



**SERIAL SYSTEM LTD**  
新暉科技有限公司

Company Reg No.: 199202071D

(Incorporated in Singapore on 22 April 1992)

**Half-Year Financial Statement and Dividend Announcement for the Period Ended 30 June 2010**

**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		
		30/06/2010 S\$'000	30/06/2009 S\$'000	
Sales		370,992	229,068	62%
Cost of sales		(335,248)	(208,459)	61%
<b>Gross profit</b>		<b>35,744</b>	20,609	73%
Other operating income	1	2,065	1,677	23%
Expenses:				
Distribution	2	(15,003)	(9,576)	57%
Administrative	3	(3,260)	(2,614)	25%
Finance	4	(949)	(559)	70%
Other	5	(8,946)	(7,430)	20%
<b>Total expenses</b>		<b>(28,158)</b>	(20,179)	40%
		<b>9,651</b>	2,107	358%
Share of results of associated companies (after income tax)		163	(170)	196%
<b>Profit before income tax</b>	6	<b>9,814</b>	1,937	407%
Income tax expense	7	(2,692)	(703)	283%
<b>Profit after income tax</b>		<b>7,122</b>	1,234	477%
<b>Attributable to:</b>				
Equity holders of the Company		6,488	1,185	448%
Non-controlling interests		634	49	1,194%
		<b>7,122</b>	1,234	477%

## **Notes to income statement**

### **1. Other operating income**

Other operating income increased by about S\$0.4 million or 23%.

There was an increase in sales commission and service income from about S\$0.6 million for the period ended 30 June 2009 ('1H2009') to about S\$1.1 million for the period ended 30 June 2010 ('1H2010'). This was mainly due to higher sales commission income earned by the Group's Korean subsidiaries due to strong global demand for electronic products supported by global recovery of the semiconductor industry. The Group also derived higher rental income of S\$0.3m for 1H2010 as compared to S\$0.2m for 1H2009 for its investment properties.

Included in 1H2010 "Other operating income" was a gain on dilution of interests in an associated company, Bull Will Co., Ltd amounting to about S\$0.3 million (1H2009: Nil) arising from the exercise of staff share options and issue of new placement shares. Bull Will Co., Ltd is a Taiwan incorporated company listed on the Over-The-Counter Securities Exchange in Taiwan.

There was no recovery of bad debt in 1H2010 (1H2009: S\$0.6 million).

### **2. Distribution expenses**

Distribution expenses increased by about S\$5.4 million or 57%.

The increase is mainly due to higher sales related costs as a result of increase in Group's sales in 1H2010 as compared with 1H2009.

Increase in staff salaries, accrued bonuses and incentives, and related costs also contributed to the increase in distribution expenses.

### **3. Administrative expenses**

Administrative expenses increased by about S\$0.6 million or 25%.

The increase is mainly due to higher bank charges as a result of higher utilisation of trade facilities in line with higher sales for the Group in 1H2010 as compared with 1H2009.

Staff related costs (insurance costs, staff welfare) also contributed to the increase in administrative expenses as the Group increased its staff strengths to support the increase in sales activities.

### **4. Finance costs**

Finance expenses increased by about S\$0.4 million or 70% mainly due to higher utilisation of trade facilities in line with higher sales for the Group in 1H2010 as compared with 1H2009.

## 5. Other operating expenses

Other operating expenses increased by about S\$1.5 million or 20%.

The increase is mainly due to:

- (i) Currency translation reserve realised to income statement upon repayment of inter-company long term loans of about S\$1.2 million (1H2009: S\$0.1 million);
- (ii) Staff salaries, accrued bonuses and incentives, and related costs of about S\$3.0 million (1H2009: S\$2.1 million);
- (iii) Amortisation charge for product distribution rights acquired in May 2009 of about S\$0.7 million (1H2009: S\$0.1 million); and
- (iv) Fair value losses on financial assets, at fair value through profit or loss of about S\$0.4 million (1H2009: Gain of S\$45,000).

Lower allowances for impairment losses on trade receivables of about S\$0.9 million (1H2009: S\$1.5 million) and currency translation loss (net) of about S\$0.3 million (1H2009: S\$0.9 million) negated the impact of the increase in “Other operating expenses”.

## 6. Profit before income tax

	The Group		
	30/06/2010	30/06/2009	%
	S\$'000	S\$'000	
Profit from operations is arrived at after charging/(crediting) :-			
a. Depreciation and amortisation	399	448	-11
b. Amortisation of distribution rights	672	114	489
c. Impairment losses on goodwill arising from acquisition of subsidiaries	947	600	58
d. Loss on disposal of property, plant and equipment	20	43	-53
e. Allowance for impairment losses on trade receivables	868	1,537	-44
f. Allowance for inventory obsolescences (net)	700	699	0
g. Gain on dilution of interests in an associated company	(278)	-	NM
h. Currency translation loss (net)	278	897	-69
i. Currency translation reserve realised to income statement upon repayment of inter-company long term loans	1,202	137	777
j. Loss on derivative financial instruments	130	40	225
k. Fair value gain on derivative financial instruments	(167)	(103)	62
l. Impairment loss on financial asset, available-for-sale	-	100	NM
m. Gain on sale of financial assets, at fair value through profit or loss	(35)	(46)	-24
n. Fair value losses/(gain) on financial assets, at fair value through profit or loss	361	(45)	-902
o. Interest income	(34)	(29)	17

	30/06/2010	30/06/2009	%
	S\$'000	S\$'000	
<b>7. Income tax expense</b>			
- Current income tax	2,645	756	250
- Under/(over) provision in preceding financial year	47	(53)	-189
	<b>2,692</b>	<b>703</b>	<b>283%</b>

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		
	30/06/2010	30/06/2009	
	S\$'000	S\$'000	
<b>Profit after income tax for the period</b>	7,122	1,234	477%
<b>Other comprehensive income for the period:</b>			
Currency translation differences	602	553	9%
<b>Total comprehensive income for the period</b>	<b>7,724</b>	<b>1,787</b>	<b>332%</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	7,103	1,744	307%
Non-controlling interests	621	43	1344%
<b>Total comprehensive income for the period</b>	<b>7,724</b>	<b>1,787</b>	<b>332%</b>

**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	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	13,597	20,749	557	349
Trade and other receivables <sup>1</sup>	110,681	68,253	9,376	8,058
Inventories <sup>2</sup>	82,552	70,144	-	-
Financial assets, at fair value through profit or loss	818	995	-	-
Other current assets <sup>3</sup>	3,166	857	151	108
	<b>210,814</b>	<b>160,998</b>	<b>10,084</b>	<b>8,515</b>
<b>Non-current assets</b>				
Loans and receivables <sup>4</sup>	-	-	59,754	70,387
Financial assets, available-for-sale	1,092	592	-	-
Investment in associated companies <sup>5</sup>	7,297	5,764	6,516	5,427
Investment in subsidiaries	-	-	28,705	28,705
Property, plant and equipment <sup>6</sup>	9,643	6,013	493	249
Investment properties	12,611	12,611	2,000	2,000
Intangible assets	11,451	12,758	52	86
Other assets	1,103	1,068	-	-
Deferred income tax assets	605	698	-	-
	<b>43,802</b>	<b>39,504</b>	<b>97,520</b>	<b>106,854</b>
<b>Total Assets</b>	<b>254,616</b>	<b>200,502</b>	<b>107,604</b>	<b>115,369</b>

## **LIABILITIES**

### **Current liabilities**

Trade and other payables <sup>7</sup>	<b>80,235</b>	59,152	<b>2,393</b>	2,684
Current income tax liabilities	<b>2,721</b>	839	<b>569</b>	378
Borrowings <sup>8</sup>	<b>65,204</b>	39,453	<b>3,260</b>	7,800
	<b>148,160</b>	99,444	<b>6,222</b>	10,862

### **Non-current liabilities**

Borrowings <sup>8</sup>	<b>7,068</b>	6,940	<b>2,015</b>	3,400
Provision for severance benefits	<b>431</b>	262	-	-
Deferred income tax liabilities	<b>227</b>	318	<b>62</b>	62
	<b>7,726</b>	7,520	<b>2,077</b>	3,462

### **Total Liabilities**

	<b>155,886</b>	106,964	<b>8,299</b>	14,324
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### **Net Assets**

## **EQUITY**

### **Capital and reserves attributable to the Company's equity holders**

Share capital <sup>9</sup>	<b>88,089</b>	87,803	<b>88,089</b>	87,803
Capital reserve <sup>9</sup>	<b>308</b>	308	<b>308</b>	308
Share option reserve <sup>9</sup>	<b>121</b>	121	<b>121</b>	121
Currency translation reserve <sup>9</sup>	<b>(5,396)</b>	(6,011)	-	-
Retained earnings <sup>9</sup>	<b>13,475</b>	9,744	<b>10,787</b>	12,813

	<b>96,597</b>	91,965	<b>99,305</b>	101,045
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### **Non-controlling interests**

	<b>2,133</b>	1,573	-	-
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### **Total Equity**

	<b>98,730</b>	93,538	<b>99,305</b>	101,045
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## **Notes to the statement of financial position**

1. Trade and other receivables increased by about S\$42.4 million when compared to 31 December 2009. The increase is due to higher sales recorded by the Group. The Group's Hong Kong, China and Singapore subsidiaries contributed mainly to the increase, in line with their significant increase in sales riding on the back of a recovery in the semiconductor industry and improved economic and financial environment.
2. Inventories increased by about S\$12.4 million when compared to 31 December 2009. The increase is mainly due to higher amounts of inventories held by the Group's Hong Kong subsidiary as at 30 June 2010 when compared to 31 December 2009 due mainly to higher sales volume anticipated in Greater China for the third quarter of 2010.
3. Other current assets increased by about S\$2.3 million when compared to 31 December 2009. The increase is mainly due to a down payment of S\$2.0 million made by the Group's Taiwan subsidiary for the purchase of an investment property comprising two office units. This transaction was completed in July 2010. The purchase of the investment property is to facilitate the business expansion of the Group's 82.5% Taiwan subsidiary, Serial Microelectronics Inc. and associated company, Bull Will Co., Ltd.
4. Loans and receivables decreased by about S\$10.6 million when compared to 31 December 2009. The decrease is mainly due to repayment of loans by the subsidiaries to the Company.
5. Investment in associated companies increased by about S\$1.5 million when compared to 31 December 2009. The increase is mainly due to subscription of 2.7 million placement shares of Bull Will Co., Ltd at NT\$9.23 (S\$0.40) per share. The Group's interest in Bull Will Co., Ltd was 34.9% at 30 June 2010 (31 December 2009: 34.5%).

6. Property, plant and equipment increased by about S\$3.6 million when compared to 31 December 2009. The increase is mainly due to payment for the purchase and installation of a LED advertising display media wall at Grand Park Orchard amounting to S\$3.3 million by the Group's 65% Singapore subsidiary, Serial Multivision Pte Ltd.
7. Trade and other payables increased by about S\$21.1 million when compared to 31 December 2009. The increase is mainly due to higher purchases and higher inventories held mainly by the Group's Hong Kong subsidiary as detailed in (2) above.
8. Borrowings increased by about S\$25.9 million when compared to 31 December 2009. The increase is mainly due to higher bank borrowings by the Group's Hong Kong and Singapore subsidiaries to finance increased volume of businesses in 2010. Bank borrowing of S\$1.8 million (31 December 2009: Nil) was taken by a Singapore subsidiary to part finance the purchase and installation of a LED advertising display media wall at Grand Park Orchard.
9. Movement in share capital and reserves of the Group and the Company is disclosed in note 1(d)(i) "Statement of changes in equity".

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

**Amount repayable in one year or less, or on demand**

As at 30 June 2010		As at 31 December 2009	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
3,833	61,371	3,297	36,156

**Amount repayable after one year**

As at 30 June 2010		As at 31 December 2009	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
5,387	1,681	5,521	1,419

**Details of any collateral**

- a) A S\$10.0 million three years term loan taken with a bank by the Company on 30 January 2009 amounting to S\$5.0 million (31 December 2009: S\$6.6 million) is secured by the following:
  - a first legal mortgage of the following properties of a wholly owned subsidiary ("Mortgaged Properties")
    - the leasehold land and building at 8 Ubi View, Serial System Building, Singapore; and
    - three freehold factory units at 76, Playfair Road, LHK2 Building, Singapore.
  - an assignment of all rights and benefits relating to the Mortgaged Properties;
  - an assignment of all rights, title interest and benefits in tenancy agreements, relating to the Mortgaged Properties;
  - an assignment of all rights and benefits under the insurance policies taken in relation to the Mortgaged Properties; and
  - joint and several guarantees of certain subsidiaries of the Group.

- b) Bank borrowing of S\$2.1 million (31 December 2009: S\$2.2 million) taken by a Taiwan subsidiary to part finance the acquisition of two investment properties in Taiwan are secured by the following:
- a first legal mortgage of the investment properties; and
  - a continuing corporate guarantee amounting to about S\$2.2 million by the Company.
- c) Bank borrowing of S\$1.8 million (31 December 2009: Nil) taken by a Singapore subsidiary to finance the purchase and installation of LED advertising display media wall at Grand Park Orchard is secured by the following:
- a debenture over all present and future assets of the Singapore subsidiary, including a fixed charge on the LED advertising display media wall;
  - a deed of subordination in respect of all present and future indebtedness of the Singapore subsidiary; and
  - a continuing corporate guarantee amounting to S\$4.48 million by the Company.
- d) Finance lease liabilities of S\$0.3 million (31 December 2009: Nil) were secured on the Company's motor vehicle acquired under finance lease 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.**

	30/6/2010 S\$'000	30/6/2009 S\$'000
<b>Cash flows from operating activities</b>		
Net profit	7,122	1,234
Adjustments for:		
Income tax expense	2,692	703
Amortisation of computer software license and development costs	56	28
Amortisation of product distribution rights	672	114
Depreciation of property, plant and equipment	343	420
Loss on disposal of property, plant and equipment	20	43
Impairment loss on financial asset, available-for-sale	-	100
Impairment losses on goodwill arising from acquisition of subsidiaries	947	600
Gain on dilution of interests in an associated company	(278)	-
Fair value gain on derivative financial instruments	(167)	(103)
Gain on sale of financial assets, at fair value through profit or loss	(35)	(46)
Fair value losses/(gain) on financial assets, at fair value through profit or loss	361	(45)
Provision for severance benefits	241	182
Interest income	(34)	(29)
Interest expense	949	559
Share of results of associated companies	(163)	170
Unrealised currency translation loss	695	501
Operating cash flow before working capital changes	13,421	4,431
Change in operating assets and liabilities		
Trade and other receivables	(42,760)	(4,284)
Inventories	(12,408)	(3,931)
Other current assets	(405)	151
Other non-current assets	(35)	205
Trade and other payables	19,345	6,528
Cash (used in)/from operations	(22,842)	3,100
Income tax paid	(704)	(121)
<b>Net cash (used in)/provided by operating activities</b>	<b>(23,546)</b>	<b>2,979</b>

	30/6/2010 S\$'000	30/6/2009 S\$'000
<b>Cash flows from investing activities</b>		
Payments for intangible assets (computer software license)	(56)	(24)
Payments for intangible assets (distribution rights)	(13)	(5,179)
Payments for property, plant and equipment	(1,991)	(177)
Payment for acquisition of an investment property	-	(10)
Down payment for acquisition of an investment property	(2,020)	-
Proceeds from disposal of property, plant and equipment	121	71
Proceeds from sale of financial assets, at fair value through profit or loss	367	137
Payments for acquisition of additional interests in a subsidiary from non-controlling shareholders	(65)	-
Payment to a non-controlling shareholder of a subsidiary	-	(243)
Payments for acquisition of additional interests in an associated company	(1,089)	(2)
Payments for financial assets, available-for-sale	(500)	(439)
Payments for financial assets, at fair value through profit or loss	(516)	(190)
Dividends paid to non-controlling shareholders	-	(263)
Interest received	28	27
<b>Net cash used in investing activities</b>	<b>(5,734)</b>	<b>(6,292)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares, net of share issue expenses	286	6,325
Dividends paid	(2,757)	(1,509)
Proceeds from bank borrowings	105,775	35,857
Proceeds from lease liabilities	-	-
Repayment of bank borrowings	(80,138)	(20,196)
Repayment of Transferable Loan Facility	-	(9,950)
Repayment of lease liabilities	(28)	(25)
Interest paid	(950)	(546)
<b>Net cash provided by financing activities</b>	<b>22,188</b>	<b>9,956</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(7,092)</b>	<b>6,643</b>
Effect of currency rate changes on cash and cash equivalents	(60)	72
Cash and cash equivalents at the beginning of the financial period	20,749	15,340
<b>Cash and cash equivalents at the end of the financial period</b>	<b>13,597</b>	<b>22,055</b>

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

	Share capital S\$'000	Capital reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>Balance at 1 January 2010</b>	<b>87,803</b>	<b>308</b>	<b>121</b>	<b>(6,011)</b>	<b>9,744</b>	<b>91,965</b>	<b>1,573</b>	<b>93,538</b>
Total comprehensive income for the period	-	-	-	615	6,488	7,103	621	7,724
One-tier tax-exempt final cash dividend for year 2009	-	-	-	-	(2,757)	(2,757)	-	(2,757)
Exercise of Warrant W101220	286	-	-	-	-	286	-	286
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	(61)	(61)
<b>Balance at 30 June 2010</b>	<b>88,089</b>	<b>308</b>	<b>121</b>	<b>(5,396)</b>	<b>13,475</b>	<b>96,597</b>	<b>2,133</b>	<b>98,730</b>

Consolidated Statement of Changes in Equity [cont'd]

	Attributable to equity holders of the Company						Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
<b>Balance at 1 January 2009</b>	<b>79,096</b>	<b>2,691</b>	<b>121</b>	<b>(7,042)</b>	<b>4,714</b>	<b>79,580</b>	<b>1,406</b>	<b>80,986</b>
Total comprehensive income for the period	-	-	-	559	1,185	1,744	43	1,787
One-tier tax-exempt final cash dividend for year 2008	-	-	-	-	(1,509)	(1,509)	-	(1,509)
Rights issue of new shares	6,638	-	-	-	-	6,638	-	6,638
Shares issue expenses	(315)	-	-	-	-	(315)	-	(315)
Exercise of Warrant W090206	1	-	-	-	-	1	-	1
Transfer on expiry of Warrant W090206	2,383	(2,383)	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(263)	(263)
<b>Balance at 30 June 2009</b>	<b>87,803</b>	<b>308</b>	<b>121</b>	<b>(6,483)</b>	<b>4,390</b>	<b>86,139</b>	<b>1,186</b>	<b>87,325</b>

**Statement of Changes in Equity - Company**

	Share capital S\$'000	Capital reserve S\$'000	Share option reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<b>Balance at 1 January 2010</b>	<b>87,803</b>	<b>308</b>	<b>121</b>	<b>12,813</b>	<b>101,045</b>
Total comprehensive income for the period	-	-	-	731	731
One-tier tax-exempt final cash dividend for year 2009	-	-	-	(2,757)	(2,757)
Exercise of Warrant W101220	286	-	-	-	286
<b>Balance at 30 June 2010</b>	<b>88,089</b>	<b>308</b>	<b>121</b>	<b>10,787</b>	<b>99,305</b>
<b>Balance at 1 January 2009</b>	<b>79,096</b>	<b>2,691</b>	<b>121</b>	<b>14,336</b>	<b>96,244</b>
Total comprehensive income for the period	-	-	-	1,219	1,219
One-tier tax-exempt final cash dividend for year 2008	-	-	-	(1,509)	(1,509)
Rights issue of new shares	6,638	-	-	-	6,638
Shares issue expenses	(315)	-	-	-	(315)
Exercise of Warrant W090206	1	-	-	-	1
Transfer on expiry of Warrant W090206	2,383	(2,383)	-	-	-
<b>Balance at 30 June 2009</b>	<b>87,803</b>	<b>308</b>	<b>121</b>	<b>14,046</b>	<b>102,278</b>

**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 also 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.**

Since the end of the previous financial year ended 31 December 2009, 3,179,251 ordinary shares were issued pursuant to the exercise of 3,179,251 Warrant W101220 at an exercise price of S\$0.09 per ordinary share.

As at 30 June 2010, there were 3,227,000 (31 December 2009: 3,941,000) outstanding share options under the Serial System Executives Share Option Scheme and unexercised 97,387,586 Warrant W101220. The Warrant W101220 has an expiry date of 20 December 2010.

**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>30/06/2010</u>	<u>31/12/2009</u>
Total number of issued shares	727,292,134	724,112,883
Total number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>727,292,134</u>	<u>724,112,883</u>

**1(d)(iii) 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.**

Not applicable.

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

We hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company, which may render the unaudited Half Year Financial Statements for the period ended 30 June 2010 to be false or misleading.

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

The figures in the Half-Year Financial Statement have not been audited nor reviewed.

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

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 adopted the new or revised FRS which are relevant to the Group. It does not have any impact on the results and financial position of the Group and Company.

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.**

		The Group	
		30/06/2010	30/06/2009
Based on the weighted average number of ordinary shares in issue; and		<b>0.89 cent</b>	0.19 cent
On a fully diluted basis		<b>0.89 cent</b>	0.19 cent

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 725,199,092 (1H2009: 620,665,829).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 726,269,285 after adjusting assumed conversion of all potential dilutive ordinary shares. There was no potential dilutive shares for 1H2009.

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	
		30/06/2010	31/12/2009	30/06/2010	31/12/2009
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on		<b>13.58 cents</b>	12.92 cents	<b>13.65 cents</b>	13.95 cents

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.**

#### **Group's Turnover**

The Group recorded a turnover of S\$371.0 million in 1H2010, a significant increase of 62% when compared with 1H2009. The turnover increase was attributed to strong demand for electronic products in all the Asian markets where the Group operates, supported by a recovering semiconductor industry and an improved global economic and financial environment.

Turnover in South and South East Asia posted an increase of 80% when compared to 1H2009. All countries in South and South East Asia enjoyed solid growth as export of electronic products by the Group customers recovered strongly.

North Asia (comprising Greater China, South Korea and Taiwan) continued its good performance in 1H2010, growing by 60% when compared to 1H2009. The increase was mainly due to continued strong domestic demand of the China market and contribution by new customers and higher sales to certain existing customers of the South Korean and Taiwan subsidiaries.

Turnover from North Asia accounted for 87% of the Group total sales for 1H2010 (1H2009: 88%).

#### **Group's Profit After Income Tax**

For 1H2010, the Group posted a net profit after tax ("NPAT") of about S\$6.5 million, an increase of 448% as compared to a NPAT of about S\$1.2 million for 1H2009.

The semiconductors/components distribution business registered a net profit of S\$6.7 million as compared to a net profit of S\$1.3 million in 1H2009. The increase is mainly attributable to higher gross profit earned from higher sales. Average gross profit margin also improved from 9.0% in 1H2009 to 9.6% in 1H2010 due to more efforts channeled to the sales of higher margin products as the electronic industry remains highly competitive. Total expenses as a percentage of turnover declined from 8.8% in 1H2009 to 7.6% in 1H2010 as the Group continued to focus on cost efficiency and reap the benefit of economies of scale.

The Group's other businesses recorded a loss of S\$0.4 million due mainly to fair value losses on financial assets, at fair value through profit or loss amounting to about S\$0.4 million.

The Group's share of profit in its associated companies was about S\$0.2 million as compared to a share of loss of S\$0.2 million in 1H2009. The profit was contributed by the Group's 34.9% interests in Bull Will Co., Ltd due mainly to higher sales and gross profit earned.

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 has been 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 continued to capitalize on its competitive strengths and performed well in the first half of FY2010 amidst recovery in the semiconductor industry and improvement in the financial and economic environment.

The Group is cautiously optimistic of the business outlook in the second half of FY2010. This is because of the uncertainties of the recovery of the United States of America, outcome of the Eurozone debt crisis and the sustainability of the strong growth of Asia, especially China. Any negative impacts will affect the performance of the Group's semiconductors/components distribution business.

The Group will continue to work closely with its existing suppliers and customers and at the same time, devote more resources to engage with new suppliers and customers. While the Group continues its expansion strategies, it will remain vigilant on cost, inventory, credit and cash management in response to a volatile operating environment.

**11. Dividend**

**a) Current Financial Period Reported On**

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.28 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

**b) Corresponding Period of the Immediately Preceding Financial Year**

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.13 cent per ordinary share
Optional:- Dividend Rate (in %)	
Par value of shares	Not applicable
Tax Rate	One-Tier Tax-exempt

**c) Date payable**

1 September 2010

**d) Books closure date**

The Share Transfer Books and Register of Members of the Company will be closed on 20 August 2010 for the purpose of determining shareholders' entitlement to the interim one-tier tax-exempt cash dividend of 0.28 cent per share for the financial year ending 31 December 2010.

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, up to 5.00 p.m. on 19 August 2010 will be registered to determine shareholders' entitlement to the interim dividends. Depositors whose securities accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 19 August 2010 will be entitled to the interim dividends. The dividends will be paid on 1 September 2010.

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

Not applicable

**BY ORDER OF THE BOARD**

Derek Goh Bak Heng  
Executive Chairman/Group CEO  
3 August 2010