



**SERIAL**  
新曄集團

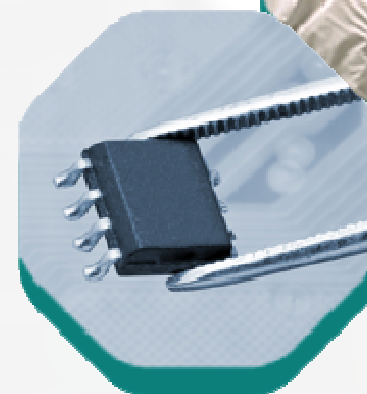
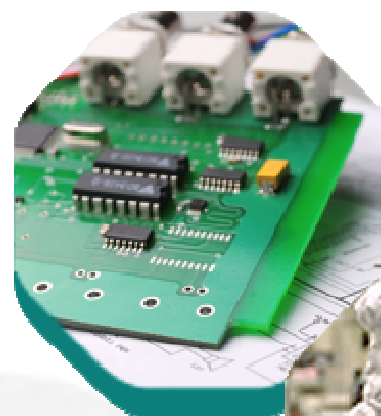
# **4Q'2017 AND FY2017 RESULTS PRESENTATION**

**Saturday, 24 February 2018**

Your Integral Component to Success

# AGENDA

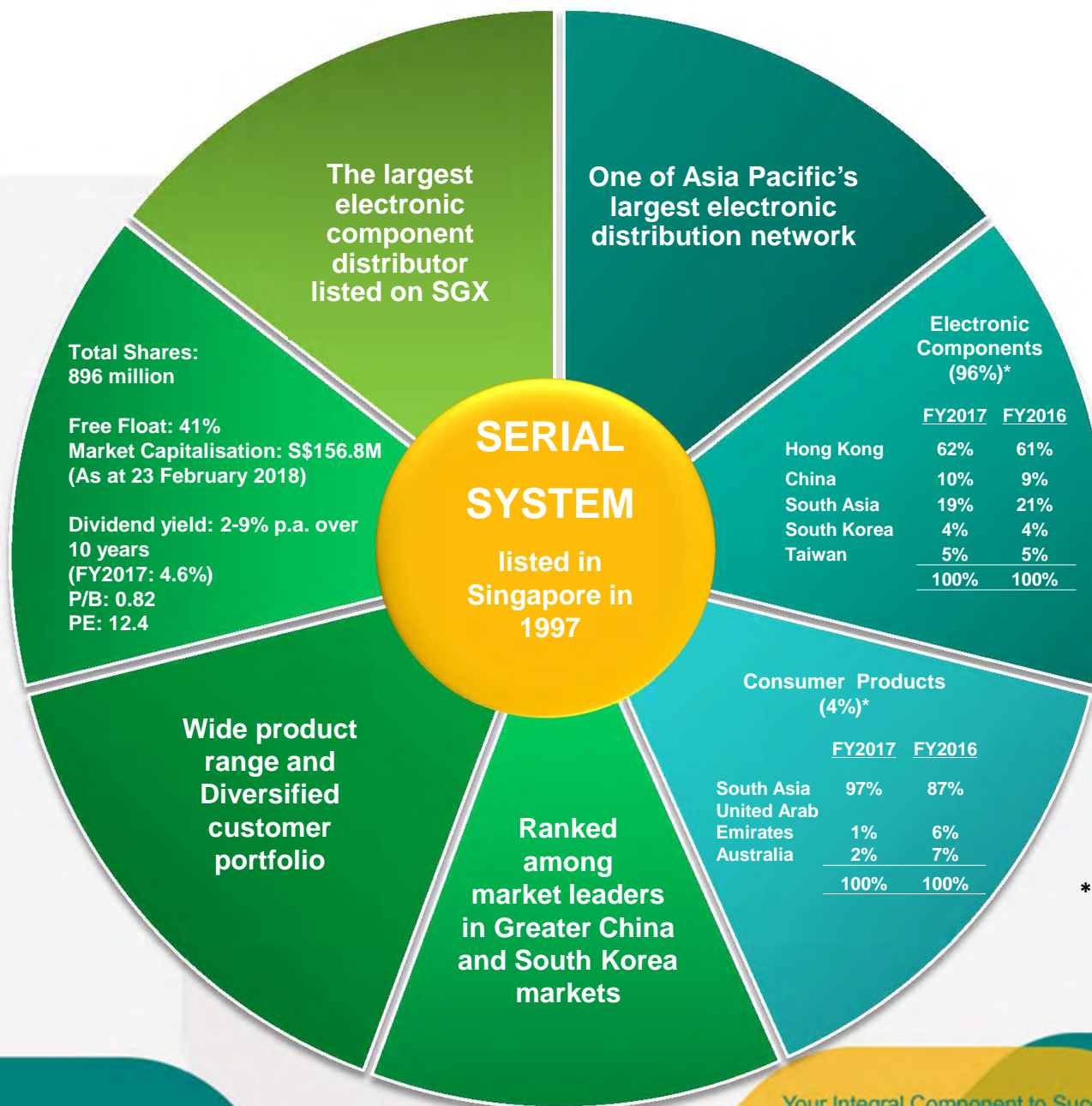
1. CORPORATE OVERVIEW
2. CORPORATE HIGHLIGHTS
3. FINANCIAL RESULTS
4. OUTLOOK & STRATEGIES



A photograph of a business meeting. In the center, two people are shaking hands over a table. On the table, there is a document titled "CONTRACT", a pen, and a colorful bar chart. Other people in business attire are visible in the background, some holding pens and looking at documents.

# CORPORATE OVERVIEW

# SERIAL SYSTEM AT A GLANCE



\* Group Revenue



# EXTENSIVE NETWORK & DIVERSIFIED BUSINESS



Supporting a network of global brands, Serial System is a leading distributor of electronic components in Asia and fast-growing dealer for a variety of consumer goods. It is also a strategic investor in businesses in the F&B, Healthcare, Industrial Laundry, Managed Print Services and Durian sectors.



**Electronic Components Distribution**



**Consumer Products Distribution**



**Hospitality Solutions**



**Managed Print Services**

**Medical Device Manufacturing and Distribution**



**Industrial Laundry Services**



**Food Manufacturing and Catering**



**Musang King**



# PARTNERING LEADING SUPPLIERS



## *Electronic Components Distribution*



... more than 90 Franchised Product Lines in Serial Group

# PARTNERING LEADING SUPPLIERS



## *Consumer Products Distribution*



## OTHER BUSINESSES - Part of Group's diversification into investment holding of high-margin companies



### Serial MultiVision Pte. Ltd. (100%-stake)



- Core businesses: hospitality solutions
- Hospitality solutions: Proprietary i-connect® solution, including Intelligence Room Infotainment Solution (IRIS), Digital Media Content Management System and Software-based Solution (SBS).
- Key SBS product brand: Electronic meal ordering system (eMOS), Intelligence Room Infotainment Solution, Digital Media Content Management System, Operational Control System and Fault and Incidence Reporting System.
- Clients: Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, St Andrew's Community Hospital, Gleneagles Hospital, Mount Elizabeth Hospital, Parkway East Hospital, Parkway Mount Elizabeth Novena Hospital, Yishun Community Hospital and Sengkang Hospital with a list of other hospital deployments in the pipeline.

### Contract Sterilization Services Pte Ltd (100%-stake)



- Assembly and distribution of medical devices
- Offers full range of standard and customised perfusion tubing packs marketed over the Asia-Pacific region:
  - Customized Heart Lung Pack
  - Blood Cardioplegia Set
  - Angio Pack
  - Sterile Procedural Pack
  - SurgiAid® Collagen Wound Dressing
- High gross and net margins



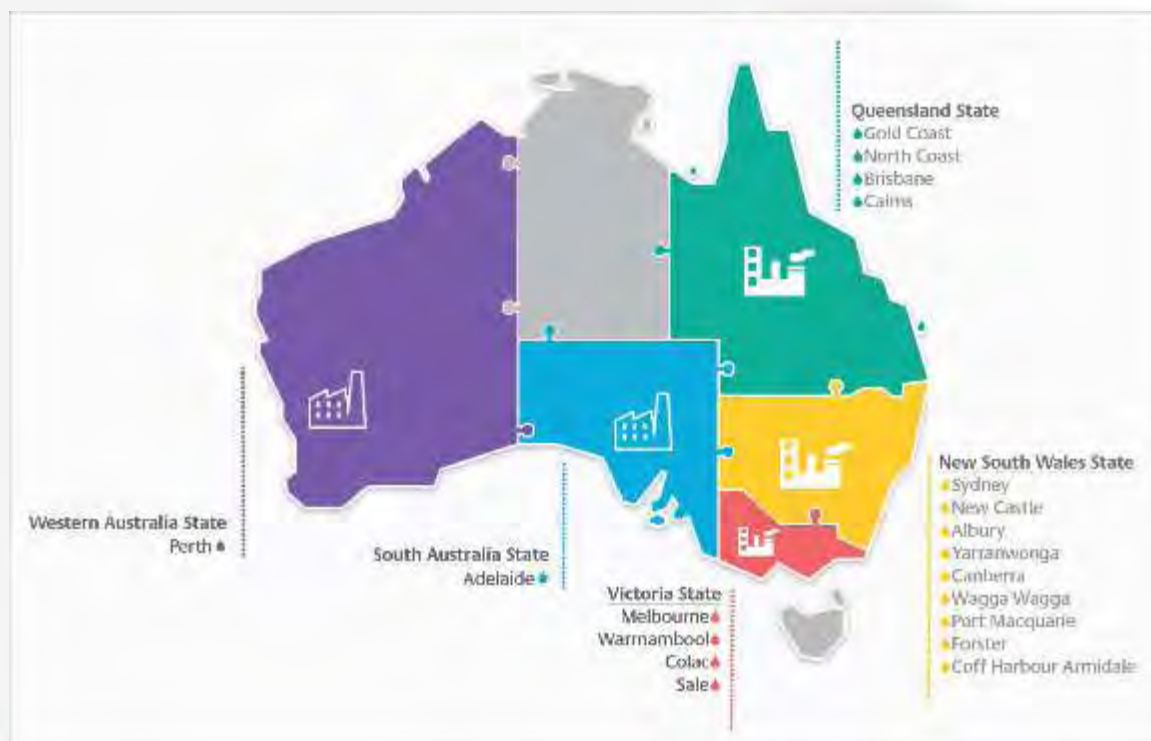
# STRATEGIC INVESTMENT – South Pacific Laundry



27.34% stake in SPL Holdings (Australia) Pty Ltd, a nationwide laundry provider in Australia, servicing the hospitality industry (hotels, resorts, hospitals, care centres, and restaurants) in Melbourne, Sydney, Brisbane, Cairns, Canberra, Adelaide, Perth and other Australian cities/towns

Cutting-edge technology and efficient processes ensure linens are washed, ironed and folded in record time

High gross and net margins



# STRATEGIC INVESTMENT - Tong Chiang Group



21% stake in food manufacturer and caterer Tong Chiang Group ("TCG")

TCG comprises 14 wholly-owned subsidiaries and three separate property investment holding entities, operating in five factories and three warehouse units in Singapore

Products and services can be broadly categorized into home-meal catering ("tingkat delivery"), provision of bento boxes (packet meals) to corporate customers, and halal and non-halal catering for private and corporate events

Supported by NSG Catering Pte Ltd ("Nanshan Group"), which acquired a 25% stake in TCG in 2017





# STRATEGIC INVESTMENT

## – Musang Durian Frozen Food (M) Sdn. Bhd.



The Group has an effective 27.5% stake in durian processing and distribution company Musang Durian Frozen Food (M) Sdn. Bhd.

Operates in 2 sites: Kuala Lumpur, Malaysia (office and warehouse) and Pahang, Malaysia (GMP-certified processing plant)

Processes Malaysia's freshest durians into puree and other related products (e.g. paste, ice cream, finger foods) to be sold locally and internationally, especially China



Participation in China's food exhibitions



A blue-tinted photograph of a modern office interior. In the foreground, a desk holds a tablet, a pen, and a document with a colorful bar chart. In the background, three people are silhouetted against a large window with a grid pattern, looking out at a city skyline.

# CORPORATE HIGHLIGHTS



# CORPORATE HIGHLIGHTS



## CORPORATE DEVELOPMENTS

June 2017

- ▶ Proposed spin-off of Serial Microelectronics (HK) Limited (“SMHK”)
  - ❖ SMHK group to be listed on main board of the Stock Exchange of Hong Kong Limited

## ELECTRONIC COMPONENTS DISTRIBUTION

### Strategies : Expand Product Portfolio & Increase High-Value Components

February 2018

- ▶ Acquired 63.7% equity interest in **Xuanhong Automotive Electronics Limited** in Hong Kong and **Xuanli Automotive Electronics Co., Limited** in Shanghai
- ▶ Both companies focus on semiconductor components for automotive segment in Hong Kong and China

October 2017

- ▶ SMHK increased investment in subsidiary Serial Vision Limited from 55% to 100%

# CORPORATE HIGHLIGHTS



## CONSUMER PRODUCTS DISTRIBUTION

### Strategies : Rationalise Operations and Explore New Profitable Investments

April 2017

- ▶ Entered into a conditional sale and purchase agreement (“SPA”) to acquire 70% of the issued and paid-up capital of Print IQ Singapore Pte. Ltd. (“Print IQ”)
- ▶ Disposed of 100% equity interest in JEL Distribution (Kazakhstan) LLP
- ▶ Restructured and scaled down Serial I-Tech Singapore, Serial I-Tech Middle East and Achieva Technology Australia
- ▶ Consolidated Consumer Products Distribution group into a single Changi office/warehouse

# CORPORATE HIGHLIGHTS



## OTHER BUSINESSES

### Strategies : Diversify Risk and Generate Recurring Income

August 2017

- ▶ Entry into JV agreement to incorporate Bast Investment Pte Ltd, which has a 50% stake in issued and paid-up capital of Musang Durian Frozen Food Sdn Bhd
- ▶ Musang Durian is engaged in the manufacturing, processing, trade and export of durian puree and related products

February 2017

- ▶ Increased investment of US\$1.5 million in 21%-owned associated company, Tong Chiang Group Pte. Ltd., which is engaged in food manufacturing and catering in Singapore

A photograph of a business meeting. In the foreground, a person's hand is gesturing over a document with various charts, including a bar chart and a pie chart. Another person's hand is holding a pen, ready to write. The background is slightly blurred, showing other participants in business attire.

# FINANCIAL RESULTS



## SNAPSHOT OF 4Q2017 & FY2017 PERFORMANCE

US\$'000	4Q2017	4Q2016	Change (%)	FY2017	FY2016	Change (%)
<b>Sales</b>	390,100	344,949	13	1,492,204	1,402,583	6
<b>Gross Profit</b>	28,380	25,637	11	105,119	97,393	8
<b>Gross Profit Margin (%)</b>	7.3	7.4	(0.1 pt)	7.0	6.9	0.1 pt
<b>Net Profit After Tax</b> <i>(Attributable to shareholders)</i>	358	4,048	(91)	9,550	4,558	110
<b>EPS - fully diluted</b> <i>(US cents) <sup>(1)</sup></i>	0.04	0.45	(91)	1.07	0.51	110
<b>NAV per share (US cents) <sup>(2)</sup></b>	31/12/2017: 16.19 cents			31/12/2016: 13.93 cents		

(1) 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 (4Q2016/Year-To-Date 31/12/2016: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares.

(2) Net asset value per share is computed based on the existing issued share capital as at 31 December 2017 of 895,841,914.

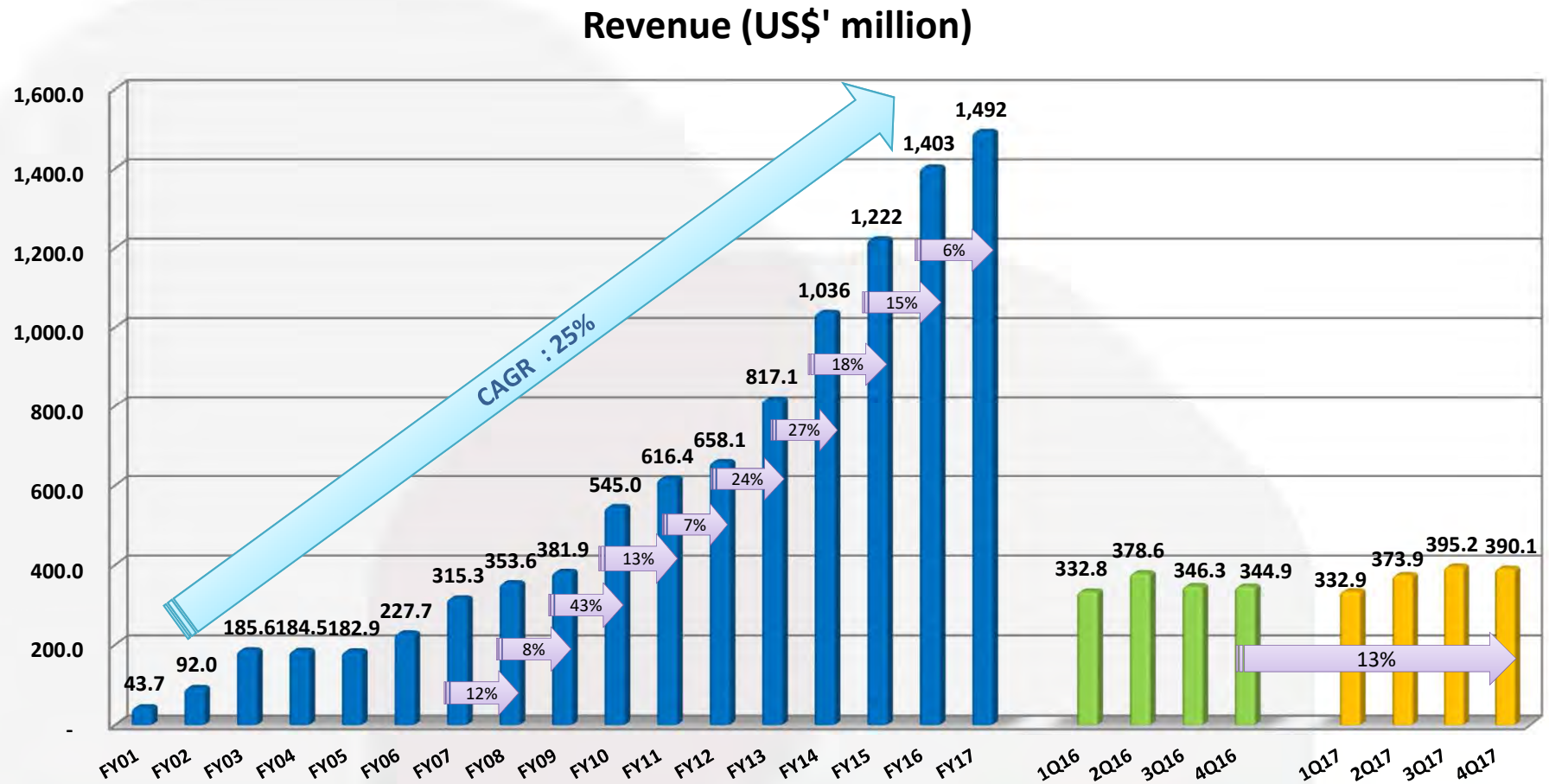
## 4Q2017 HIGHLIGHTS

- **Revenue** of US\$390.1M, an increase of 13% compared to US\$344.9M in 4Q2016
  - Revenue from electronic components distribution business up 14% to US\$372.5M, due to higher sales in all markets except South Asia
  - Revenue from consumer products distribution business down 6% to US\$16.0 million due to lower sales of product lines across all subsidiaries, as entities exited or reduced sales in non-performing markets and lower-margin products
- **Gross profit margin** decreased to 7.3%, comparable to 7.4% in 4Q2016
  - Higher sales of lower-margin products
- **Share of profits in associated companies** at US\$0.1M
  - Profits of US\$0.1 million each in 27.34%- SPL Holdings (Australia) Pty Ltd and 21%-owned Tong Chiang Group, respectively
  - 19.02%-owned Bull Will Co. Ltd accounted for US\$0.1 million loss; new 27.5% joint venture Musang Durians Frozen Food (M) Sdn. Bhd. accounted for US\$0.06 million loss
- **NPAT** of US\$0.4M in 4Q2017 compared to US\$4.0M in 4Q2016; **net margin** decreased to 0.1% compared to 1.2% the previous year
  - Decrease due to higher allowance for impairment losses on trade receivables, allowance for inventory obsolescence, and impairment loss on financial assets available-for-sale

## FY2017 HIGHLIGHTS

- **Revenue** of US\$1.5B, an increase of 6% from FY2016
  - Electronic components distribution business rose 17% to US\$1.43B on higher revenue contributions from Hong Kong, China, Taiwan and South Asia
  - Consumer products distribution business declined 69% to US\$55.4M due to lower overall product sales
- **Gross profit margin** increased to 7.0% compared to 6.9% in FY2016
  - Higher margins achieved by consumer products distribution business
  - Partly offset by lower margins achieved by electronic components distribution business amid keen competition and higher sale of low-margin products
- **NPAT** of US\$9.6M compared to US\$4.6M in FY2016; **net margin** of 0.6% compared to 0.3% the previous year
  - Higher gross profit from increased sales
  - Reduced share of losses in associated companies

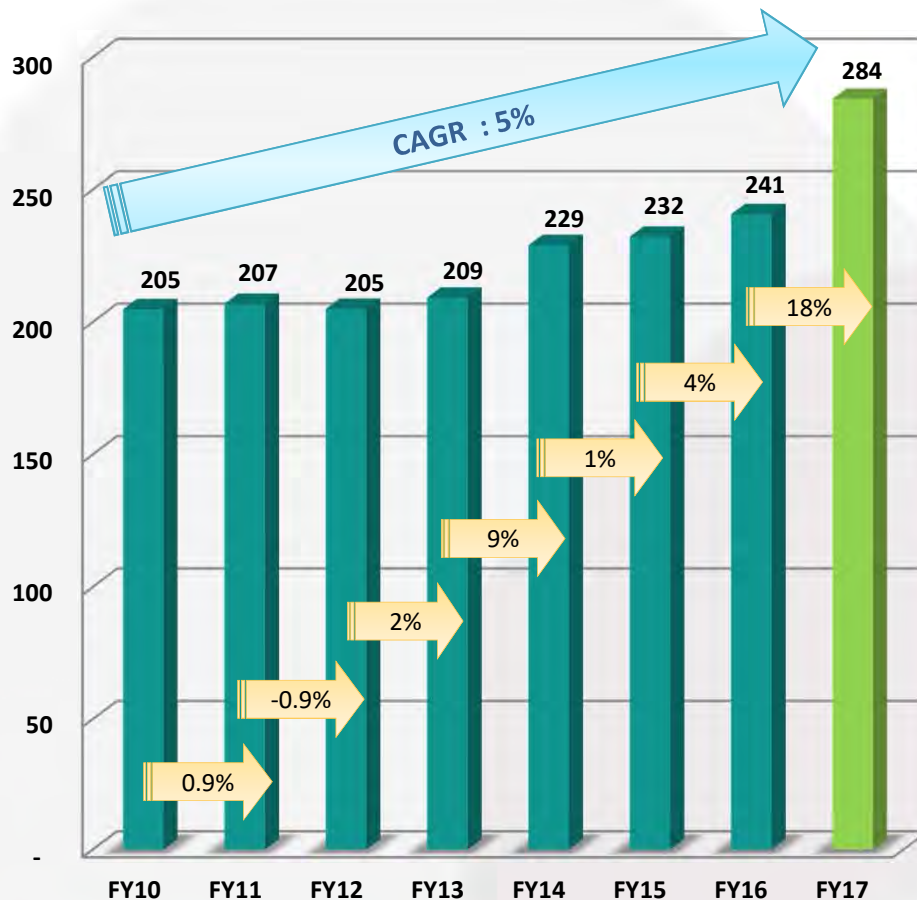
# REVENUE GROWTH TREND – SERIAL SYSTEM GROUP





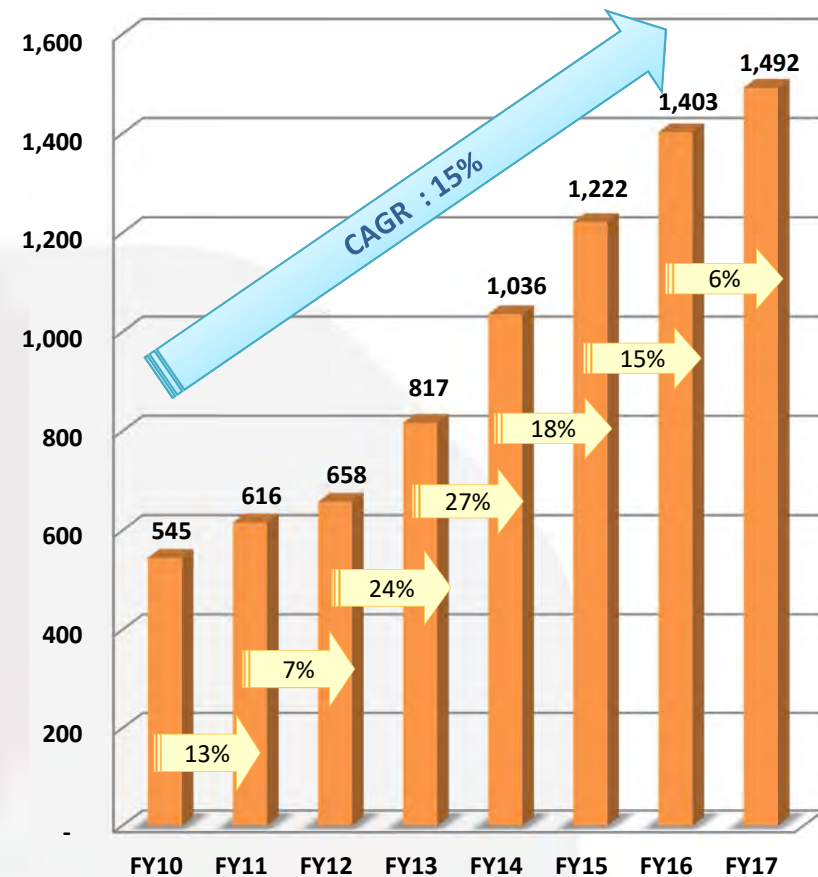
# OUTPERFORMING THE INDUSTRY

Asia Pacific (including Japan)  
Semiconductor Revenue (US\$' billion)



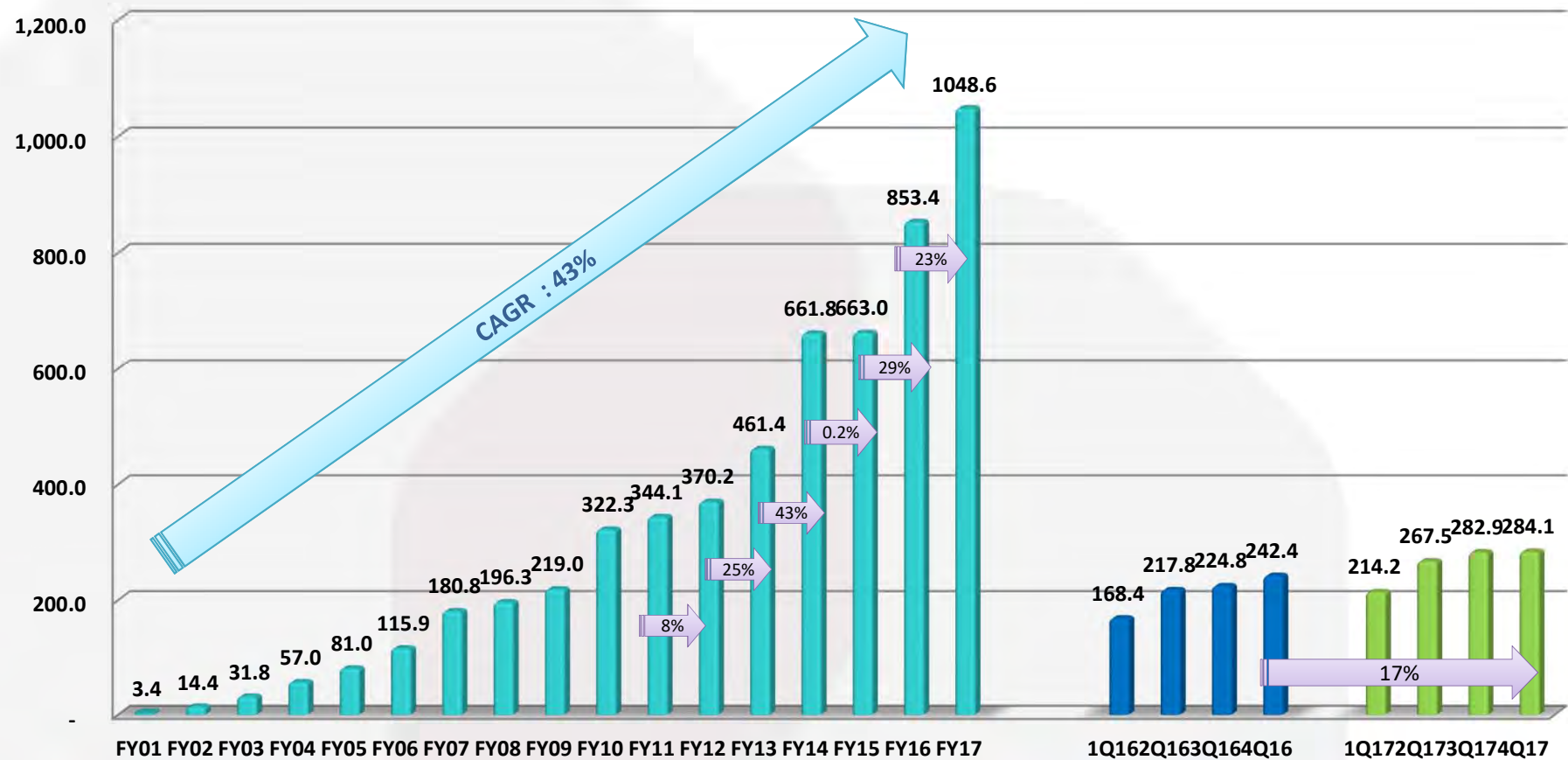
Source : World Semiconductor Trade Statistics/  
Semiconductor Industry Association

Serial System Revenue (US\$' million)



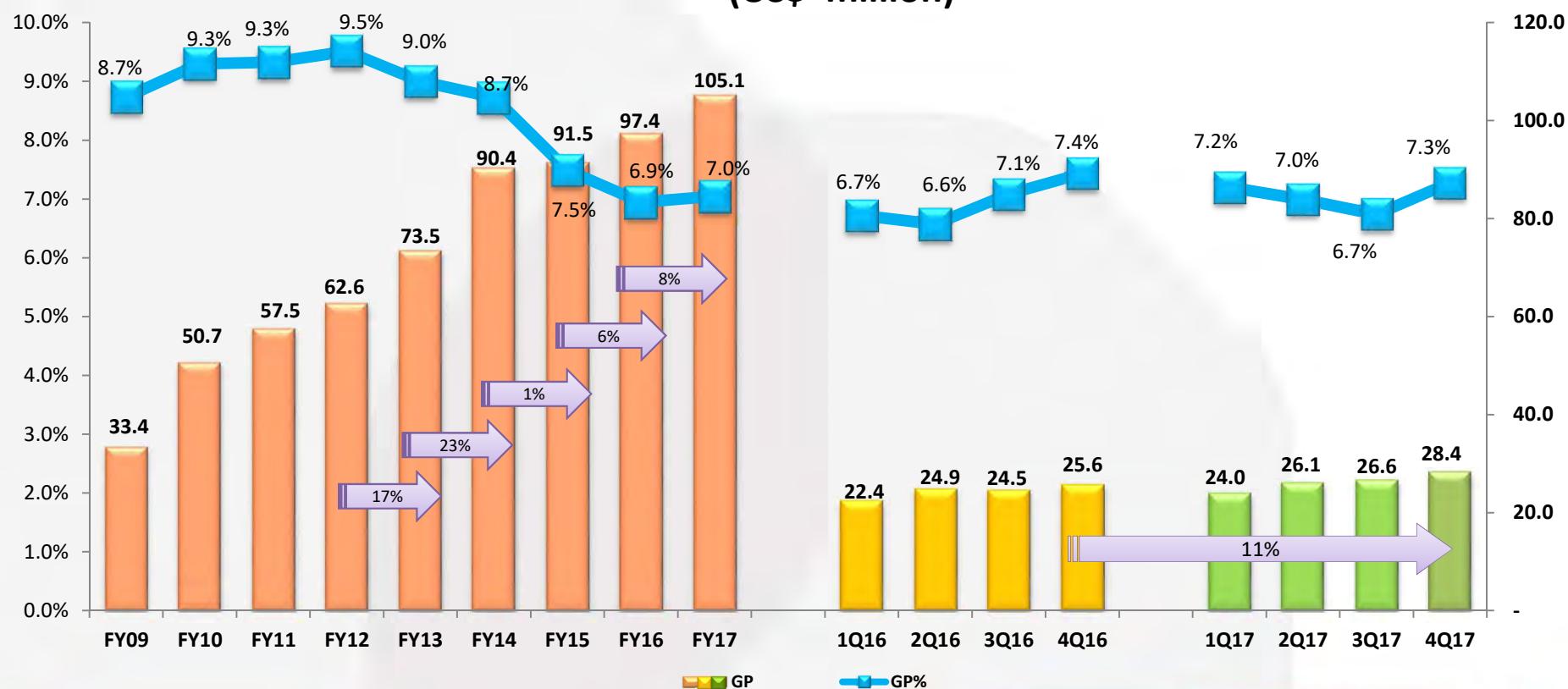
# REVENUE

## Hong Kong & China Revenue (US\$' million)



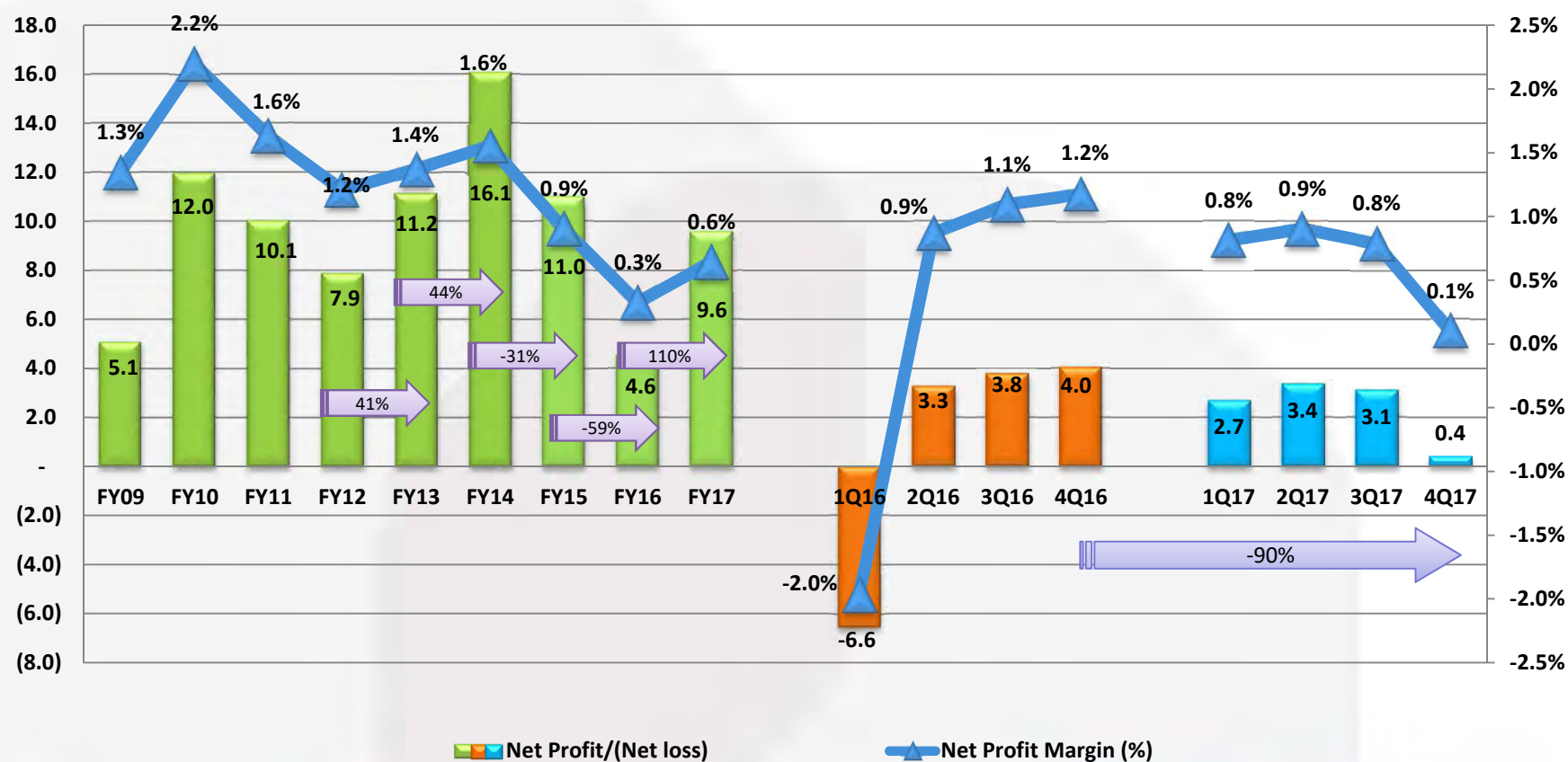
# PROFITABILITY

## Gross Profit & Gross Profit Margin (US\$' million)



# PROFITABILITY

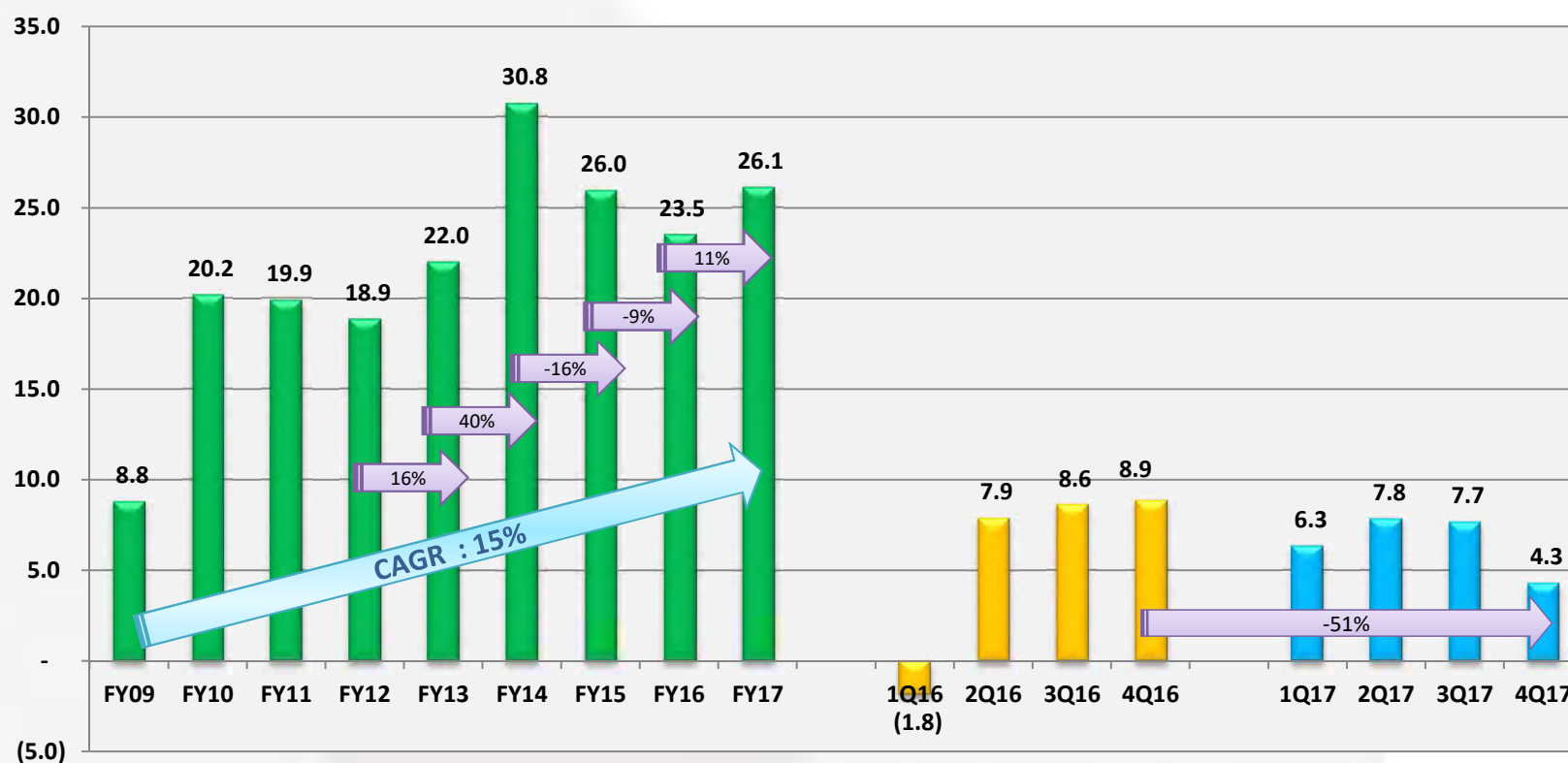
## Net Profit & Net Profit Margin (US\$' million)





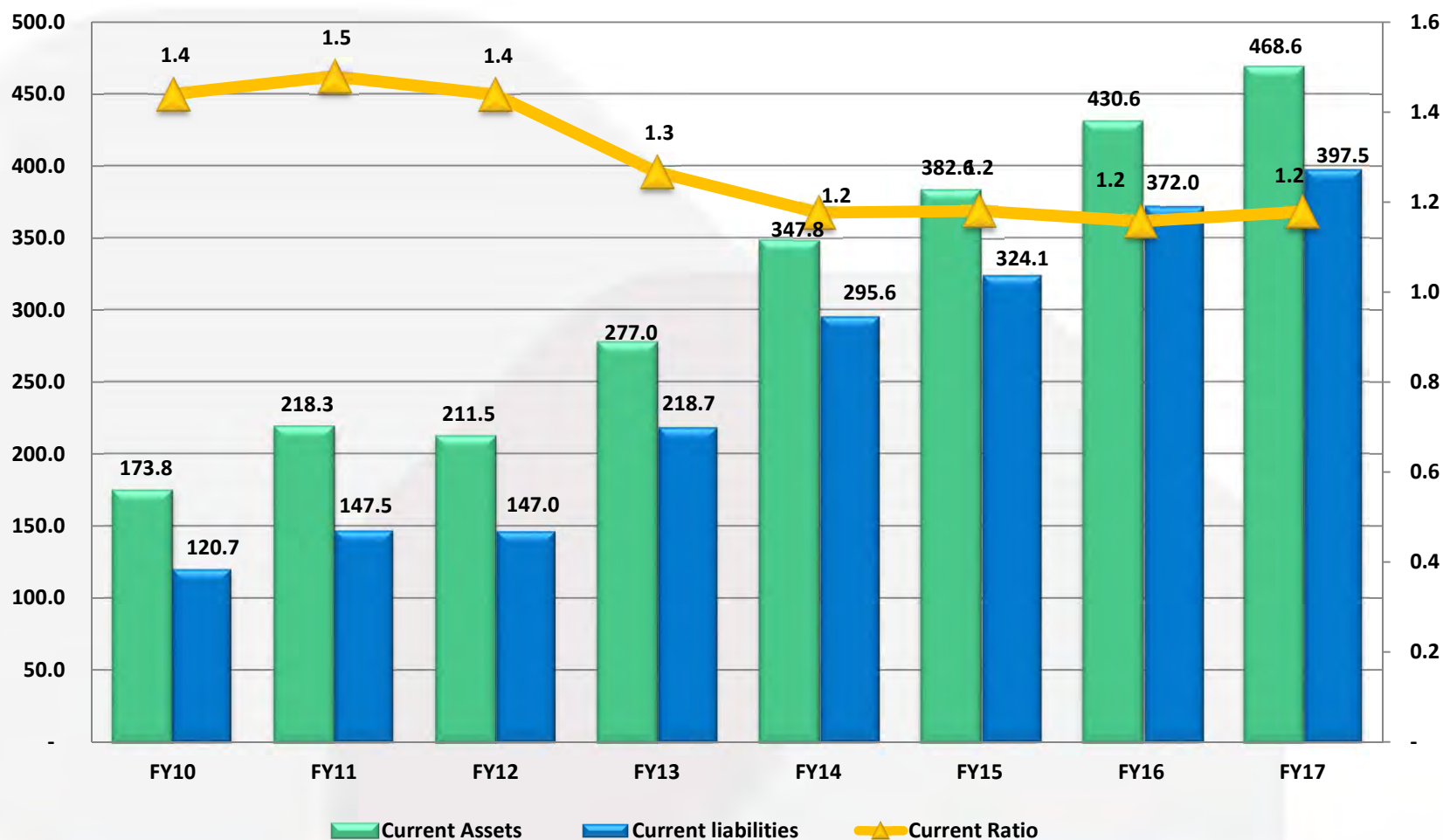
# PROFITABILITY

## EBITDA (US\$' million)



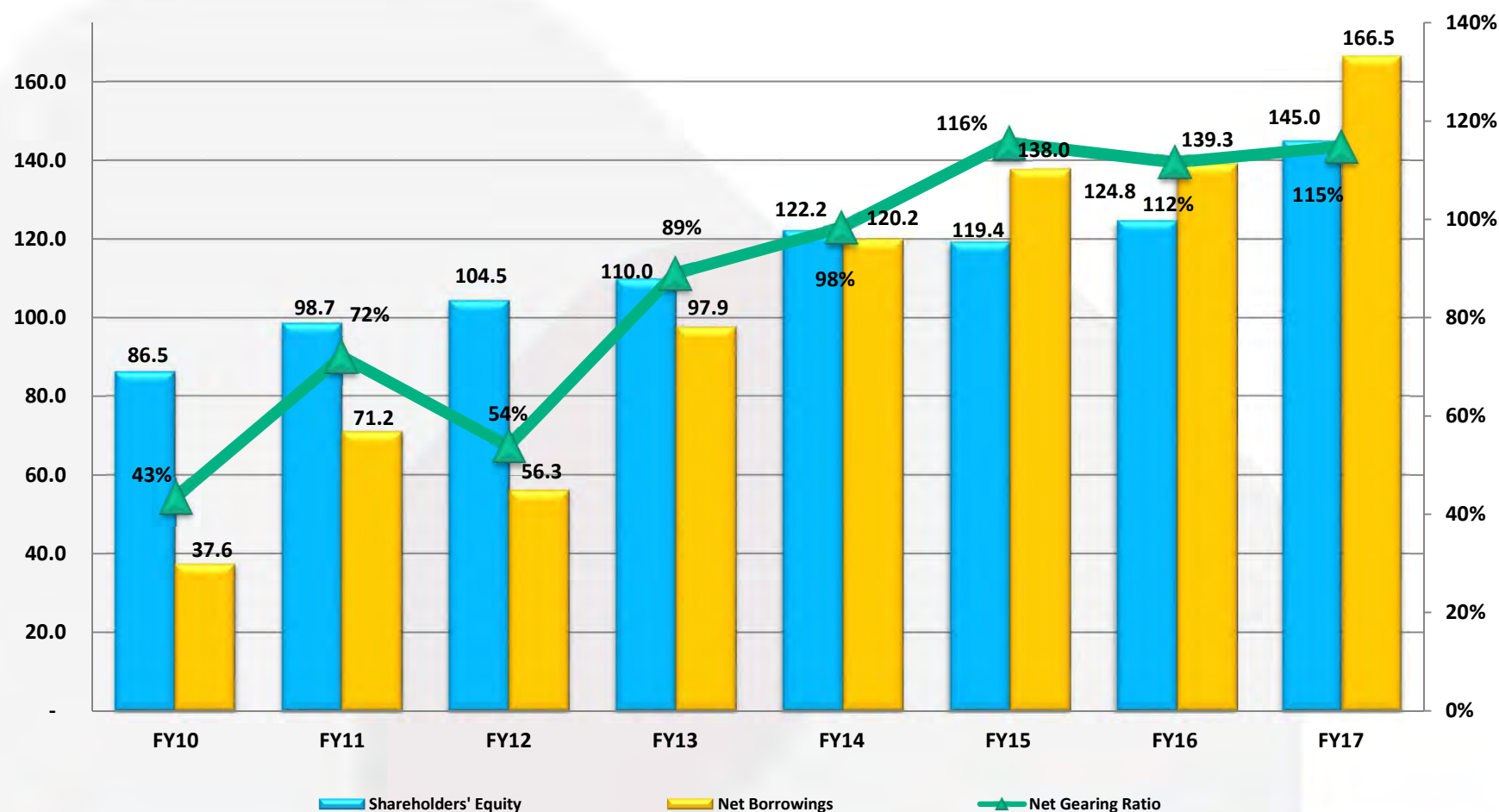
# FINANCIAL POSITION

## Maintaining Healthy Current Ratio



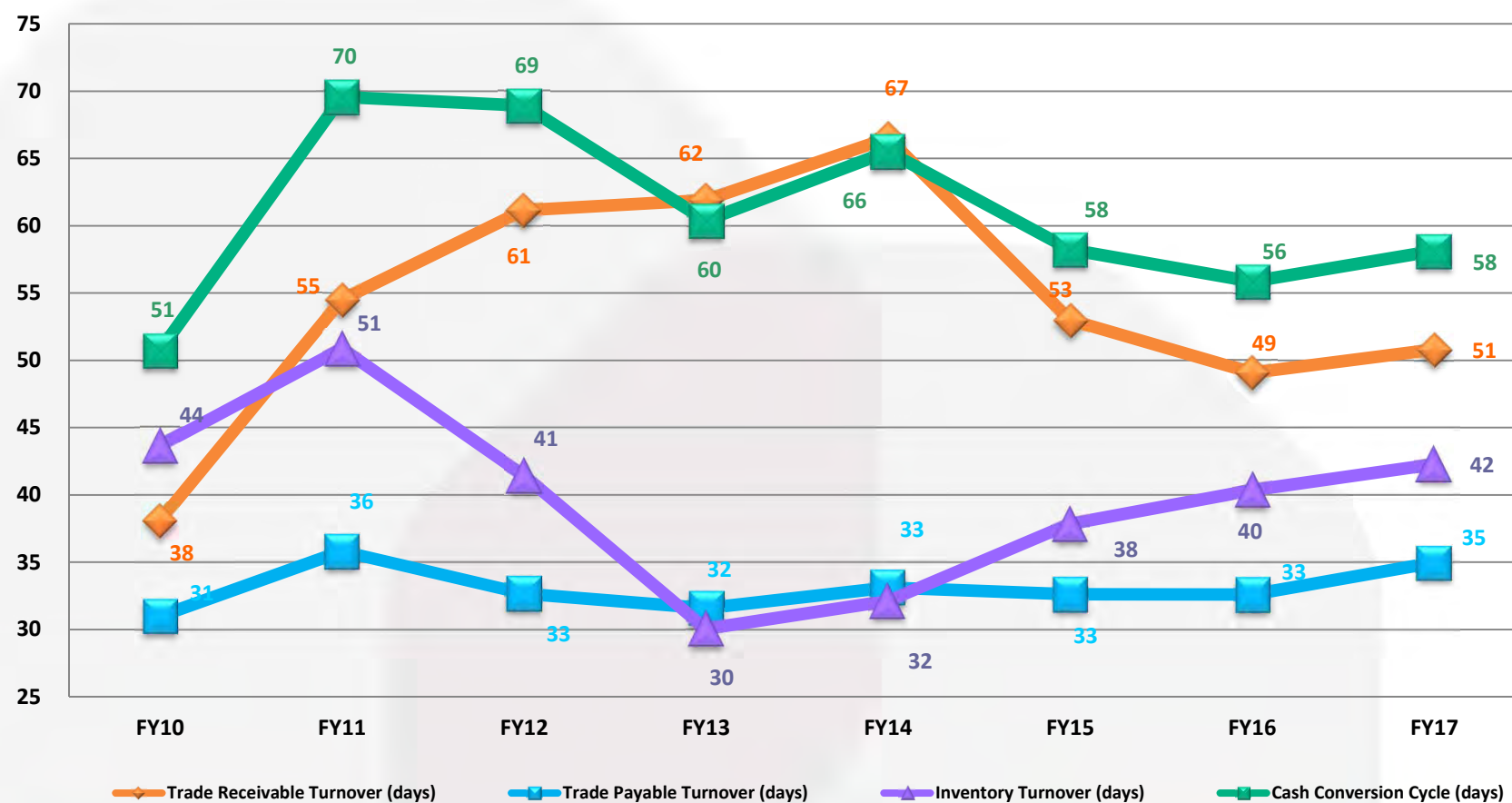
# FINANCIAL POSITION

## Net Gearing Ratio

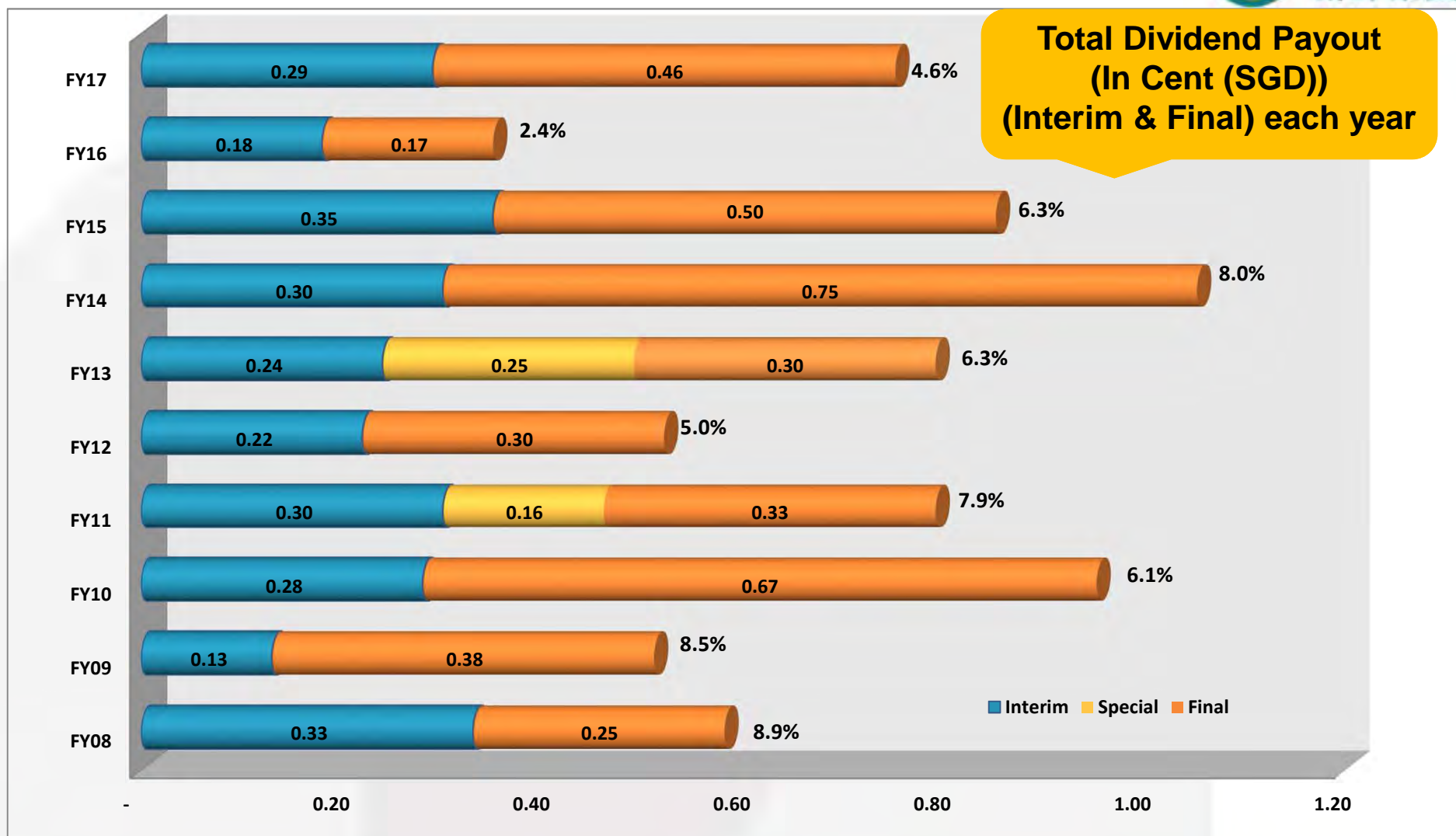


# FINANCIAL POSITION

## Cash Conversion Cycle (days)



# DIVIDEND YIELD

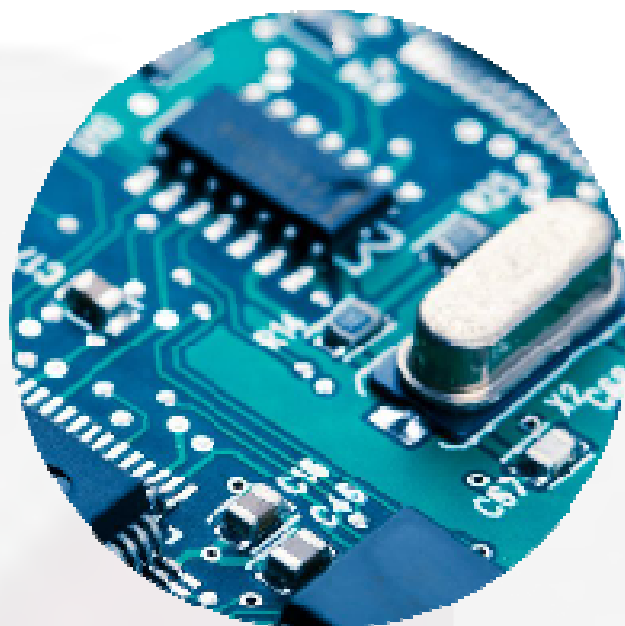




## **OUTLOOK & STRATEGIES**



# INDUSTRY OUTLOOK



According to Gartner, worldwide semiconductor revenue is slated to reach US\$451 billion this year, 7.5% more than in 2017, driven by strong demand for DRAM and NAND flash memory products. Firm demand for integrated circuits used for state-of-the-art smartphones and consumer electronics, smart-city initiatives, autonomous vehicles and other technology-reliant projects and applications is also expected to underpin global semiconductor sales this year.

The Group stands to benefit from its extensive network of chip suppliers and electronics manufacturers, as well as firm regional demand. It will monitor competition and cost pressures in the markets where it operates.

## GROUP OUTLOOK

- The Group will spin off its Hong Kong electronic components distribution entity, Serial Microelectronics (HK) Limited group (“SMHK group”) through a listing on the mainboard of the Stock Exchange of Hong Kong Limited.
  - The proposed listing will enable the SMHK group to independently raise funds for growth in Hong Kong and China, where there is increasing demand for electronics.
  - The SMHK group’s customers are primarily China and Hong Kong-based manufacturers of smartphones, household appliances, consumer electronics, automotives and industrial products.
- The Group will continue to streamline its consumer products distribution business by exiting non-performing markets and discontinuing low-margin products.
  - It will also explore promising investment opportunities that can lead to higher, more sustainable returns in the long term.

# OUR THREE-PRONGED STRATEGY

## Objectives:

- Increase revenue
- Drive greater internal efficiencies to improve margins
- Deepen value proposition

### Deepen penetration in existing markets & widen geographical expansion

- Expand customer base, increase product lines, expand geographical coverage of product lines
- Deepen footprint in emerging markets (e.g. Vietnam & Indonesia)
- Expand outside Asia via M&A / JV

### Improve internal efficiencies to achieve greater economies of scale

- Internal forecasting system
- Centralised asset management
- Greater adoption of electronic data interchange (“EDI”)

### Expand product portfolio & increase higher-value components

- Deepen penetration in Security and Surveillance segment, Automotive segment, Mobile devices and Enterprise Cloud Solutions
- Component modules as a reference solution - higher margins & differentiator



The presentation herein may contain forward-looking statements by the management of Serial System Ltd (“Serial System”) that pertain to expectations for financial performance of future periods versus past periods.

Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. Such statements are not and should not be construed as management’s representation on the future performance of Serial System. Therefore, the actual performance of Serial System may differ significantly from expressions provided herein.

This presentation does not constitute an invitation or an offer to sell, or solicitation of an offer to buy any securities in connection with, any contract or commitment whatsoever.

This presentation has been prepared exclusively for the parties presently being invited for the purposes of discussion. Information contained in this presentation does not constitute a prospectus or offering circular in whole or in part.



**SERIAL**  
**新曄集團**

# Thank You

## Media and Investor Contact Information:

### **WeR1 Consultants Pte Ltd**

3 Phillip Street #12-01

Royal Group Building

Singapore 048693

Tel: (65) 6737 4844 | Fax: (65) 6737 4944

**Frankie Ho, [frankieho@wer1.net](mailto:frankieho@wer1.net)**

**Grace Yew, [graceyew@wer1.net](mailto:graceyew@wer1.net)**

Your Integral Component to Success