

## Serial System 1Q2014 Net Profit Rises 31%, Outpacing Revenue Growth of 24% to US\$212.4 million; Targets To Achieve US\$1 Billion FY2014 Revenue

US\$'000	1Q2014	1Q2013	Change (%)
Sales	212,360	171,573	24
Gross Profit	19,045	15,644	22
Gross Profit Margin (%)	9.0	9.1	(0.1 pt)
Net Profit After Tax (Attributable to shareholders)	2,110	1,608	31
Net Profit Margin (%)	1.0	0.9	0.1 pt
EPS on fully diluted basis (US cent) <sup>(1)</sup>	0.24	0.18	33
NAV per share (US cents) <sup>(2)</sup>	12.30	12.27	0.24

(1) Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (1Q2013: 895,583,591)

(2) Net asset value per share based on issued share capital at the end of the current reported financial period ended 31 March 2014, and the immediately preceding financial year ended 31 December 2013

**Singapore, 26 April 2014** – SGX Mainboard-listed **Serial System Ltd** (“**Serial System**” or the “**Group**”) announced today that its net profit after tax (“**NPAT**”) for the January-to-March 2014 financial period (“**1Q2014**”) rose 31% to US\$2.1 million, outpacing revenue growth of 24% to US\$212.4 million.

The regional distributor of electronic components such as semiconductors, modules and connectors, which is targeting US\$1 billion in sales for the whole of the financial year ending 31 December 2014 (“**FY2014**”), said that 1Q2014 gross profit rose 22% to US\$19.0 million compared to US\$15.6 million a year ago (“**1Q2013**”) contributed by higher sales.

Due to higher sales volume of lower-margin products compared to that of higher-margin modules, along with stiffer market competition faced by its South Korea and Singapore subsidiaries, 1Q2014 gross profit margin declined marginally to 9.0% from 9.1% in the same quarter last year.

Although 1Q2014 expenses rose 22% to US\$17.2 million compared to US\$14.1 million last year, total expenses as a percentage of turnover declined to 8.1% compared to 8.2% in 1Q2013, lifting net margin to 1.0% compared to 0.9% last year. This can be attributed to Group’s focused efforts to improve operational and cost efficiencies.

Serial System had outlined a margin-accretive three-pronged strategy on 27 January 2014 which aims to increase contributions from existing product lines – including selling more higher-margin modules instead of standalone components – expanding its customer base and mining internal data vigorously to improve inventory management and bulk purchasing.

The Group reported a US\$0.5 million rise in Other Operating Income this quarter due to increased advertising and service income and higher suppliers' rebates earned by the Group's Singapore subsidiaries, and higher currency translation gain.

The North Asia region, accounting for 83% of the Group's 1Q2014 turnover, grew its sales by 32% from that in 1Q2013, driven by a 45% increase in Greater China due to a surge in orders from a leading Chinese domestic smartphone, television and router manufacturer embarking on an accelerated product rollout. Longer payment terms of this order impacted the 1Q2014 trade receivables average turnover days, although the Group expects the situation to improve from next quarter when factoring facilities commence.

1Q2014 fully diluted earnings per share (based on a share capital base of 895,841,914 shares) stood at 0.24 U.S. cent compared to 0.18 U.S. cent in 1Q2013 (895,583,591 shares). Net asset value per share of the Group increased to 12.30 U.S. cent as at 31 March 2014 from 12.27 U.S. cent as at 31 December 2013.

The Group's cash and cash equivalents was US\$47.6 million as at 31 March 2014, a 17% increase from US\$40.5 million as at 31 December 2013.

In line with its strategic direction, the Group announced on 25 April 2014 that it has established a third and a fourth joint venture with China-based total solution design houses to increase its capabilities to supply component modules for the automotives and surveillance and security segments.

On 13 March 2014, the Group established a 60%-owned Singapore joint venture with Japanese electronic and electrical component distributor, Nippon Denka Kogyosho Co., Ltd, to penetrate deeper into existing Asian markets.

The Group announced on 20 March 2014 that it has acquired a 20%-stake each in the Australia-based E-Laundry & Dry Cleaning Services Pty Ltd ("E-Laundry") and SPL Investments Pty Limited ("SPL") both industrial laundries servicing hotels, resorts, hospitals, care centres, and restaurants in Melbourne, Sydney and country areas of Victoria.

The laundries' unique technology and processes allow linens to be washed, ironed, and folded in record time on an industrial scale, with healthy gross margins. The Group recognised US\$30,000 as its share of profits from 20 March 2014, and intends to work with E-Laundry and SPL to explore opportunities to widen its network within Australia.

Commenting on the results, Executive Chairman and Group Chief Executive Officer, Dr. Derek Goh, said, "After achieving our revenue target of S\$1 billion in FY2013, we continue to build on the momentum to carry out our roadmap to growth. Although the first quarter is traditionally our weakest quarter due to the festive period, we are pleased that we are on track to achieving our US\$1 billion revenue target."

"Generally, the first half ("1H") is slower than the second half of the financial year. We will continue to work hard to achieve our revenue target, expand customer base and product lines, and drive internal efficiencies so as to enhance shareholder value," he added.

Barring unforeseen circumstances, the Group is reasonably confident that 1H2014 will exceed that in 1H2013 in both revenue and gross profit on a year-on-year basis.

**### End ###**

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

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#### **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.