



SERIAL
新曄集團

2Q2018 / 1H2018 RESULTS PRESENTATION

Tuesday, 14 August 2018

Your Integral Component to Success

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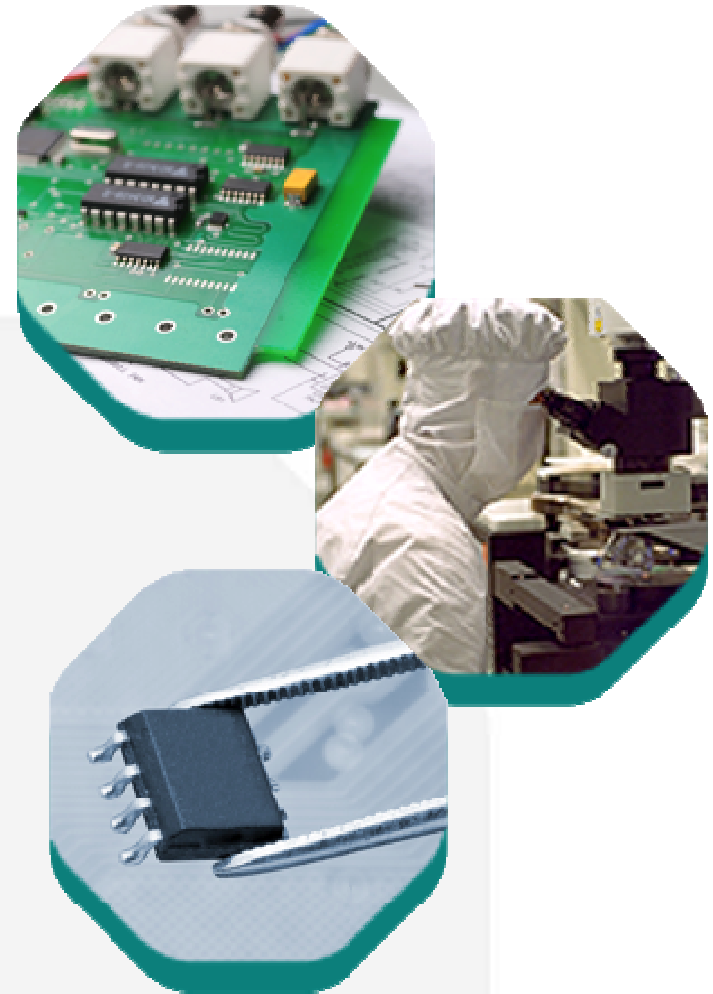
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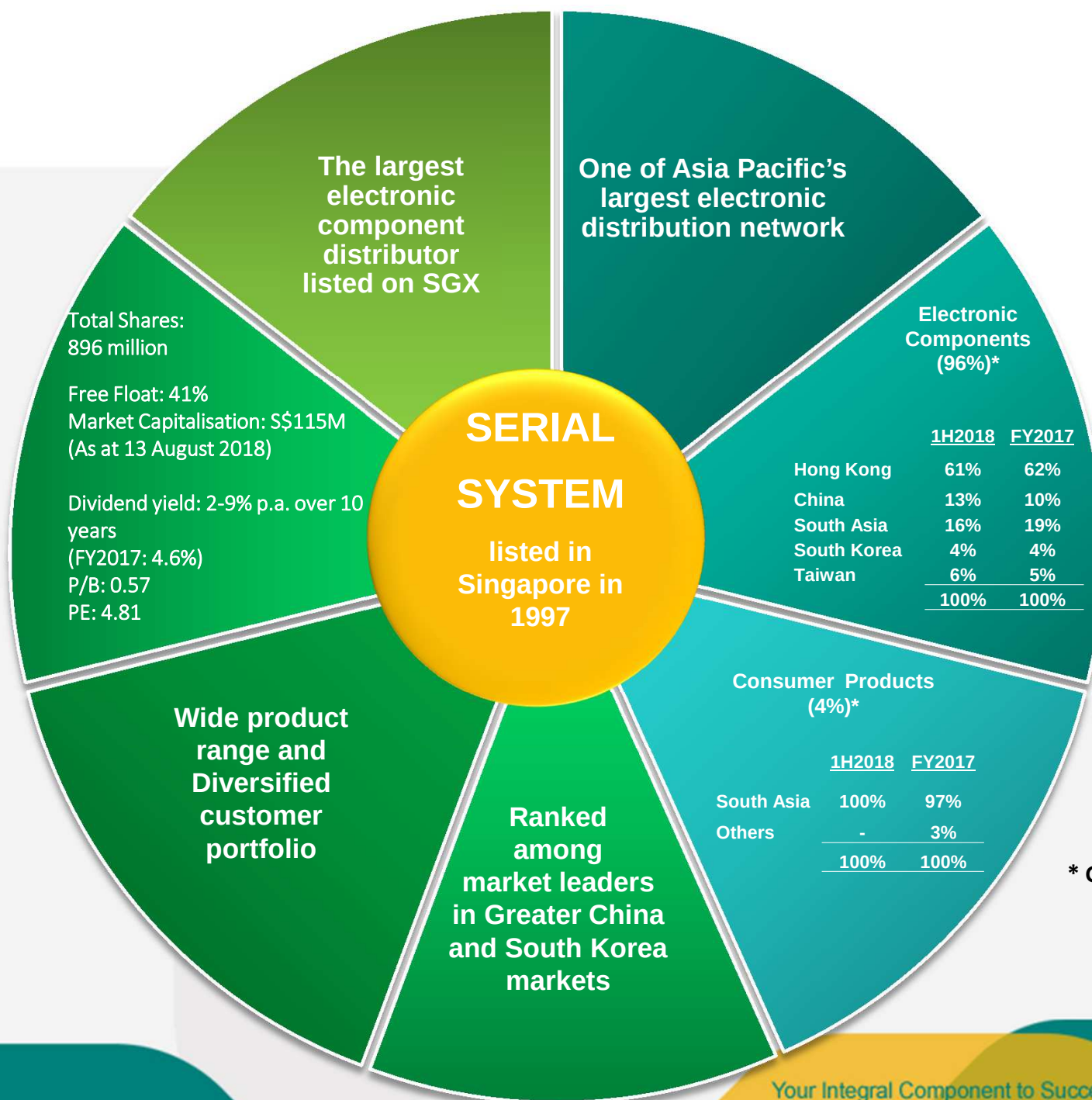
OUTLOOK & STRATEGIES



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" and another document with 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 Healthcare, Managed Print Services, Industrial Laundry and Durians.



**Electronic
Components
Distribution**



**Consumer
Products
Distribution**



**Hospitality
Solutions**



**Medical Device
Manufacturing
and Distribution**

**Managed
Print
Services**



**Industrial
Laundry
Services**



**Musang
King**



PARTNERING LEADING SUPPLIERS

Electronic Components Distribution



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

PARTNERING LEADING SUPPLIERS

Consumer Products Distribution



AMD

ASUS

Canon

EPSON



MARUMI

OKI

Panasonic

PowerColor

SAMSUNG

LUXA²
A Division of Tienmai Lake

NIXON

OTHER BUSINESSES

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



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



- Core businesses: Hospitality and Healthcare solutions
- Hospitality solutions: Build based on a core venue management application suite known as Venue360.
- Leading edge modules within Venue360: Electronic meal ordering system (eMOS), Intelligence Room Infotainment Solution, Digital Media Content Management System, and Incident Tracking and Reporting System.
- Clients: Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, Institute of Mental Health, St Andrew's Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital, Sengkang Hospital, Sengkang community hospital and Alexandra Integrated Health.

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
- Company is ISO 13485-certified and its perfusion products bear the coveted CE certification mark.

STRATEGIC INVESTMENT

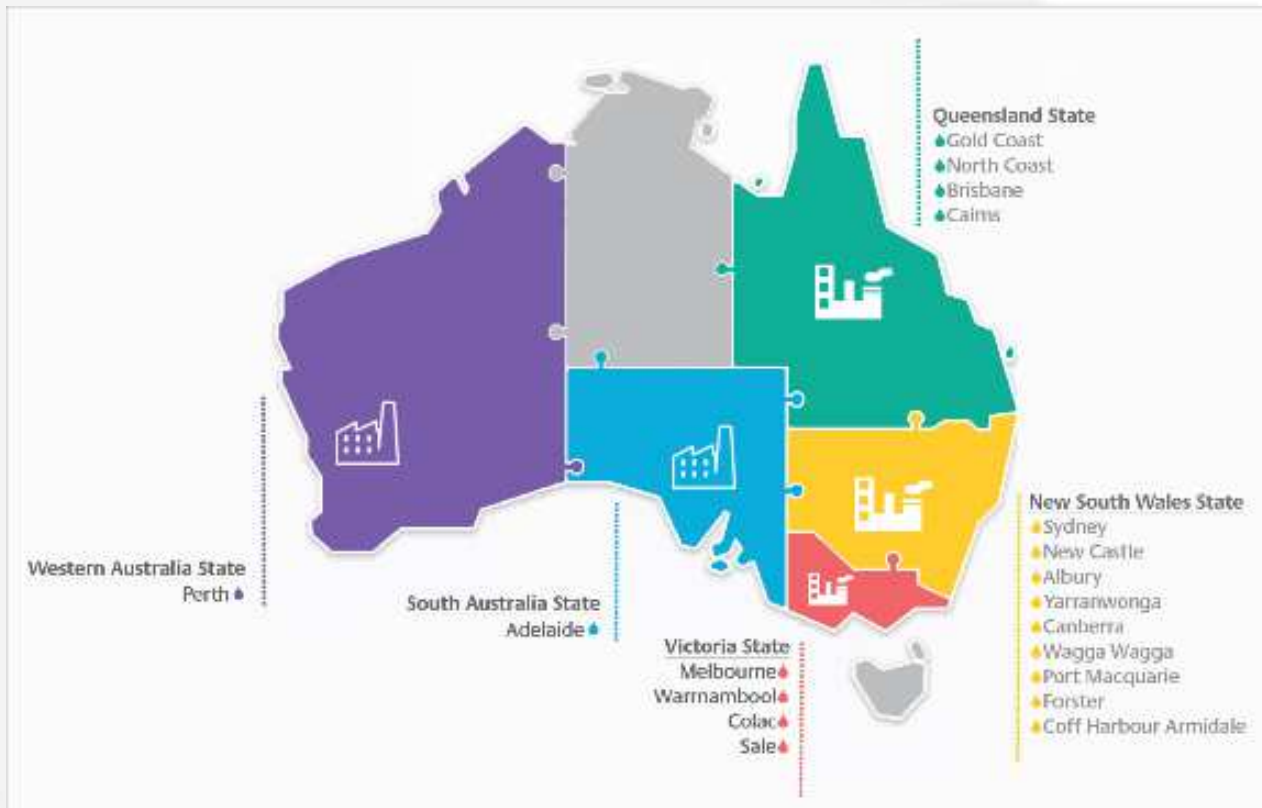
South Pacific Laundry



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

Clients: Hyatt, Sofitel, Best Western, Stamford and Quest.



STRATEGIC INVESTMENT

Musang Durians Frozen Food (M) Sdn. Bhd.

The Group has an effective 27.5% stake in durian processing and distribution company Musang Durians 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



CORPORATE HIGHLIGHTS

CORPORATE HIGHLIGHTS (2018)

CORPORATE DEVELOPMENTS	April 2018	In-principle approval from SGX-ST for proposed transfer of listing from Mainboard to Catalist in relation to proposed spin-off of Serial Microelectronics (HK) Limited (“SMHK”) in Hong Kong Shareholders of Serial System voted in favour of proposed spin-off of SMHK
ELECTRONIC COMPONENTS DISTRIBUTION	February 2018	Strategy: Expand Product Portfolio and Increase Exposure to High-Value Components - Investment in 63.7% stake in Xuanhong Automotive Electronics Limited, which distributes semiconductor components focusing on automotive segment in Hong Kong - Investment in 63.7% stake in Shanghai-based Xuanli Automotive Electronics Co Limited, which distributes semiconductor components focusing on automotive segment in China
	April 2018	Incorporation of 46.4%-owned subsidiary Newstone Technology (Shenzhen) Company Limited, which markets and distributes semiconductor components

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 visible in the background, holding a pen. The scene is set on a light-colored table.

FINANCIAL RESULTS



SERIAL
新曙集團

SNAPSHOT OF 2Q2018 & 1H2018 PERFORMANCE

US\$'000	2Q2018	2Q2017	Change (%)	1H2018	1H2017	Change (%)
Sales	408,703	373,927	9	813,923	706,864	15
Gross Profit	33,608	26,144	29	65,001	50,103	30
Gross Profit Margin (%)	8.2	7.0	1.2 pt	8.0	7.1	0.9 pt
Net Profit After Tax <i>(Attributable to shareholders)</i>	2,042	3,370	-39	7,232	6,078	19
EPS - fully diluted <i>(US cents) ⁽¹⁾</i>	0.23	0.38	-39	0.81	0.68	19
NAV per share (US cents) ⁽²⁾	30/6/2018: 15.49 cents			31/12/2017: 15.35 cents		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares of 895,841,914 (2Q2017/1H2017: 895,841,914) during the period after adjusting assumed conversion of all potential dilutive ordinary shares. There were no potential dilutive shares for the financial period ended 30 June 2018 and 30 June 2017.

(2) Net assets value per ordinary share as at 30 June 2018 and 31 December 2017 are calculated based on the net assets value attributable to the owners of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 895,841,914.

2Q2018 HIGHLIGHTS



- **Revenue of US\$408.7M, an increase of 9% compared to US\$373.9M in 2Q2017**
 - Revenue from electronic components distribution business up 9% to US\$394.4M, due to higher sales in all markets except South Asia
 - Revenue from consumer products distribution business up 24% to US\$13.0M due to higher sales in Malaysia and contribution from 70%-owned Print-IQ Singapore, which was acquired in May 2017
- **Gross profit margin rose to 8.2% from 7.0% in 2Q2017**
 - Higher margins from both electronic components and consumer products distribution business
- **NPAT decreased to US\$2.0M from US\$3.4M in 2Q2017**
 - Net margin dropped to 0.5% in 2Q2018 compared to 0.9% in 2Q2017
 - Higher gross profit from higher revenue and gross profit margins offset by increase in overall expenses, including professional fees for proposed spin-off of Hong Kong subsidiary

1H2018 HIGHLIGHTS

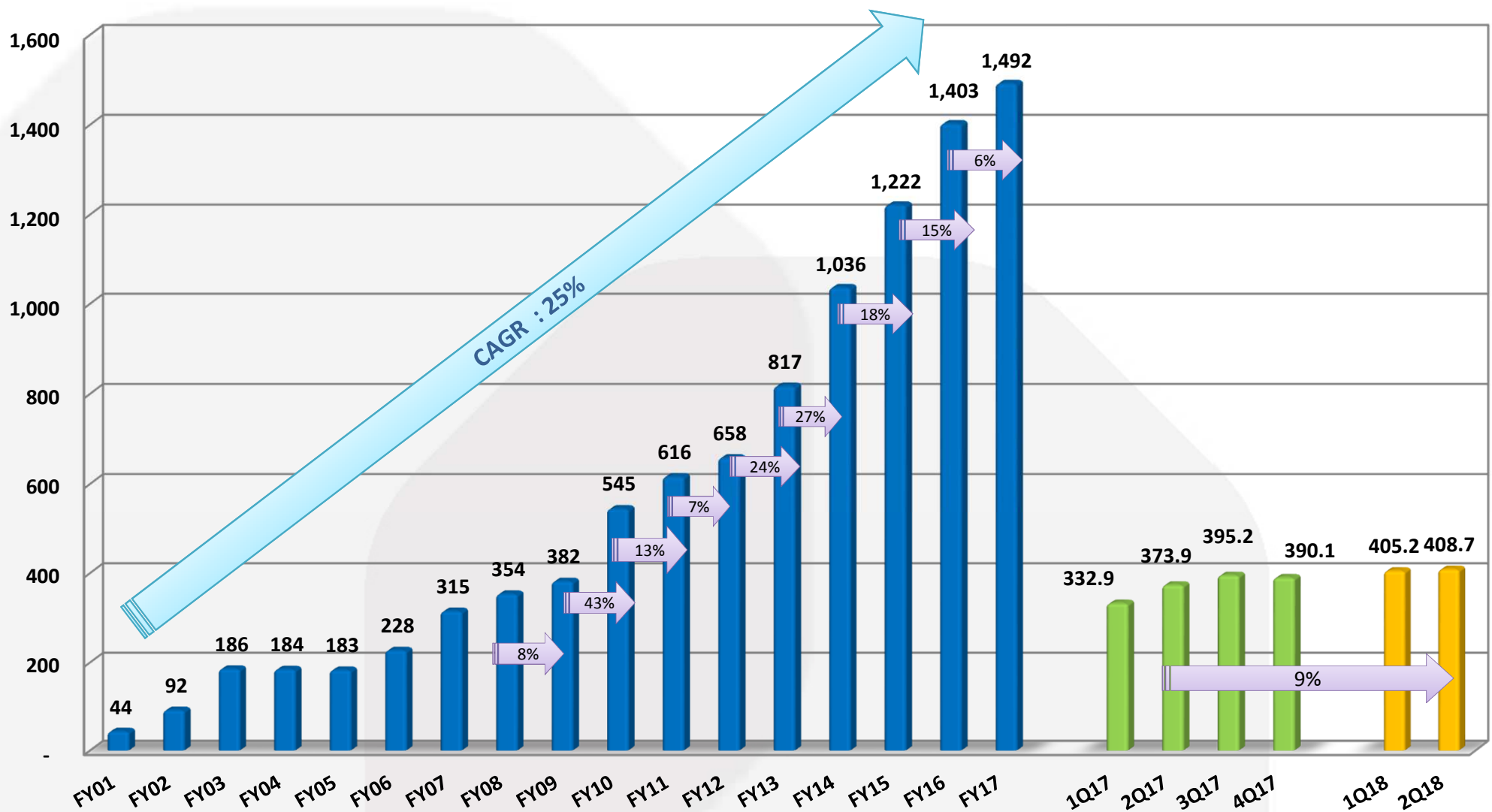
- **Revenue of US\$813.9M, an increase of 15% from 1H2017**
 - Electronic components distribution business rose 15% to US\$780.9M on higher revenue contributions from Hong Kong and China, Taiwan and South Korea
 - Consumer products distribution business increased 11% to US\$30.6M due to higher demand in Malaysia and Indonesia, and contribution from 70%-owned Print-IQ Singapore, which was acquired in May 2017
- **Gross profit margin increased to 8.0% compared to 7.1% in 1H2017**
 - Higher margins achieved by both electronic components and consumer products distribution businesses
- **NPAT of US\$7.2M compared to US\$6.1M in 1H2017; maintained net margin of 0.9% in 1H2018 and 1H2017**
 - Higher gross profit from higher sales and margins
 - Write-back of inventory obsolescence
 - Lower currency translation loss

REVENUE GROWTH TREND

SERIAL SYSTEM GROUP

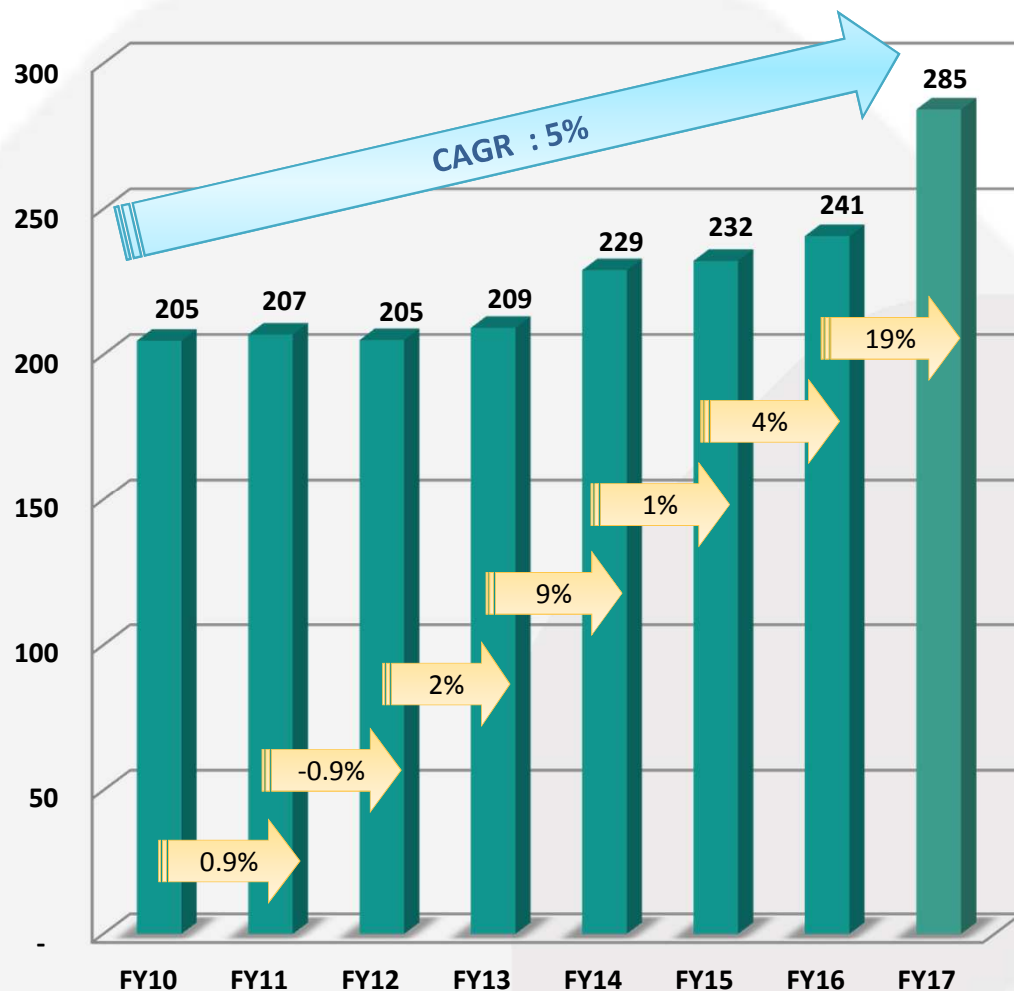


Revenue (US\$' million)



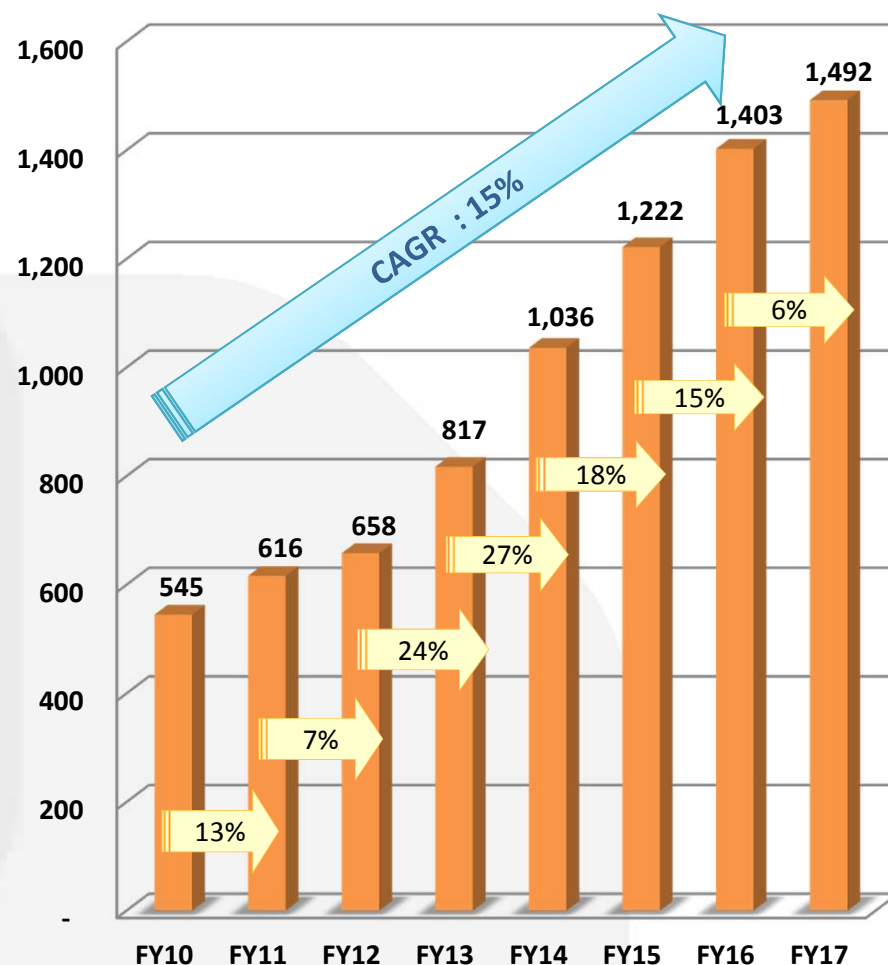
OUTPERFORMING THE INDUSTRY

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



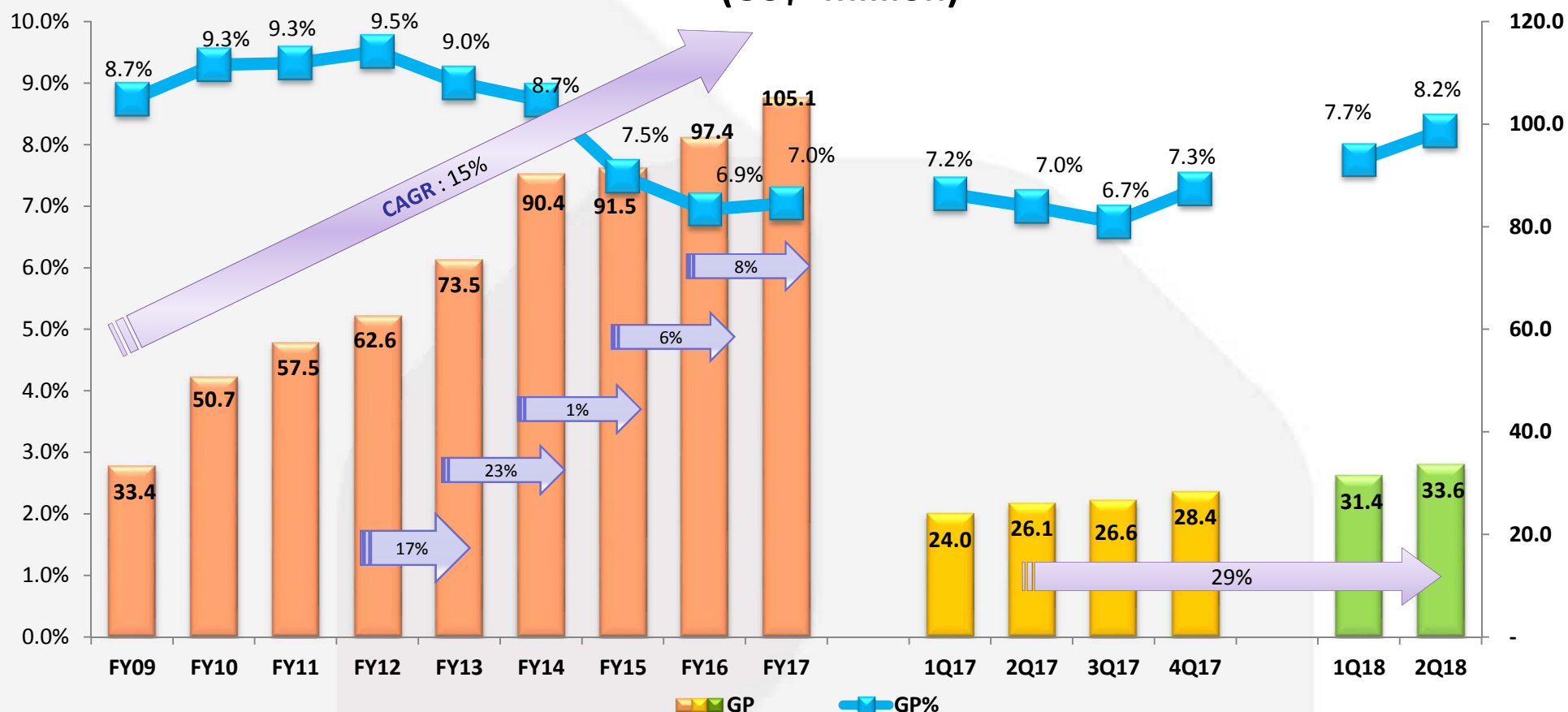
Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

Serial System Revenue (US\$' million)

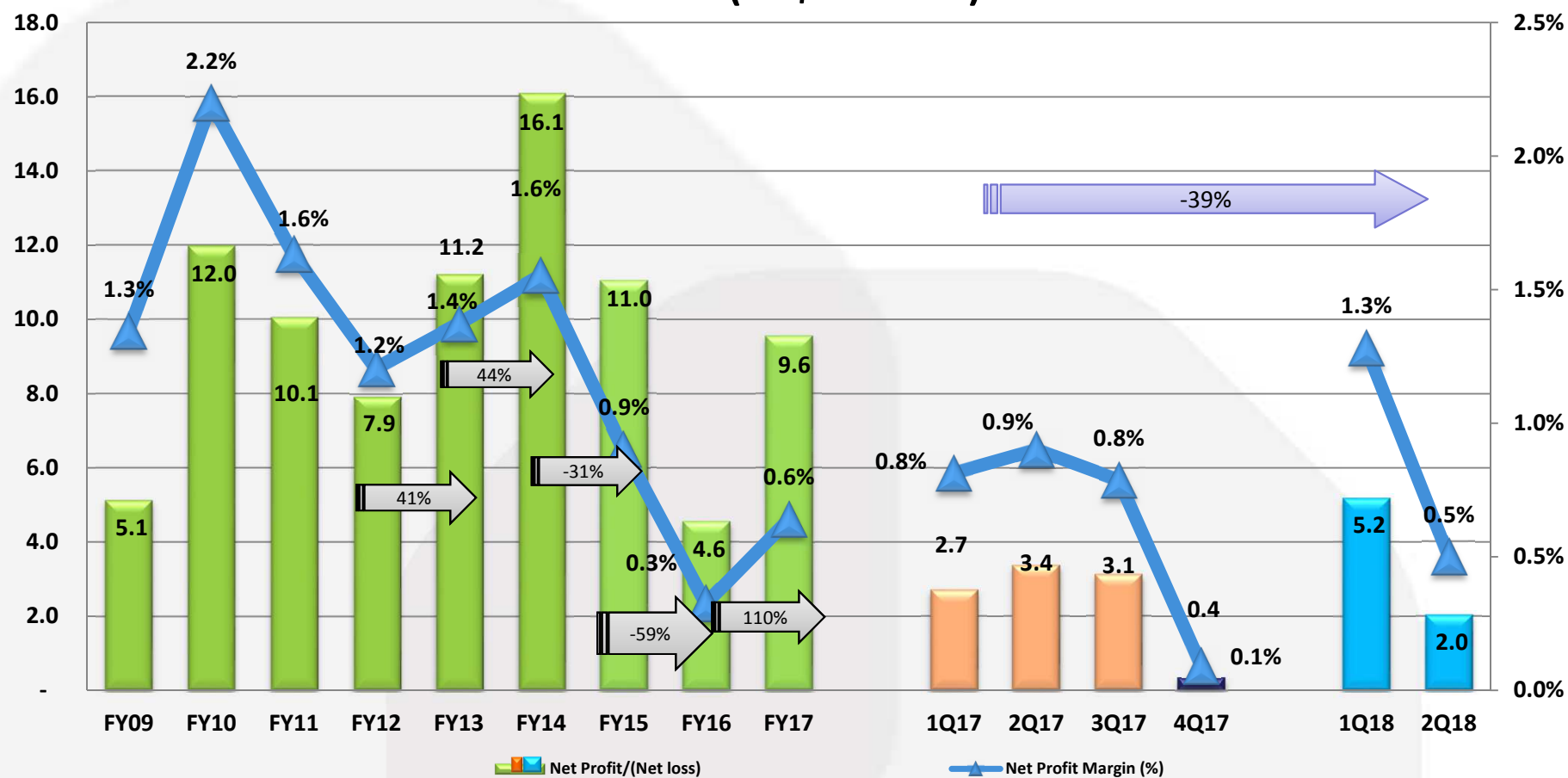


PROFITABILITY

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

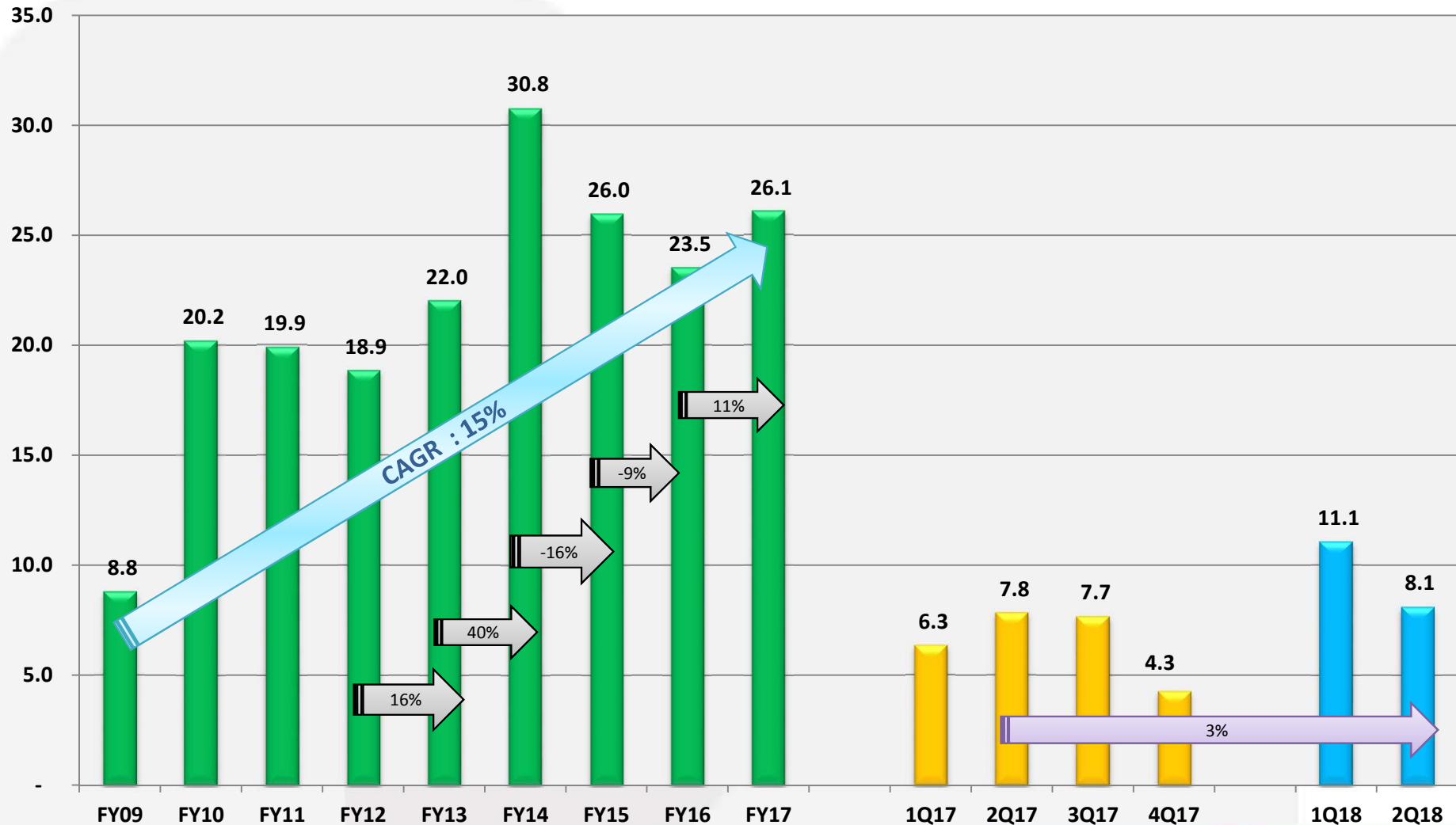


Net Profit & Net Profit Margin (US\$' million)

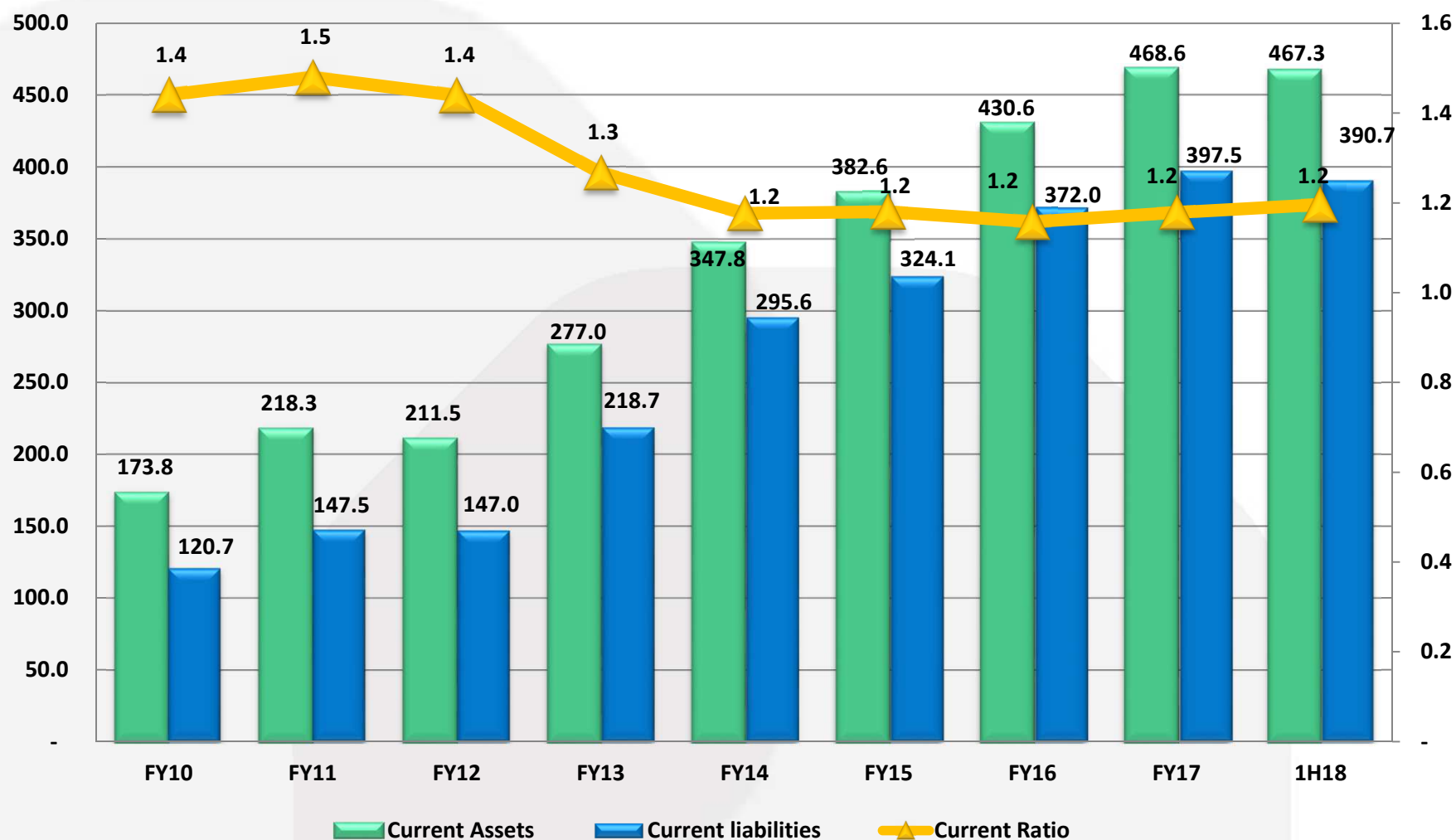


PROFITABILITY

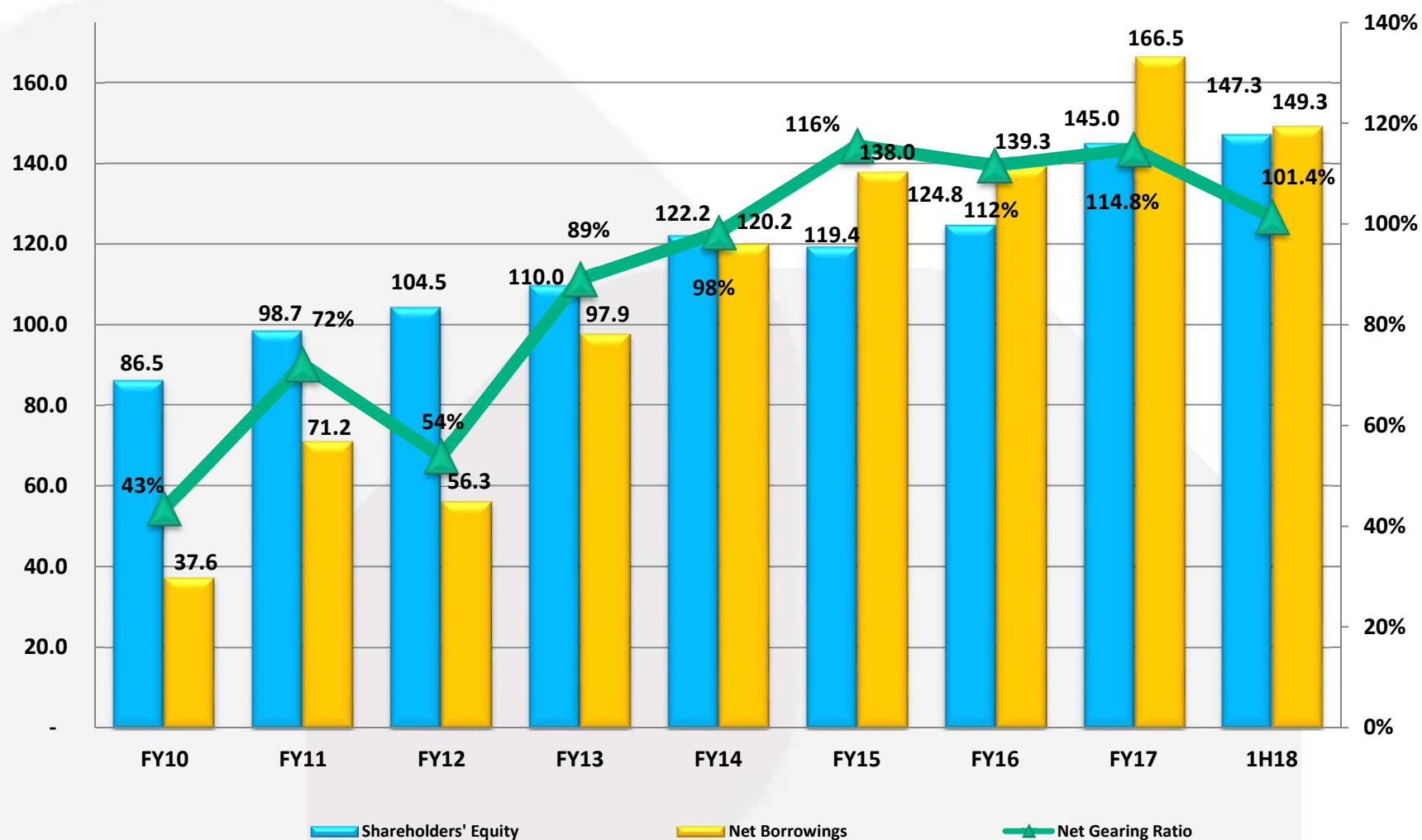
EBITDA (US\$' million)



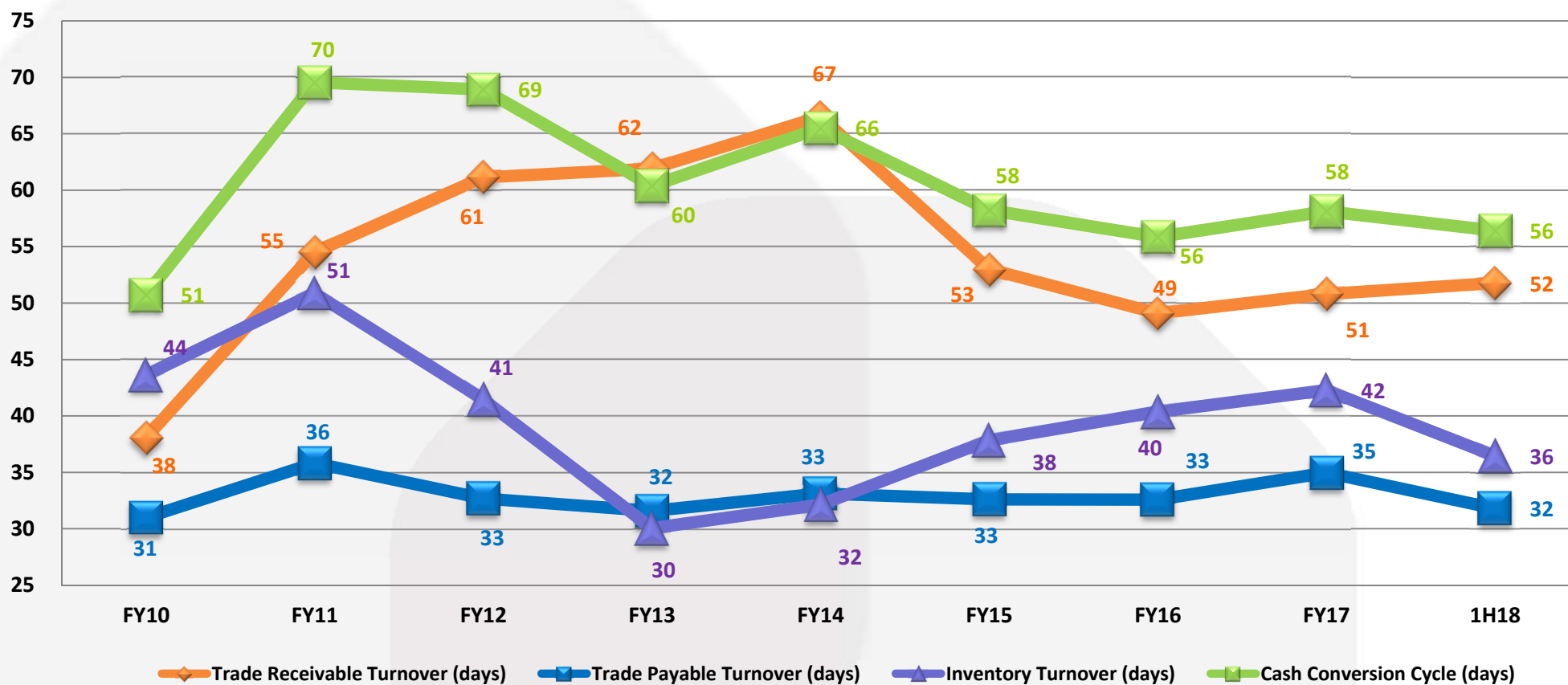
Maintaining Healthy Current Ratio



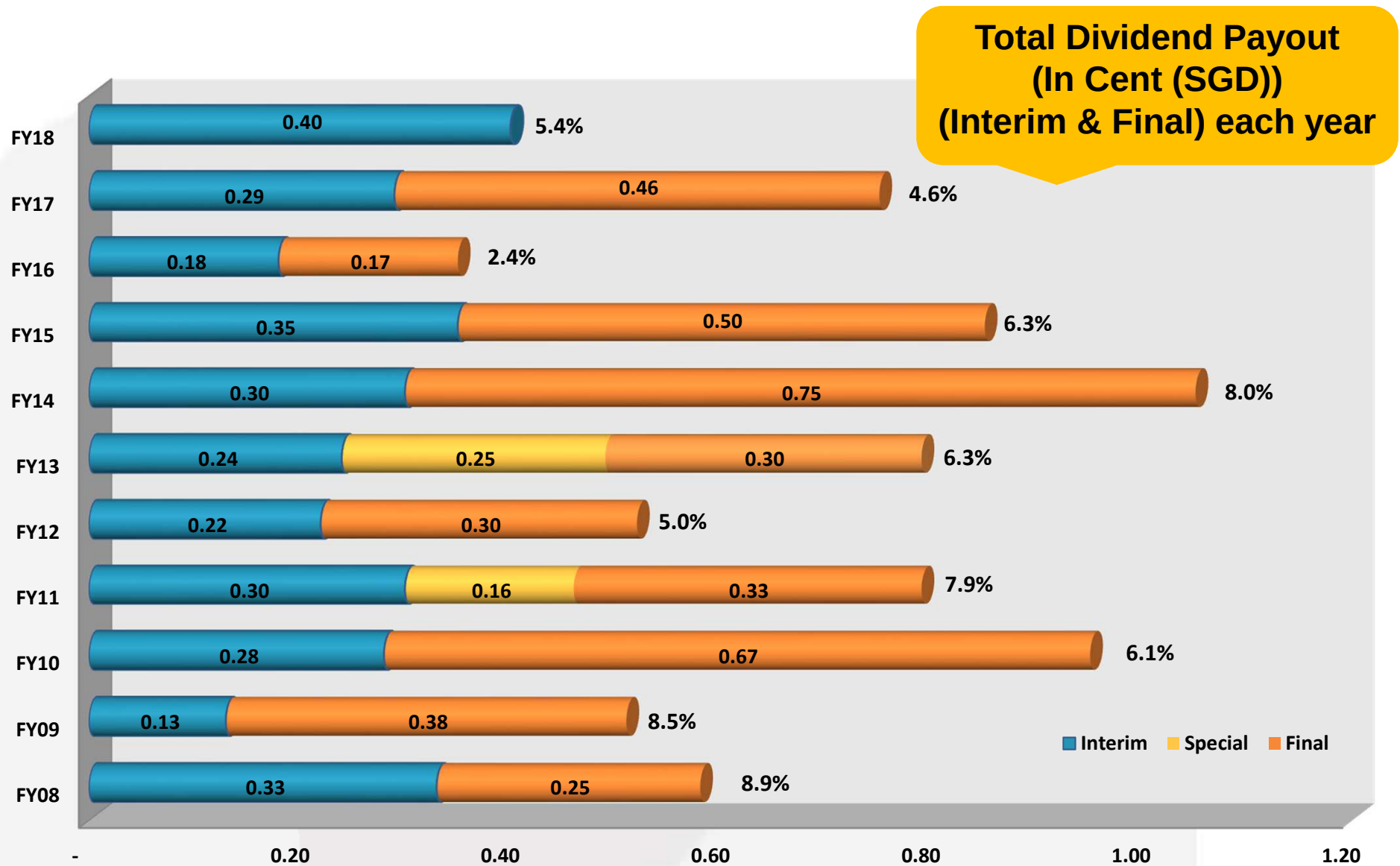
Net Gearing Ratio



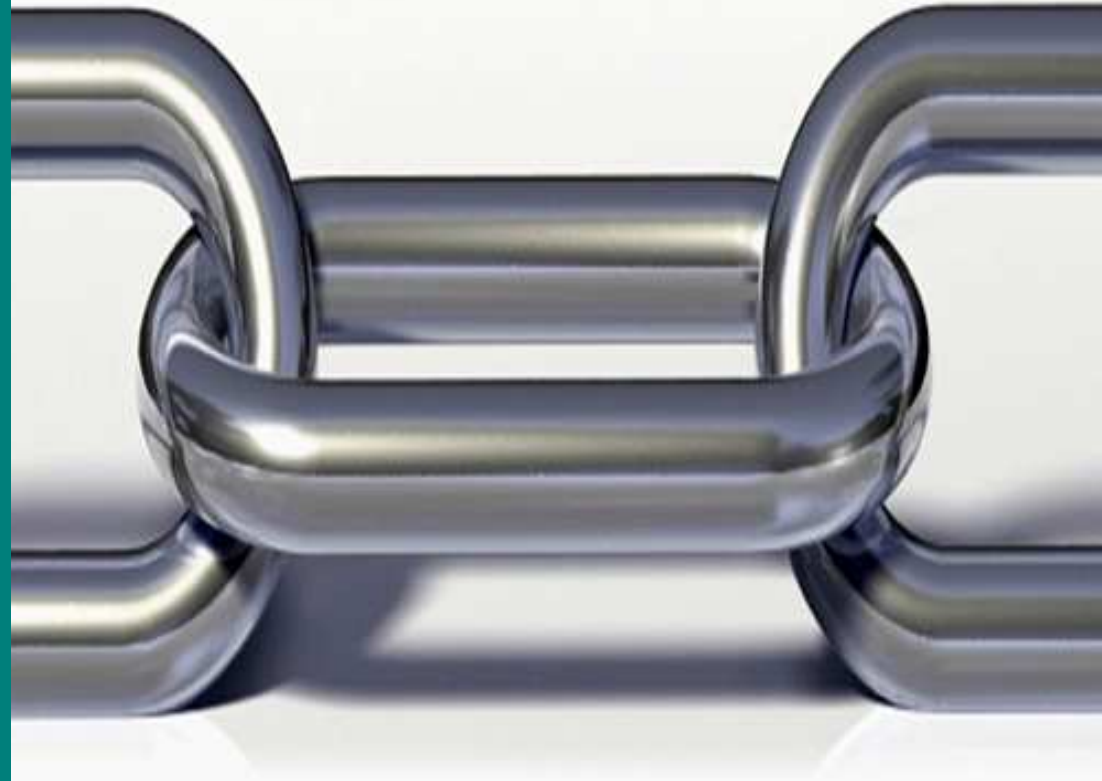
Cash Conversion Cycle (days)



DIVIDEND YIELD



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK

The global semiconductor industry achieved its highest annual growth in 14 years in 2017 with revenue up 21.7% at **US\$429.1 billion**, driven in part by strong demand for memory integrated circuits, according to business information provider IHS Markit.

Growth is likely to continue in 2018, although at a slower pace, with market research firm Gartner forecasting global semiconductor revenue of **US\$451 billion** this year.



GROUP OUTLOOK

- The Group is mindful of ongoing trade tensions between the United States and its key trading partners, especially China, and the potential impact on global supply chains.
- As part of efforts to better position itself to seize growth opportunities, the Group is pushing ahead to spin off Serial Microelectronics (HK) Limited (“SMHK”).
 - ❑ This will enable SMHK, which currently relies on Serial System to partly fund its business, to support itself independently
 - ❑ It will also free up resources for Serial System to redeploy to its other businesses
 - ❑ Following the spin-off, Serial System will transfer its SGX listing to Catalist
- Barring unforeseen circumstances, the Group expects to be profitable for the whole of 2018.

OUR THREE-PRONGED STRATEGY

Objectives:

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

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 Automotive, Mobile devices, Enterprise Cloud Solutions, Robotics and Consumer Electronics segments
- 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.

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Thank You

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