

Serial System 2Q2014 NPAT Soars 36% To US\$5.0M, Outpacing 28% Revenue Growth to US\$262.9M; On Track To Achieve US\$1B FY2014 Sales Target

US\$'000	2Q2014	2Q2013	Change (%)	1H2014	1H2013	Change (%)
Sales	262,924	206,035	28	475,284	377,608	26
Gross Profit	22,582	18,958	19	41,627	34,602	20
Gross Profit Margin (%)	8.6	9.2	(0.6) pt	8.8	9.2	(0.4) pt
Net Profit After Tax (Attributable to shareholders)	5,011	3,672	36	7,121	5,280	35
Net Profit Margin (%)	1.9	1.8	0.1 pt	1.5	1.4	0.1 pt
EPS on fully diluted basis (US cent) ⁽¹⁾	0.55	0.41	34	0.79	0.59	34
NAV per share (US cents) ⁽²⁾	30/6/2014: 12.94			31/12/2013: 12.27		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares during the period of 895,841,914 shares (2Q2013/1H2013: 895,702,299) after adjusting assumed conversion of all potential dilutive ordinary shares

(2) Net asset value per share are computed based on existing issued share capital as at the end of the financial periods ended 30 June 2014 and the immediately preceding financial year ended 31 December 2013

Singapore, 11 August 2014 –Serial System Ltd (“Serial System” or the “Group”) announced today that its net profit after tax (“NPAT”) for the March-to-June 2014 quarter (“2Q2014”) rose 36% to US\$5.0 million, outpacing revenue growth of 28% to US\$262.9 million, putting it on track to achieve its US\$1 billion revenue target for the financial year ending 31 December 2014 (“FY2014”).

The SGX mainboard-listed leading electronics components distributor said that revenue for the six months ended 30 June 2014 (“1H2014”) rose 26% to US\$475.3 million from US\$377.6 million a year ago (“1H2013”).

In tandem with the higher revenue, the Group’s gross profit rose 19% to US\$22.6 million in 2Q2014 from US\$19.0 million a year ago (“2Q2013”). Due to higher sales volume of lower-margin products in Greater China and Singapore, gross profit margin narrowed to 8.6% from 9.2% in 2Q2013.

North-Asia’s turnover grew 30% as compared to 2Q2013, mainly led by a 47% rise in Greater China revenue, driven by expansion of major product lines to cater to strong demand in the smartphones, household appliances and consumer electronic sectors and 25% rise in Taiwan’s revenue due to the growth of major product lines, supported by addition of new customers.

The Group’s Japan subsidiary, which was acquired in May 2013, recognized six months revenue in 1H2014, leading to a 136% increase in revenue contribution from Japan. North-Asia accounted for 83% of Group revenue in 2Q2014, compared to 82% a year ago.

In line with a revenue- and margin-accretive three-pronged strategy unveiled in January 2014, the Group remains committed to drive greater internal efficiencies via its own analytics platform which helped to lower expenses as a percentage of sales to 7.5% in 1H2014 from 8.1% in 1H2013.

Serial System's recently acquired 20%-owned laundry businesses in Australia contributed US\$0.2 million as its share of profits in 2Q2014. The Group is currently exploring opportunities to expand the laundry business within Australia and expects profit contribution to increase in the near future.

As part of the Group's long-term growth strategy, Serial System recently announced a proposed acquisition of the entire distribution and trading entities of both SGX-listed Achieva Limited ("Achieva") and GSH Corporation Limited ("GSH").

Both proposed acquisitions are synergistic with Serial System's core distribution business – Achieva distributes components including that of Intel and Western Digital while GSH distributes lifestyle and consumer electronics via its substantial networks in Central Asia, Cambodia and Bangladesh which the Group can leverage on to expand its distribution network and product offerings.

To streamline its operations and redirect resources, Serial System has also disposed its entire equity interest in SGX Catalist-listed Jubilee Industries Holdings Ltd on 27 May 2014, which resulted in a gain of about US\$1.4 million in 2Q2014.

To reward shareholders for their support, Serial System's directors have proposed an interim cash dividend of 0.3 Singapore cent per ordinary share, representing 38% of the 1H2014 net profit attributable to shareholders of the Company. This dividend is 25% higher than the 0.24 Singapore cent distributed last year.

Fully diluted earnings per share for 2Q2014 was 0.55 U.S. cent compared to 0.41 U.S. cent in 2Q2013. Net asset value per share of the Group increased to 12.94 U.S. cents as at 30 June 2014 from 12.27 U.S. cents as at 31 December 2013.

Executive Chairman and Group Chief Executive Officer, Dr. Derek Goh, said, "The latest results are highly encouraging considering the competitive landscape, and underscore the success of our strategies to grow revenue, improve the performance of weaker geographical segments and raise internal efficiencies. We remain focused on achieving our target of US\$1 billion revenue for FY2014."

Barring unforeseen circumstances, and considering that the first-half of the year is traditionally slower than the second-half, the Group is reasonably confident that 2H2014 will perform better than 1H2014, and that FY2014 revenue will exceed that in FY2013 on a year-on-year basis.

End

Issued on behalf of the Group by WeR1 Consultants Pte Ltd.

Media & Investor Contact Information

WeR1 Consultants Pte Ltd
38A Circular Road, Singapore 049394
Tel: (65) 6737 4944 | Fax: (65) 6737 4944
Amelia Lee - Amelia@wer1.net
Lai Kwok Kin - Laikkin@wer1.net

About Serial System Ltd

Established in 1988 and listed on the SGX Main Board since July 2000, Serial System has developed a synergistic global network that is built on strong partnerships with their suppliers and customers. Today, Serial System has one of the largest distribution networks in Asia, with fifty offices and seven warehouses located throughout Asia. It also has a wide customer base of more than 6,000, spanning across a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunication, electronics manufacturing services, automotive and medical. Its major suppliers include Texas Instruments, ON Semiconductor, Avago Technologies, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors.

Serial System's ability to align to the goals of its customers and suppliers makes it highly responsive to their needs. In meeting their engineering and supply chain needs, Serial System has become their integral component to success.