



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

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 30 APRIL 2026

The Board of Directors (the "Board") of Serial System Ltd (the "Company" together with its subsidiaries, collectively the "Group") refers to:

- (a) the annual report of the Company for the financial year ended 31 December 2025; and
- (b) the notice of Annual General Meeting ("AGM") issued on 15 April 2026.

The announcement sets out the Company's responses to these questions received from Securities Investors Association (Singapore) ("SIAS").

- Q1. Revenue for the year increased by 9% to US\$860.5 million, boosted by growth in the core electronic components distribution segment, particularly in Hong Kong and China. Management attributed this to strong underlying demand across mobile devices, household appliances, automotive, computing, and artificial intelligence-related applications.**



(Compiled from company annual report)

- (i) How is management navigating regulatory risks, including export controls and trade restrictions, within its operating markets, and what level of oversight does the board exercise to ensure full compliance with applicable laws and regulations?**

The Group manages export control, sanctions and trade compliance risks through a structured framework supported by the AEB platform, which is integrated with its ERP, CRM and logistics systems. The system automates sanctions screening, export classification checks and licence assessments, and blocks transactions flagged for potential restrictions, with audit trails maintained for traceability. These controls are supplemented by end-use and end-user certifications for sensitive products, staff training, and compliance with applicable licensing and supplier-imposed restrictions.

The Board oversees these risks as part of the Group's governance framework by reviewing the adequacy and effectiveness of the compliance framework and receiving regular updates from Management on key exposures, compliance performance and any material incidents. Management is responsible for implementation, day-to-day monitoring and escalation of significant compliance matters.

- (ii) **Can management quantify the contribution of artificial intelligence-related demand to revenue growth in Hong Kong and China, and indicate what proportion of overall group revenue is attributable to artificial intelligence-related applications?**

The Group does not disclose a detailed breakdown of such sales as this information is commercially sensitive and may be prejudicial to its business interests.

The Group has experienced an increase in artificial intelligence (“AI”)-related demand in its Hong Kong and China operations, which has contributed positively to revenue growth in FY2025.

The Group continues to focus on AI-related applications as part of its growth strategy and expects demand in this area to remain supportive, although actual outcomes will depend on prevailing market conditions and customer demand.

- (iii) **What has been the impact of geopolitical developments in the Middle East on the group’s operations, including supply chains, customer demand, and pricing dynamics?**

The Group continues to monitor developments in the Middle East closely. To date, there has been no material direct impact on its operations or supply chains, which are primarily based in Asia. However, the Group remains alert to potential indirect effects, including higher freight and insurance costs, longer transit times and broader logistics volatility. No material adverse impact on customer demand or pricing has been observed at this stage, but management will continue to monitor the situation and make operational adjustments where necessary.

- (iv) **How does management intend to increase the group’s profitability? Net profit margin in FY2025 was 0.27%.**

The Group aims to improve profitability through revenue mix optimisation and continued cost discipline. It is focusing on higher-growth and/or higher-margin segments such as AI, cloud, EVs, renewable energy and other advanced technology applications, while evaluating profit-accretive expansion opportunities. At the same time, management remains focused on operational efficiency, prudent inventory and credit management, and disciplined control of costs and cash flow to support more sustainable margins.

Q2. The financial highlights are presented on page 4 and a snapshot of the financial ratios is reproduced below:

FINANCIAL HIGHLIGHTS			
	2025	2024	2023
	US\$'000	US\$'000	US\$'000
Ratios			
Current Ratio	1.30	1.28	1.34
AR Turnover (days)	77	78	82
AP Turnover (days)	38	32	30
Inventory Turnover (days)	58	62	75
Cash Conversion Cycle (days)	97	108	127
Net Gearing Ratio	1.20	1.00	1.19

The group’s net gearing ratio has increased to 1.20 times, with borrowings rising by US\$33.0 million to US\$205.0 million as at 31 December 2025 and net debt at US\$168 million. Current liabilities have also increased to US\$293 million. This appears to be among the highest leverage levels observed in recent years.

(i) How does the board assess the current level of gearing in the context of the prevailing market cycle, and what limits or targets, if any, have been set for the group's capital structure and leverage?

The increase in borrowings was mainly due to higher working capital financing by the Group's Singapore, Hong Kong, China, South Korea and Malaysia subsidiaries, as well as the recognition of US\$18.1 million in lease liabilities arising from a three-year finance lease for data centre colocation space in Malaysia. Excluding these lease liabilities, which are matched by corresponding finance lease receivables of US\$18.2 million, net debt would have been US\$149.4 million and net gearing at 1.07 times as at 31 December 2025, compared with 1.00 time as at 31 December 2024.

While current liabilities increased from US\$274 million to US\$293 million resulting from higher borrowings and trade and other payables, current assets also rose from US\$350 million to US\$379 million, resulting in an improved current ratio of 1.30 times as at 31 December 2025, compared with 1.28 times a year earlier. The Group continues to actively manage its working capital and liquidity, with borrowings mainly used to support operating needs.

As disclosed in Note 37(d) of the Financial Statements section in the Company's annual report 2025, 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 is to maintain a net gearing ratio not exceeding 150% for the Group and the Company. Any material compliance matters are reported to the Board, where appropriate.

In addition, the Board has considered the Group's cash and cash equivalents, net current assets and continued support from the Group's lenders and vendors, is of the opinion that the Group is able to meet its short-term financial obligations due within the next 12 months from the financial year ended 31 December 2025.

(ii) Does the board consider that artificial intelligence-related sectors are exhibiting signs of a potential bubble, and how is this reflected in the group's risk management and capital allocation decisions?

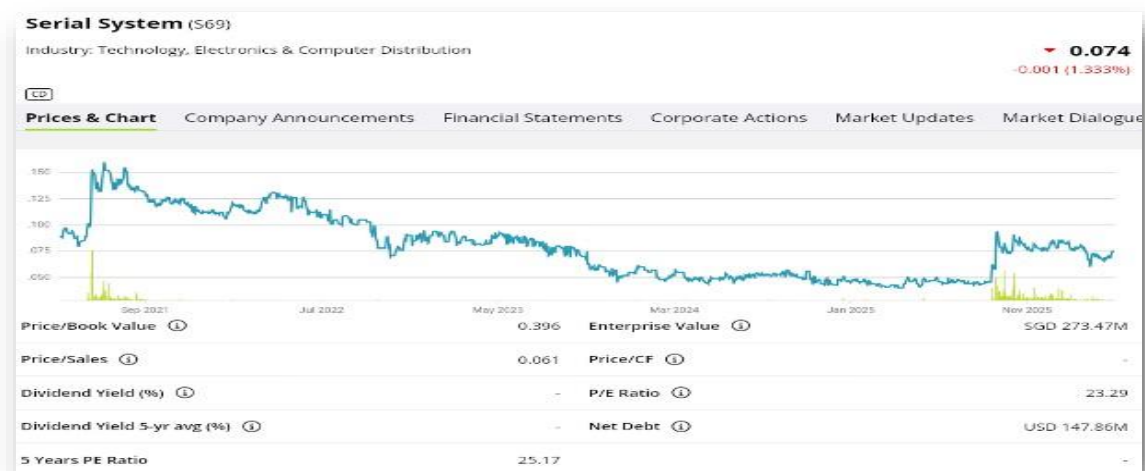
The Board recognises the heightened interest in AI-related sectors, but the Group's participation is driven by underlying customer demand and business fundamentals rather than speculative activity. The Group takes a prudent approach by monitoring demand, inventory, margins, customer credit and working capital, and evaluates AI-related opportunities selectively based on commercial viability, cash flow and balance sheet capacity, while maintaining diversification across its broader portfolio.

Trade payables days have increased to 38 days in FY2025, from a stable level of approximately 30 days between FY2021 and FY2023.

(iii) Can management explain the underlying drivers of this trend, and whether it reflects changes in supplier terms, working capital management, or potential pressures in meeting payment obligations?

The increase in trade payable days to 38 days in FY2025 was mainly due to higher trade payables at the Group's Singapore and South Korea electronic components distribution subsidiaries, driven by increased procurement volumes and longer supplier credit terms. By comparison, trade payable days were lower in FY2021 to FY2023 due to COVID-19-related disruptions, when suppliers generally imposed shorter payment terms. Management believes the FY2025 increase reflects normalised operating conditions and active working capital management, and does not indicate any difficulty in meeting payment obligations.

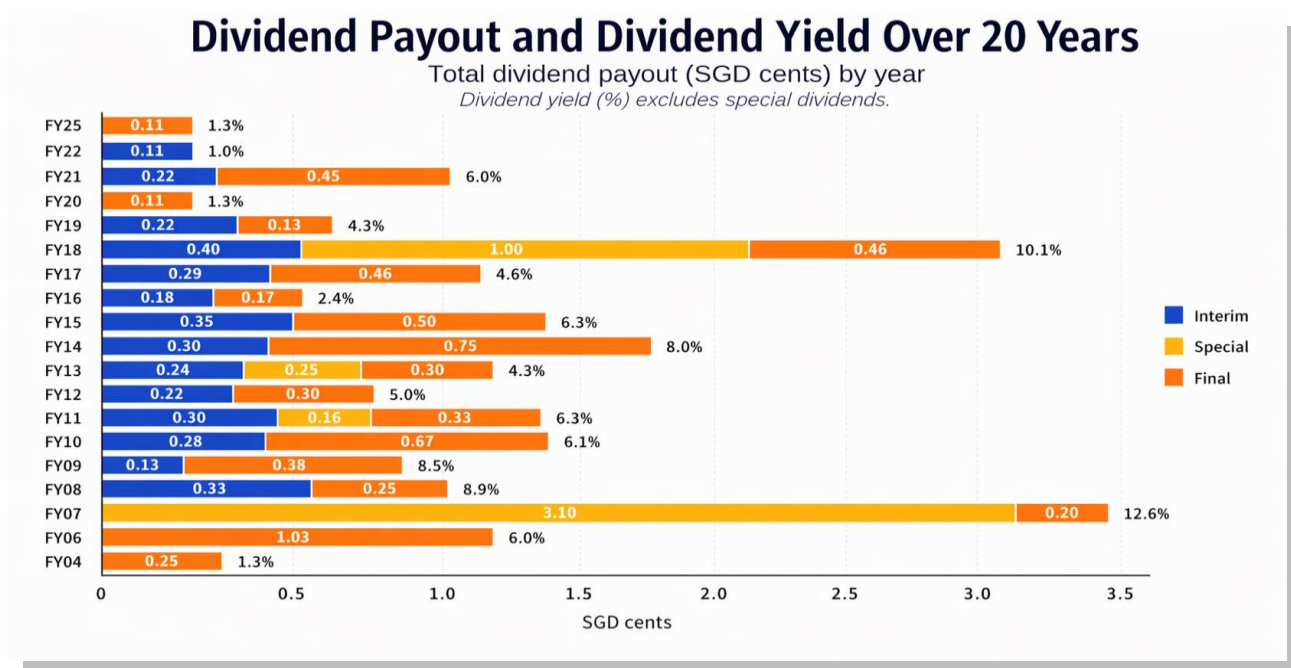
Q3. According to SGX StockFacts, the company trades at a discount of more than 60% to its book value.



(Source: <https://investors.sgx.com/market/securities?code=S69&type=stocks&lang=en>)

(i) What has been the total shareholder return over the last 5, 10, 15 and 20 years?

Please refer to the chart below, which sets out the Group’s dividend payments and dividend yields over the past 20 years.



(ii) Given the persistent and significant discount to book value, has the board undertaken a formal review to identify the key drivers of this valuation gap? What specific and measurable actions are being taken to narrow the discount?

The Board is aware of the Company’s discount to book value, which may reflect factors such as the Group’s distribution business model, margin profile, share liquidity, sector sentiment and broader market conditions. The Group’s focus is on narrowing this gap by improving profitability, strengthening cash flow, maintaining balance sheet discipline and growing higher-value segments, while the Board continues to review appropriate capital management options where suitable.

(iii) While the company has reinstated its dividend in FY2025 (albeit at a modest 0.11 cent per share), how is the board assessing capital management options such as share buybacks, special distributions, asset monetisation and portfolio restructuring to enhance capital efficiency and unlock value for shareholders?

The Board reviews capital management options regularly, taking into account the Group's performance, cash flow, working capital needs, debt obligations and market conditions. Its priority is to preserve financial flexibility while supporting business operations, and it will consider measures such as dividends, share buybacks, asset monetisation and portfolio optimisation where commercially justified and in shareholders' interests.

By Order of the Board

Derek Goh Bak Heng

Executive Chairman and Group Chief Executive Officer

24 April 2026