post, be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554; or
- (b) If submitted electronically, be submitted via email to ecomm@serialsystem.com,

in either case, by 11.00 a.m. on Monday, 25 April 2022, being no later than seventy-two (72) hours before the time appointed for holding the 2022 AGM, and in default the instrument of proxy shall not be treated as valid.

4. DIRECTORS' RECOMMENDATIONS

Save that Mr. Sean Goh and Ms. Victoria Goh have abstained from making any recommendation in respect of the proposed renewal of the Share Buyback Mandate, the Directors, having carefully considered, *inter alia*, the terms and rationale of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of the Share Buyback Mandate to be proposed at the 2022 AGM.

5. ABSTENTION FROM VOTING

In respect of the proposed renewal of the Share Buyback Mandate, Mr. Sean Goh, Ms. Victoria Goh, Ms. Victoria Goh's spouse and Dr. Derek Goh, if applicable, will abstain, and will procure their concert parties (if any) to abstain, from voting in respect of their holdings of Shares on the Ordinary Resolution, and will not accept any appointment as proxies or otherwise for voting on the Ordinary Resolution unless specific instructions have been given in the proxy form(s) on how the votes are to be cast in respect of the Ordinary Resolution.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. CONSENT

The legal adviser to the Company as to the proposed renewal of the Share Buyback Mandate, AEI Legal LLC, has given and has not withdrawn its written consent to the issue of this Appendix with the inclusion of its name herein and all references thereto in the form and context in which it appears in this Appendix and to act in such capacity in relation to this Appendix.

8. DOCUMENTS FOR INSPECTION

A copy of the following documents may be requested from the Company via email at ecomm@serialsystem.com from the date of this Appendix up to and including the date of the 2022 AGM:

- (a) the Annual Report 2021; and
- (b) the Constitution.

Yours faithfully
For and on behalf of the Board of Directors of
SERIAL SYSTEM LTD

Mr. Sean Goh Su Teng
Executive Director and Group Chief Operating Officer

SERIAL SYSTEM LTD

Company Registration No.199202071D
(Incorporated in the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

This form of proxy has been made available on SGXNET and the Company's website at <https://www.serialsystem.com> and may be accessed at https://www.serialsystem.com/wp-content/uploads/2022/04/SSL_AR_2021.pdf
Printed copies of this form of proxy will not be despatched to members.

IMPORTANT:

1. To minimise physical interactions and COVID-19 transmission risks, a member will not be able to attend the Annual General Meeting ("AGM") in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting for that resolution will be treated as invalid.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Serial System Ltd, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 18 April 2022).
3. By submitting an instrument appointing the Chairman of the Meeting as proxy, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2022.

I/We*, _____ (Name) _____ (NRIC/Passport/Co.Reg No.)

of _____ (Address)

being a member/members* of Serial System Ltd (the "**Company**"), hereby appoint:

The Chairman of the Meeting as my/our proxy* to attend, speak and vote for me/us* on my/our* behalf at the Annual General Meeting (the "**AGM**") of the Company to be convened by way of electronic means on Thursday, 28 April 2022 at 11.00 a.m. and at any adjournment thereof.

I/We direct the Chairman of the Meeting as my/our proxy* to vote for, against and/or* to abstain from voting on the resolutions to be proposed at the AGM as indicated below. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as my/our proxy* for that resolution will be treated as invalid.**

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" the relevant resolution or to abstain from voting on the relevant resolution, please indicate with an "X" in the relevant box provided below. Alternatively, if you wish the Chairman of the Meeting as your proxy to exercise some of your votes "For" or some of your votes "Against" the relevant resolution, and/or to abstain from voting on the relevant resolution, please insert the relevant number of votes in the relevant boxes provided below).

No.	Ordinary Resolutions relating to:	No. of Votes For	No. of Votes Against	No. of Votes Abstain
	Ordinary Business			
1	Adoption of Audited Financial Statements and Directors' Statement and Auditor's report for the financial year ended 31 December 2021			
2	Declaration of Final Cash Dividend as recommended by the Directors			
3	Approval of payment of Directors' Fees for the financial year ending 31 December 2022 payable quarterly in arrears			
4	Re-election of Mr. Sean Goh Su Teng as a Director of the Company			
5	Re-election of Ms. Victoria Goh Si Hui as a Director of the Company			
6	Re-election of Mr. Goi Kok Ming Kenneth as a Director of the Company			
7	Re-election of Mr. Ravindran s/o Ramasamy as a Director of the Company			
8	Re-appointment of Moore Stephens LLP as Auditors and authorisation for the Directors to fix their remuneration			
	Special Business			
9	Approval of Share Issue Mandate			
10	Authority to offer and grant Share Options and to allot and issue Shares under the Serial System Employee Share Option Scheme 2014			
11	Approval of renewal of the Share Buyback Mandate			

Dated this _____ day of _____ 2022

Total number of shares held in:	No. of shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) / Common Seal of Corporate Shareholder

*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF



Explanatory Notes For Proxy Form

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument of proxy shall be deemed to relate to all the shares held by you.
2. To minimise physical interactions and COVID-19 transmission risks, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the instrument of proxy, failing which the appointment of the Chairman of the Meeting for that resolution will be treated as invalid.
3. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on Monday, 18 April 2022.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy must be submitted in the following manner:
 - (a) If submitted by post, be deposited at the registered office of the Company at 8 Ubi View #05-01 Serial System Building Singapore 408554; or
 - (b) If submitted electronically, be submitted via email to ecomm@serialsystem.com.

in either case, by 11.00 a.m. on Monday, 25 April 2022, being no later than seventy-two (72) hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms via email.

6. The instrument appointing the Chairman of the Meeting as proxy must be signed under the hand of the appointer or by his/her attorney duly authorized in writing. Where the instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorized officer.
7. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2022.

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THAILAND
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