



SERIAL SYSTEM LTD

Company Registration No.: 199202071D
(Incorporated in Singapore on 22 April 1992)

Unaudited Half Year Financial Statement for the Period Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF- YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	The Group Year-To-Date		
		30/06/2020 US\$'000	30/06/2019 US\$'000	
Sales		314,287	431,252	-27%
Cost of sales		(295,007)	(401,166)	-26%
Gross profit		19,280	30,086	-36%
Gross profit margin		6.1%	7.0%	-0.9 pt
Other income		5,941	17,488	-66%
Interest income		1,249	1,168	7%
Other operating income		4,692	16,320	-71%
Expenses:				
Distribution		(15,413)	(20,391)	-24%
Administrative		(3,053)	(4,884)	-37%
Finance		(2,822)	(5,419)	-48%
Other:				
Loss allowance on trade and other receivables		(194)	(469)	-59%
Other operating		(9,039)	(12,305)	-27%
Total expenses		(30,521)	(43,468)	-30%
		(5,300)	4,106	NM
Share of results of associated companies (after income tax)		42	385	-89%
Share of results of joint venture (after income tax)		-	(205)	NM
(Loss)/profit before income tax	1	(5,258)	4,286	NM
Income tax expense	2	207	67	209%
(Loss)/profit after income tax		(5,051)	4,353	NM
Attributable to:				
Equity holders of the Company		(4,483)	5,429	NM
Non-controlling interests		(568)	(1,076)	-47%
		(5,051)	4,353	NM

Notes :

1. (Loss)/profit before income tax

	The Group Year-To-Date		%
	30/06/2020 US\$'000	30/06/2019 US\$'000	
(Loss)/profit from operations is arrived at after charging/(crediting) :-			
a. Depreciation and amortisation	2,087	2,586	-19
b. Amortisation of distribution rights	7	7	0
c. Loss/(gain) on disposal/closure of subsidiaries	2	(14)	NM
d. Loss on disposal of property, plant and equipment	1	-	NM
e. Fair value gain on financial assets, at fair value through profit or loss	(89)	(1,012)	-91
f. Loss/(gain) on sale on financial assets, at fair value through profit or loss	2	(952)	NM
g. Impairment loss on financial assets, at fair value through profit or loss	43	-	NM
h. Dividend income from financial assets, at fair value through profit or loss	(19)	(45)	-58
i. Impairment losses on goodwill arising from acquisition of subsidiaries	600	940	-36
j. Currency translation loss/(gain) (net)	293	(241)	NM
k. (Gain)/loss on derivative financial instruments	(94)	97	NM
l. Fair value gain on derivative financial instruments	(822)	-	NM
m. Loss allowance on trade receivables	194	469	-59
n. Allowance for inventory obsolescence	2,366	3,082	-23
o. Write-off of inventories	33	23	43
p. Consideration in relation to transfer of TI distribution business to an authorized distributor	-	(12,683)	NM
	30/06/2020	30/06/2019	
	US\$'000	US\$'000	%
2. Income tax expense			
Over provision in preceding financial years			
- Current income tax	(357)	(304)	17

NM – Not Meaningful

1(a)(ii) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group Year-To-Date		%
	30/06/2020 US\$'000	30/06/2019 US\$'000	
Net (loss)/profit after income tax	(5,051)	4,353	NM
Other comprehensive loss for the period:			
Items that will not be reclassified subsequently to profit or loss:			
Share of associated company's other comprehensive loss	(11)	(14)	-21%
Gain on revaluation of property, plant and equipment	141	-	NM
	130	(14)	NM
Items that may be reclassified subsequently to profit or loss:			
Share of associated companies' other comprehensive (loss)/income	(62)	46	NM
Share of joint venture's other comprehensive income	-	4	NM
Currency translation differences	(1,547)	334	NM
	(1,609)	384	NM
Other comprehensive (loss)/income for the period	(1,479)	370	NM
Total comprehensive (loss)/income for the period	(6,530)	4,723	NM
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(5,873)	5,600	NM
Non-controlling interests	(657)	(877)	-25%
	(6,530)	4,723	NM

NM – Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	30/06/2020 US\$'000	31/12/2019 US\$'000	30/06/2020 US\$'000	31/12/2019 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	46,395	47,106	4,094	6,341
Trade and other receivables	119,018	127,535	28,776	23,916
Inventories	123,445	120,078	-	-
Financial assets, at fair value through profit or loss	18,394	33,917	-	-
Other current assets	4,745	3,581	355	271
	311,997	332,217	33,225	30,528
Non-current assets				
Income tax recoverable	1,667	1,667	-	-
Loans and other receivables	-	-	33,942	38,278
Financial assets, at fair value through profit or loss	5,391	3,285	-	-
Financial assets, at fair value through other comprehensive income	294	129	-	-
Investments in associated companies	4,249	4,330	1,390	1,390
Investment in joint venture	-	-	-	-
Investments in subsidiaries	-	-	56,574	56,574
Property, plant and equipment	32,371	35,276	454	534
Investment properties	5,254	4,510	-	-
Intangible assets	6,372	7,368	84	117
Other assets	218	223	-	-
Deferred income tax assets	685	652	-	-
	56,501	57,440	92,444	96,893
Total Assets	368,498	389,657	125,669	127,421
LIABILITIES				
Current liabilities				
Trade and other payables	95,229	109,264	8,305	9,964
Current income tax liabilities	963	2,435	93	93
Borrowings	123,172	119,000	9,384	2,651
	219,364	230,699	17,782	12,708
Non-current liabilities				
Other payables	-	-	8,397	8,794
Borrowings	7,233	10,372	125	6,091
Defined benefit plans liabilities	735	642	-	-
Deferred income tax liabilities	705	710	334	334
	8,673	11,724	8,856	15,219
Total Liabilities	228,037	242,423	26,638	27,927
Net Assets	140,461	147,234	99,031	99,494

	The Group		The Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
	US\$'000	US\$'000	US\$'000	US\$'000
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	72,648	72,648	72,648	72,648
Treasury shares	(736)	(736)	(736)	(736)
Capital reserve	1,276	1,276	180	180
Defined benefit plans reserve	29	29	-	-
Fair value reserve	(804)	(804)	-	-
Revaluation reserve	175	45	-	-
Other reserve	(1,665)	(1,665)	-	-
Currency translation reserve	3,293	4,813	-	-
Retained earnings	58,381	63,689	26,939	27,402
	132,597	139,295	99,031	99,494
Non-controlling interests	7,864	7,939	-	-
Total Equity	140,461	147,234	99,031	99,494

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

30/06/2020		31/12/2019	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
24,442	98,730	6,378	112,622

Amount repayable after one year

30/06/2020		31/12/2019	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
US\$'000	US\$'000	US\$'000	US\$'000
3,070	4,163	9,198	1,174

Details of any collateral

- a) A term loan of the Company amounting to US\$5.7 million (31 December 2019: US\$5.9 million) which was re-financed to be payable on 31 May 2021, is secured on the following:
 - a first legal mortgage on the leasehold land and building ('Mortgaged Property') held by a wholly owned Singapore subsidiary, Serial Investment Pte Ltd;
 - an assignment of all rights and benefits relating to the Mortgaged Property;
 - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Property;
 - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Property; and
 - joint and several guarantees of certain subsidiaries of the Group.
- b) Bank borrowing of US\$0.4 million (31 December 2019: US\$0.4 million) taken by a wholly owned Malaysia subsidiary, Serial Microelectronics Sdn. Bhd., to part finance the acquisition of a property in Malaysia is secured by a first legal mortgage of the property and guarantee by a subsidiary of the Group.
- c) Bank borrowing of US\$4.9 million (31 December 2019: US\$5.0 million) taken by a wholly owned Taiwan subsidiary, Serial Investment (Taiwan) Inc., to part finance the acquisition of a property in Taiwan and for working capital requirements is secured by a first legal mortgage of the property.
- d) Bank borrowings of US\$7.3 million (31 December 2019: US\$4.0 million) taken up by a wholly owned South Korea subsidiary, Serial Microelectronics Korea Limited with two banks in 1H2020 for working capital requirements, are secured by a first legal mortgage of its property in South Korea.
- e) Bank borrowings of US\$9.0 million (31 December 2019: Nil) taken up by the Group's 91.0% owned Hong Kong and China subsidiaries, Serial Microelectronics (HK) Limited and Serial Microelectronics (Shenzhen) Co. Ltd ("SMSZ") respectively with two banks in 1H2020 for working capital requirements, are secured by a first legal mortgage of SMSZ's property in China, Shenzhen.
- f) Lease liabilities of US\$0.26 million (31 December 2019: US\$0.31 million) are secured on the Group's assets acquired under leasing agreements.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Year-To-Date	
	30/06/2020 US\$'000	30/06/2019 US\$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(5,258)	4,286
Adjustments for:		
Amortisation of computer software license costs	67	77
Amortisation of distribution rights	7	7
Depreciation of property, plant and equipment	2,020	2,509
Loss on disposal of property, plant and equipment	1	-
Fair value gain on financial assets, at fair value through profit or loss	(89)	(1,012)
Loss/(gain) on sale of financial assets, at fair value through profit or loss	2	(952)
Impairment loss on financial assets, at fair value through profit or loss	43	-
Dividend income from financial assets, at fair value through profit or loss	(19)	(45)
Impairment losses on goodwill arising from acquisition of subsidiaries	600	940
Loss/(gain) on disposal/closure of subsidiaries	2	(14)
Consideration in relation to transfer of TI distribution business to an authorized distributor	-	(12,683)
Provision for defined benefit plans liabilities	105	382
Interest income	(1,249)	(1,168)
Interest expense	2,822	5,419
Share of results of associated companies	(42)	(385)
Share of results of joint venture	-	205
Operating cash flow before working capital changes	(988)	(2,434)
Changes in working capital		
Trade and other receivables	11,767	42,079
Financial assets, at fair value through profit or loss	15,480	35,299
Inventories	(3,753)	31,926
Other current assets	(1,205)	(135)
Other assets (non-current)	5	48
Trade and other payables	(17,917)	(40,497)
Cash from operations	3,389	66,286
Income tax paid	(1,421)	(1,210)
Net cash provided by operating activities	1,968	65,076

	Year-To-Date	
	30/06/2020 US\$'000	30/06/2019 US\$'000
Cash flows from investing activities		
Payments for intangible assets (computer software license costs)	-	(132)
Payments for property, plant and equipment	(193)	(212)
Proceeds from sale of financial assets, at fair value through profit or loss	748	2,847
Net cash outflow on disposal of subsidiaries	(62)	-
Payments for financial assets, at fair value through profit or loss	(2,809)	(483)
Payments for financial assets, at fair value through other comprehensive income	(168)	-
Dividend received from an associated company	50	-
Dividends received from financial assets, at fair value through profit or loss	19	45
Interest received	1,257	1,170
Net cash (used in)/provided by investing activities	(1,158)	3,235
Cash flows from financing activities		
Subscription of additional interests in subsidiaries by non-controlling interests	567	1
Dividends paid to shareholders of the Company	(825)	(3,026)
Proceeds from bank borrowings	246,588	344,511
Proceeds from other borrowings	7,943	-
Repayment of bank borrowings	(240,925)	(415,095)
Repayment of other borrowings	(10,416)	-
Principal payment of lease liabilities	(1,134)	(1,311)
Interest paid	(3,005)	(5,695)
Net cash used in financing activities	(1,207)	(80,615)
Net decrease in cash and cash equivalents held	(397)	(12,304)
Cash and cash equivalents at the beginning of the period	46,110	58,254
Effect of currency translation on cash and cash equivalents	(292)	(2)
Cash and cash equivalents at the end of the period	45,421	45,948
Reconciliation:		
Cash and cash equivalents per statement of financial position	46,395	46,924
Less : Bank deposits pledged for overdraft facility	(974)	(976)
Cash and cash equivalents per consolidated cash flow statement	45,421	45,948

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →										Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Defined benefit plans reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Other reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to equity holders of the Company US\$'000		
Balance at 1 January 2020	72,648	(736)	1,276	29	(804)	45	(1,665)	4,813	63,689	139,295	7,939	147,234
Total comprehensive (loss)/income for the period	-	-	-	-	-	130	-	(1,520)	(4,483)	(5,873)	(657)	(6,530)
One-tier tax-exempt final cash dividend for year 2019	-	-	-	-	-	-	-	-	(825)	(825)	-	(825)
Subscription of additional interests in subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	567	567
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	15	15
Balance at 30 June 2020	72,648	(736)	1,276	29	(804)	175	(1,665)	3,293	58,381	132,597	7,864	140,461
Balance at 1 January 2019	72,648	(736)	1,276	(206)	(742)	59	(765)	4,794	60,401	136,729	7,732	144,461
Effect of change in accounting policy on adoption of SFRS(I) 16	-	-	-	-	-	-	-	-	(270)	(270)	-	(270)
Balance at 1 January 2019 (restated)	72,648	(736)	1,276	(206)	(742)	59	(765)	4,794	60,131	136,459	7,732	144,191
Total comprehensive income/(loss) for the period	-	-	-	-	-	(14)	-	185	5,429	5,600	(877)	4,723
One-tier tax-exempt final cash dividend for year 2018	-	-	-	-	-	-	-	-	(3,026)	(3,026)	-	(3,026)
Subscription of additional interest in a subsidiary by a non-controlling interest	-	-	-	-	-	-	-	-	-	-	1	1
Balance at 30 June 2019	72,648	(736)	1,276	(206)	(742)	45	(765)	4,979	62,534	139,033	6,856	145,889

Statement of Changes in Equity - Company

	Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2020	72,648	(736)	180	27,402	99,494
Total comprehensive income for the period	-	-	-	362	362
One-tier tax-exempt final cash dividend for year 2019	-	-	-	(825)	(825)
Balance at 30 June 2020	72,648	(736)	180	26,939	99,031
Balance at 1 January 2019	72,648	(736)	180	27,486	99,578
Total comprehensive income for the period	-	-	-	340	340
One-tier tax-exempt final cash dividend for year 2018	-	-	-	(3,026)	(3,026)
Balance at 30 June 2019	72,648	(736)	180	24,800	96,892

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no ordinary shares issued since the end of the financial period ended 31 December 2019.

There were no purchase, sale, transfer, disposal, cancellation and use of treasury shares since the end of the financial year ended 31 December 2019.

There were no outstanding share options as at 30 June 2020 (30 June 2019: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>30/06/2020</u>	<u>31/12/2019</u>
Total number of issued shares	905,787,914	905,787,914
Total number of treasury shares	(9,946,000)	(9,946,000)
Total number of issued shares excluding treasury shares	895,841,914	895,841,914

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Please refer to 1(d)(ii).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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

The Board of Directors of the Company confirms to the best of their knowledge that nothing has come to their attention which may render the unaudited Half Year Financial Statements for the period ended 30 June 2020 to be false or misleading.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

3(a) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(i) Updates on the efforts taken to resolve each outstanding audit issue.

(ii) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to paragraph 4 above.

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

	Year-To-Date	
	30/06/2020	30/06/2019
Based on the weighted average number of ordinary shares in issue (in US\$); and	(0.50) cent	0.61 cent
On a fully diluted basis (in US\$)	(0.50) cent	0.61 cent

Earnings per ordinary share on existing issued share capital are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1H2019: 895,841,914).

Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1H2019: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

There were no potential dilutive ordinary shares for the financial period ended 30 June 2020 and 30 June 2019.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) current financial period reported on; and

(b) immediately preceding financial year.

	The Group		The Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on (in US\$)	14.80 cents	15.55 cents	11.05 cents	11.11 cents

Net assets value per ordinary share as at 30 June 2020 and 31 December 2019 is calculated based on the net assets value attributable to the owners of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 895,841,914.

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

Income Statement

Results for Six Months Ended 30 June 2020

The Group recorded turnover of US\$314.3 million for the half year ended 30 June 2020 ("1H2020"), a decrease of 27% compared to US\$431.3 million for the same period last year ("1H2019").

Turnover for the electronic components distribution business declined by 30% to US\$286.7 million, mainly due to the termination of the distribution business with Texas Instruments ("TI") which has impacted sales in all markets in Asia which the Group operates. Excluding the impact of the decline in turnover due to the TI termination, turnover for the electronic components distribution business only decreased by 9%, mainly due to the COVID-19 pandemic which has caused supply chain disruptions and weigh on global consumer sentiment and demand, compounding challenges earlier imposed by escalating China-US trade tensions. In spite of this, the Group's ongoing efforts to realign its resources to grow its existing product lines managed to bridge the gap in turnover for 1H2020.

Turnover for the consumer products distribution business increased 33% to US\$23.1 million boosted by higher sales in Malaysia, which saw an increase in demand for tele-conferencing and computer accessories as a result of the movement control order imposed by the Malaysian government on 18 March 2020. The increase was offset by lower sales in Singapore market as demand was dampened by the circuit breaker measures to curb the spread of the COVID-19 virus.

Overall gross profit margin ("GPM") decreased to 6.1% from 7.0% in 1H2019, due to lower margins achieved by both the electronic components distribution and consumer products distribution businesses as a result of keen market competition in a challenging environment. The impact of lower GPM was mitigated by the Group's South Korea electronic components distribution subsidiary, which secured higher-margin product lines in 1H2020.

Other income decreased by US\$11.5 million or 66% to US\$5.9 million. In 1H2019, there was a net consideration of US\$12.7 million in relation to the transfer of the TI distribution business to an authorized distributor, gain on sale and fair value gain on financial assets, at fair value through profit or loss totaling US\$2.0 million. Fair value gain on derivative financial instruments of US\$0.8 million, higher rebates and commission income of US\$1.0 million from suppliers and government grants of US\$1.0 million received by the Group in 1H2020 narrowed the difference in other operating income between 1H2020 and 1H2019.

Distribution expenses decreased by US\$5.0 million or 24%, mainly due to lower staff and related costs in 1H2020 as the Group implemented cost containment measures to mitigate the impact of COVID-19. Lower sales commission, local and overseas travelling, and entertainment expenses also contributed to the decline in distribution expenses in 1H2020.

Administrative expenses decreased by US\$1.8 million or 37%. The decrease was mainly due to lower staff-related costs, bank charges and professional fees associated with the electronic components distribution business.

Finance expenses decreased by US\$2.6 million or 48%. The decrease was mainly due to lower bank borrowings in line with the decrease in sales and lower interest rates across all trade facilities in 1H2020 compared with 1H2019.

Other operating expenses decreased by US\$3.5 million or 28%. Lower staff costs and lower depreciation charges, impairment losses on goodwill arising from acquisition of subsidiaries, allowance for inventory obsolescence and loss allowance on trade receivables in 1H2020 contributed to the reduction in other operating expenses. This was partially offset by a currency translation loss in 1H2020 as opposed to a currency translation gain in 1H2019.

The Group's 19.02%-owned Bull Will Co., Ltd ("Bull Will") and 20% owned PT Sentral Mitra Informatika contributed to the share of net profit from associated companies of US\$42,000 in 1H2020 compared to US\$479,000 in 1H2019. Bull Will reported higher profit of US\$444,000 in 1H2019 mainly due to partial recovery of insurance claim on certain customers' trade receivables impaired in 2016.

The Group has not recognised losses relating to 27.5%-owned Musang Durians Frozen Food (M) Sdn. Bhd. ("MDFP") in 1H2020 as it has fully impaired its investment in MDFP in FY2019.

The Group reported a net loss of US\$4.5 million in 1H2020 as compared to a net profit after tax of US\$5.4 million in 1H2019 mainly due to lower gross profit earned as a result of lower sales and gross profit margin offset by lower overall expenses. The net profit after tax for 1H2019 included a gain of US\$12.7 million net consideration in relation to the transfer of TI distribution business to an authorized distributor.

Statement of Financial Position

Trade and other receivables decreased by US\$8.5 million (net of factored trade receivables), mainly attributed to the Group's Hong Kong electronic components distribution subsidiary in 1H2020 as well as a reduction in other receivables in the Group's Singapore electronic components distribution subsidiary as it received its final consideration fee in relation to the transfer of TI distribution business to an authorised distributor in 1H2020. The decrease is partially offset by higher trade receivables on higher sales achieved by the Group's Malaysia consumer products distribution subsidiary in 1H2020. Average turnover days for trade receivables declined to 76 in 1H2020 from 87 in FY2019.

Inventories increased by US\$3.4 million, mainly due to higher inventories held by the Group's South Korea and Taiwan electronic components distribution subsidiaries as they secured new product lines in 1H2020 and consumer products held by the Group's Singapore fast moving consumer products subsidiaries. The increase is partially offset by lower inventories held by the Group's Singapore and Hong Kong electronic components distribution subsidiaries in 1H2020.

Financial assets, at fair value through profit or loss (current assets) decreased by US\$15.5 million, mainly due to the reduction in reclassification from trade receivables by US\$15.5 million to US\$18.4 million (FY2019: reclassification from trade receivables of US\$33.9 million). This was due to lower sales achieved by the Group's electronic components distribution subsidiaries in 1H2020.

The Company's other receivables (current assets) increased by US\$4.9 million mainly due to additional short term inter-company loans to the Group's Singapore subsidiaries in other businesses and its Hong Kong electronic components distribution subsidiary. Loans and other receivables (non-current assets) of the Company decreased by US\$4.3 million, mainly attributed to repayment of long term inter-company loans by the Group's Singapore electronic components distribution subsidiary in 1H2020.

Financial assets, at fair value through profit or loss (non-current assets) increased by US\$2.1 million, mainly due to an equity investment in a Singapore unlisted corporation amounting to US\$2.7 million in 1H2020. The increase is partially offset by a full recovery of an investment for US\$0.6 million in a residential and commercial property development on two pieces of land located in Phnom Penh, Cambodia in 1H2020.

Property, plant and equipment decreased by US\$2.9 million, mainly due to depreciation charges amounting to US\$2.0 million, a currency translation loss of about US\$0.7 million and a reclassification of an office unit owned by a China subsidiary amounting to US\$0.4 million to investment properties. Additions to property, plant and equipment amounting to US\$0.2 million partially offset the decrease in property, plant and equipment.

Investment properties increased by US\$0.7 million mainly due to the reclassification of US\$0.4 million from property, plant and equipment as detailed above and a currency translation gain of US\$0.2 million in 1H2020.

Intangible assets decreased by US\$1.0 million, mainly due to impairment losses amounting to US\$0.6 million provided on goodwill arising from the acquisition of electronic components distribution subsidiaries and a currency translation loss of US\$0.4 million in 1H2020.

Trade and other payables decreased by US\$14.0 million, mainly due to lower purchases and lower other payables by the Group's Hong Kong and Singapore electronic components distribution subsidiaries in 1H2020. Higher purchases by the South Korea and Taiwan electronic components distribution subsidiaries and a Singapore consumer products distribution subsidiary partially offset the decrease in trade and other payables. Average payment days for trade payables increased slightly to 41 in 1H2020 from 40 in FY2019.

Borrowings increased by US\$1.0 million, mainly due to additional loans undertaken by the Group's Singapore and South Korea electronic components distribution subsidiaries to finance their working capital requirements. The increase was negated by lower borrowings from the Group's Hong Kong electronic components distribution subsidiary and the Group's consumer products distribution subsidiaries in 1H2020. The Company's previously non-current portion of a term loan amounting to US\$5.7 million and payable on 31 May 2021, was reclassified to current borrowings as at 30 June 2020. Included in the Company's current borrowings is an interest-bearing loan amounting to S\$5.0 million (US\$3.6 million) from the Company's substantial shareholder, Mr Goi Seng Hui.

Currency translation reserve decreased by US\$1.5 million mainly due to a decrease in the value of the Group's investments in its subsidiaries, arising from the strengthening of the United States Dollar against these subsidiaries' functional currencies, in particular, the Chinese Renminbi, Korean Won, Singapore Dollar and Thailand Baht.

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

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

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

The Group continues to closely monitor the state of the Asian markets in which it operates. The COVID-19 pandemic has disrupted global supply chains and upended global demand and supply. Combined with uncertainty in the global market and China market due to the ongoing China-US trade tensions, the Group expects the operating environment to be increasingly challenging going into the second half of the financial year.

The Group will continue its cost-containment measures to mitigate the impact of COVID-19, such as tiered salary cuts for various staff, with senior management taking a cut of up to 50%, as well as optimising operating efficiency. The Group will also continue to expand its range of suppliers of semiconductors and seek to position itself as the preferred supplier amongst its customers.

11. Dividend

a) Current Financial Period Reported On

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

b) Corresponding Period of the Immediately Preceding Financial Year

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

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

c) Date payable

Not applicable.

d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the current financial period reported on as the Board deemed it necessary to preserve cash for working capital requirements.

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

No general mandate from shareholders has been obtained for IPTs.

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

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

BY ORDER OF THE BOARD

Derek Goh Bak Heng
Executive Chairman/Group CEO
11 August 2020