

Serial System's 2Q2016 Revenue Up 22%, Turn Around in Second Quarter; Expects Better Performance In 2H2016

US\$'000	2Q2016	2Q2015	Change (%)	1H2016	1H2015	Change (%)
Sales	378,572	309,597	22	711,368	571,357	25
Gross Profit	24,875	24,054	3	47,232	45,748	3
Gross Profit Margin (%)	6.6	7.8	(1.2) pt	6.6	8.0	(1.4) pt
Net Profit (Loss) After Tax <i>(Attributable to shareholders)</i>	3,280	4,771	(31)	(3,279)	7,826	N.M.
Net Profit Margin (%)	0.9	1.5	(0.6) pt	N.M.	1.4	N.M.
EPS (LPS) - fully diluted <i>(US cents)</i>	0.36	0.53	(32)	(0.37)	0.87	N.M.
NAV per share (US cents)	30/06/2016: 13.49			31/12/2015: 13.33		

N.M. – Not Meaningful

Singapore, 5 August 2016 – Serial System Ltd (“Serial System” or the “Group”) reported today improved revenue and gross profit for the quarter ended 30 June 2016 (“2Q2016”) as both its electronic components and consumer products distribution businesses made further progress even amid increased competition.

Revenue for 2Q2016 rose 22% from the same period last year (“2Q2015”) to US\$378.6 million. Serial System’s electronic components business, which counts leading chipmakers such as Texas Instruments, Avago Technologies and ON Semiconductor among its suppliers, generated revenue of US\$316.7 million, 13% more than in 2Q2015. The increase was driven by higher contributions from the Group’s operations in Southeast Asia, India, China, Taiwan and Hong Kong.

The consumer products business, which distributes products ranging from printer accessories and computer peripherals to timepieces and household appliances, turned in revenue of US\$60.6 million, accounting for 16% of the Group’s overall sales in 2Q2016. Companies in this business include Serial I-Tech group, Swift-Value Business Pte Ltd, Hydra and Thermal Pte Ltd, PT. Achieva Technology Indonesia and Achieva Technology group. In 2Q2015, the business, which had only Serial I-Tech and Swift-Value then, posted revenue of US\$29.0 million, about 9% of total sales in that quarter.

With the increase in overall revenue, the Group’s gross profit for 2Q2016 grew 3% to US\$24.9 million. Gross profit margin slipped, however, to 6.6% from 7.8% due to increased sales of lower-margin products in Singapore and Taiwan and stiff competition in China. The consumer products business, which typically commands lower margins than the electronic components business, also contributed to the drop in overall gross profit margin.

Serial System’s share of losses in associated companies amounted to US\$0.4 million in 2Q2016. This was due mainly to losses incurred by 29.03%-owned Bull Will Co., Ltd and 27.34%-owned SPL Holdings (Australia) Pty Ltd. Bull Will’s performance was affected by currency translation loss, provision for doubtful debts and a loss on closure of a subsidiary. SPL’s loss was mainly due to amortisation of intangible assets arising from acquisitions in recent years.

Total costs for 2Q2016 rose 9% to US\$22.8 million, with finance and other operating expenses rising the most. The higher finance expenses were due to increased use of trade facilities for working capital.

Other operating expenses rose because of allowances for obsolete inventory, losses on derivative financial instruments, impairment losses on trade receivables and goodwill, higher depreciation expenses, and a fair-value loss on financial assets. The increase was mitigated by an absence of amortisation of distribution rights in 2Q2016 compared to 2Q2015.

With the drop in gross profit margin and rise in total costs, the Group achieved a lower net profit of US\$3.3 million for 2Q2016, compared to US\$4.8 million for 2Q2015. Fully diluted earnings per share for the quarter amounted to 0.36 US cent, compared to 0.53 US cent a year earlier. As at 30 June 2016, the Group's net asset value was 13.49 US cents a share, up from 13.33 US cents a share as at 31 December 2015.

For the six months ended 30 June 2016 ("1H2016"), overall revenue increased 25% to US\$711.4 million from US\$571.4 million for the same period last year ("1H2015"). Sales from the electronic components business rose 11% to US\$579.4 million while the consumer products business generated revenue of US\$129.5 million, up from US\$44.1 million in 1H2015.

As previously announced, Serial System incurred a net loss of US\$6.6 million for the first quarter ended 31 March 2016 due to a drop in gross profit margin, losses at Bull Will, currency translation losses, and allowances for obsolete inventory. As a result, for 1H2016, the Group ended up with a net loss of US\$3.3 million, compared to a net profit of US\$7.8 million for 1H2015.

The Group will issue an interim dividend of 0.18 Singapore cent a share. It paid an interim dividend of 0.35 Singapore cent a share for 1H2015.

Dr. Derek Goh, Serial System's Executive Chairman and CEO, said: "Business is getting tougher with competition rising and economic conditions less certain. Still, we see growth opportunities for our electronic components business in areas like automotive, mobile and enterprise cloud solutions.

"Overall, we expect to do better in the second half of 2016 compared to the first half as we continue to streamline our core businesses to achieve better synergies and operational efficiency across our global distribution network."

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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 its suppliers and customers. Today, Serial System has one of the largest distribution networks in Asia, with 58 offices and 10 warehouses throughout Asia Pacific. It also has a wide customer base of more than 6,000, spanning a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunications, electronic manufacturing services, automotive and medical. Its major suppliers for electronic components distribution include Texas Instruments, ON Semiconductor, Avago Technologies, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors, Fairchild Semiconductor, Analog Devices, BCD Semiconductor, Elo Touch Solutions and Fingerprints. Its major suppliers for consumer products distribution include Hewlett-Packard, Apple, Tamron, Fujifilm, Marumi, Titan, Nixon, Fossil, Luxa2 and Corum.

Serial System's ability to align itself with 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.

For more information please visit us at www.serialsystem.com