



SERIAL
新曄集團

2Q'2017 & 1H'2017 RESULTS PRESENTATION

Friday, 04 August 2017

Your Integral Component to Success

AGENDA

1. CORPORATE OVERVIEW

2. CORPORATE HIGHLIGHTS

3. FINANCIAL RESULTS

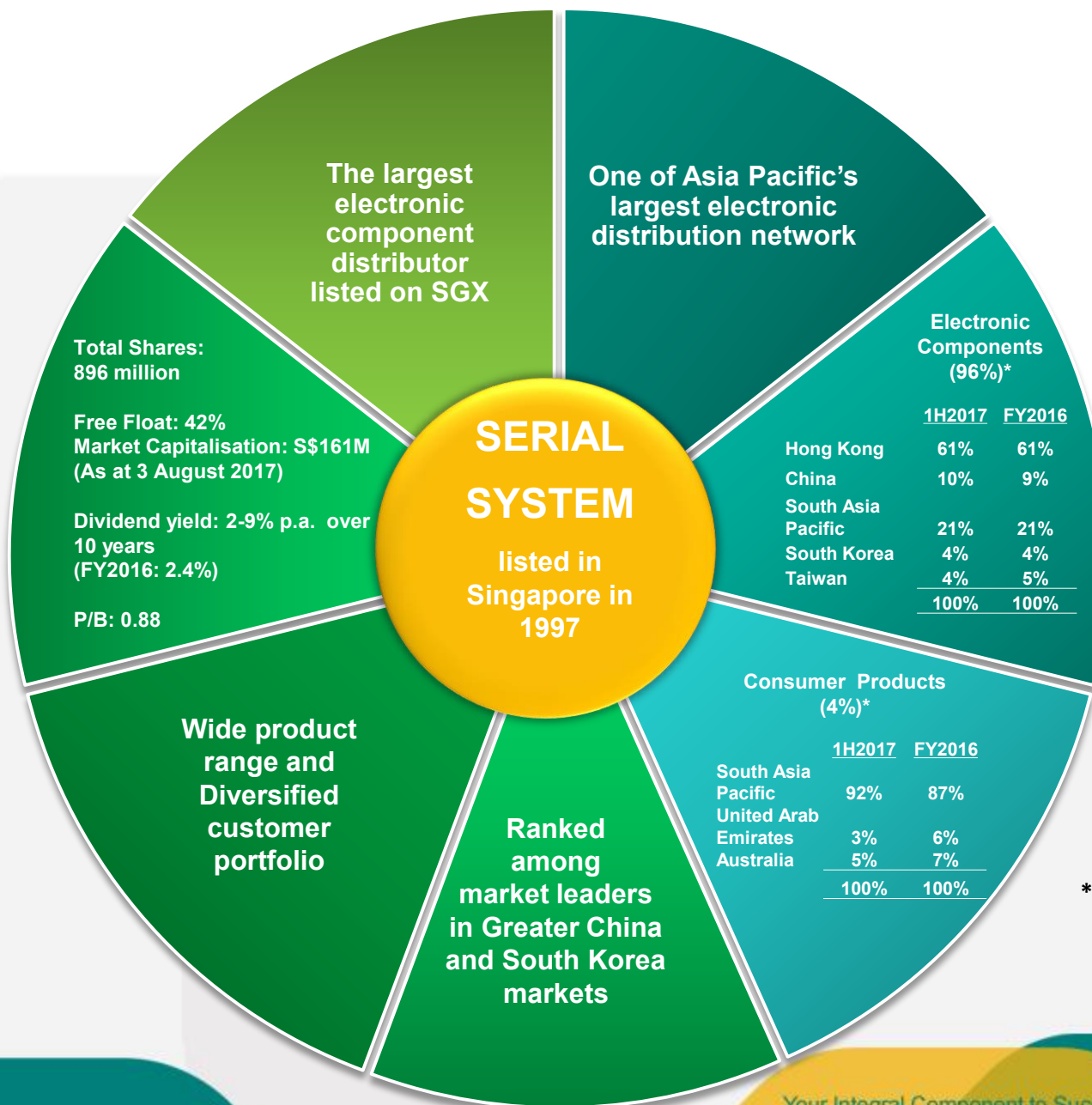
4. OUTLOOK & STRATEGIES



A photograph of a business meeting. In the center, two people are shaking hands over a table. On the table, there are several documents, including one clearly labeled 'CONTRACT'. Other documents show bar charts and text. A person in the background is holding a pen over a document. The scene is brightly lit, suggesting an office environment.

CORPORATE OVERVIEW

SERIAL SYSTEM AT A GLANCE

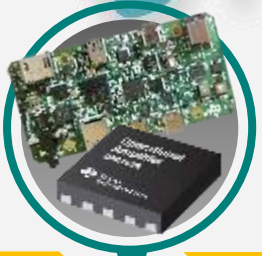


* Group Revenue

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 and Managed Print Services



Electronic Components Distribution



Consumer Products Distribution



Hospitality Solutions



Managed Print Services

Medical Device Manufacturing and Distribution



Industrial Laundry Services



Food Manufacturing and Catering



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 Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena and Yishun Community 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

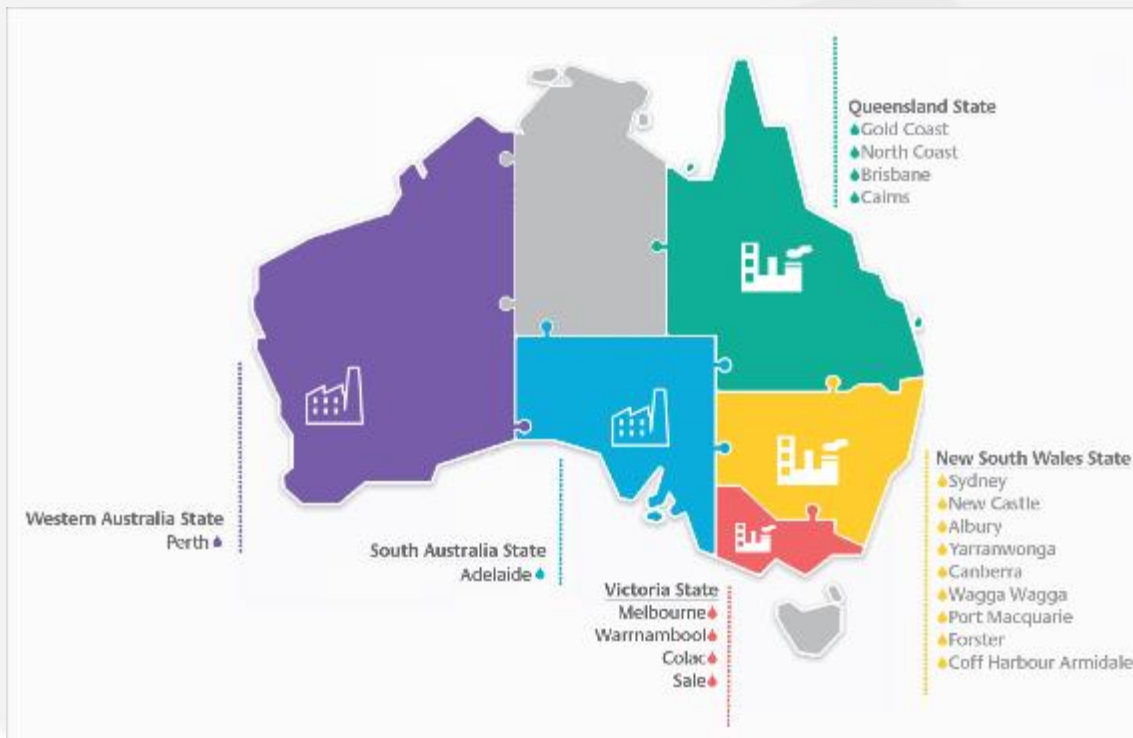
STRATEGIC INVESTMENT – South Pacific Laundry



27.34% stake in SPL Holdings (Australia) Pty Ltd, a laundry provider 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 13 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



CORPORATE HIGHLIGHTS

CORPORATE DEVELOPMENTS

June 2017

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

ELECTRONIC COMPONENTS DISTRIBUTION

December 2016

Strategies : Expand Product Portfolio & Increase High-Value Components

- ▶ Partner with Beston International (Hong Kong) Ltd (“Beston International”) to market and distribute ON semiconductor products through newly incorporated company, Newstone Technology Limited
 - ❖ 51% owned by Serial Microelectronics (HK) Limited
 - ❖ Principal activities: marketing, promotion, sales, export and distribution of ON Semiconductor products

September 2016

- ▶ Partner with South Korean-listed Unitrontech Co., Ltd. through newly incorporated company in Hong Kong, Unitrontech China Co. Ltd.
 - ❖ 45% owned by Serial Microelectronics (HK) Limited
 - ❖ Principal activities: marketing, promotion and sales of Micron memory products with focus on automotive market in China

June 2016

- ▶ Expansion of additional Product Line, Broadcom after its acquisition by Avago

CONSUMER PRODUCTS DISTRIBUTION

June 2017

Strategies : Rationalise Operations & Explore New Profitable Investments

- ▶ Acquired 100% equity interest in Inkcart Pte. Ltd. (“Inkcart”)
- ▶ Inkcart is principally engaged in the business of trading and distribution of computers and peripheral equipment, IT and electronic products

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 location in Changi office/warehouse

OTHER BUSINESSES

February 2017

Strategies : Diversify Risk and Generate Recurring Income

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

March 2016

- ▶ Increased investment in SPL Holdings (Australia) Pty Ltd (“SPL Holdings”) from 20.00% to 27.34%, pursuant to rights issue undertaken by SPL Holdings
 - ❖ 2 new greenfield projects in Adelaide and Perth
 - ❖ Acquired companies in Cairns, Sydney and Melbourne
 - ❖ Increased market share in Queensland, New South Wales and Victoria states

A photograph of a business meeting. In the foreground, a person's hand is gesturing over a document with various charts, including a large 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 and documents.

FINANCIAL RESULTS

SNAPSHOT OF 2Q2017 & 1H2017 PERFORMANCE

US\$'000	2Q2017	2Q2016	Change (%)	1H2017	1H2016	Change (%)
Sales	373,927	378,572	(1)	706,864	711,368	(1)
Gross Profit	26,144	24,875	5	50,103	47,232	6
Gross Profit Margin (%)	7.0	6.6	0.4 pt	7.1	6.6	0.5 pt
Net Profit/(Loss) After Tax <i>(Attributable to shareholders)</i>	3,370	3,280	3	6,078	(3,279)	285
EPS/(LPS) - fully diluted <i>(US cents) ⁽¹⁾</i>	0.38	0.36	5.4	0.68	(0.37)	N.M.
NAV per share (US cents) ⁽²⁾	30/06/2017: 15.11			31/12/2016: 13.93		

(1) Earnings/(loss) per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue for 2Q2017/1H2017 of 895,841,914 (2Q2016/1H2016: 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 30 June 2017 and 31 December 2016 of 895,841,914.

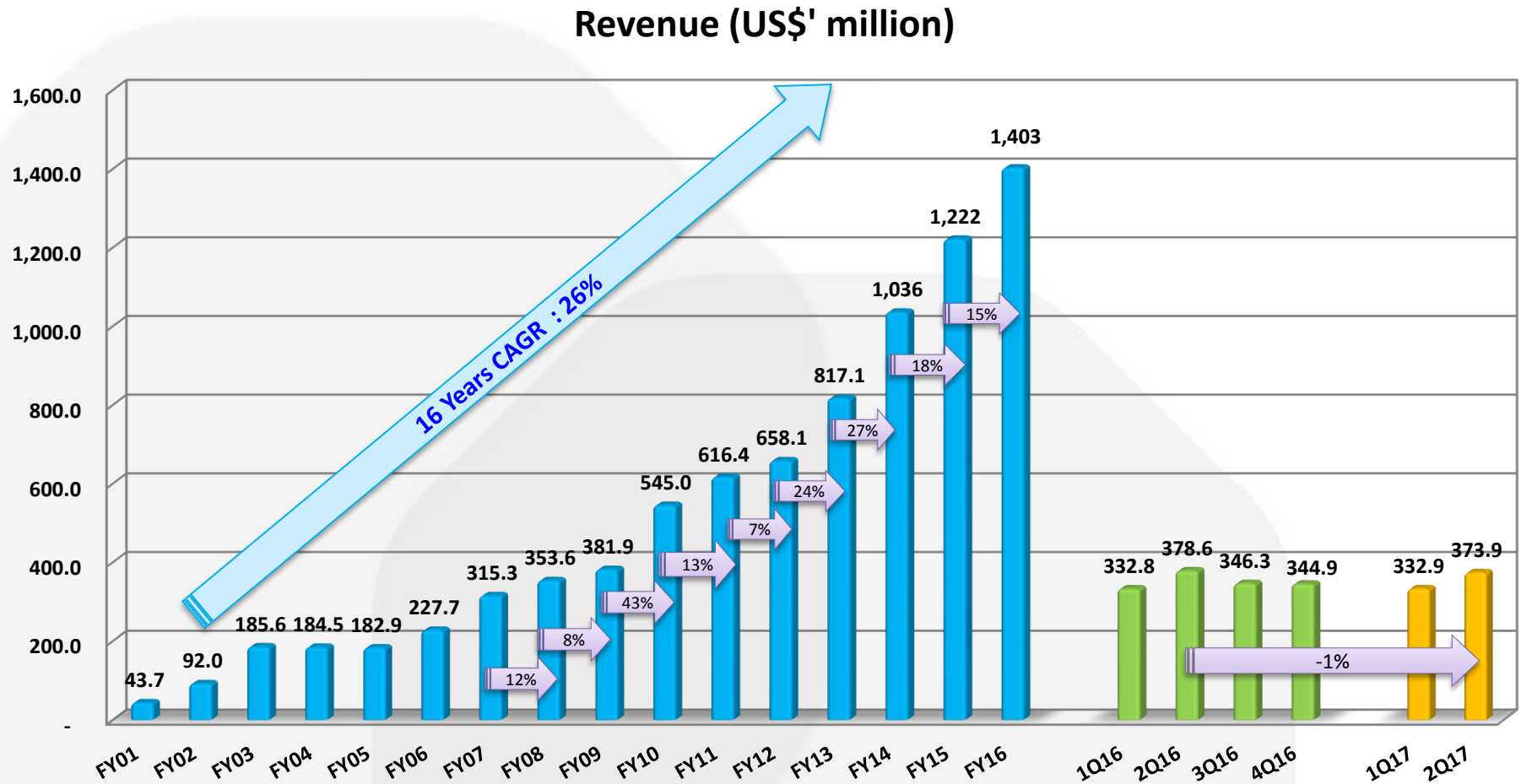
2Q2017 HIGHLIGHTS

- **Revenue** of US\$373.9M compared to US\$378.6M in 2Q2016
 - Revenue from electronic components distribution business increased 14% to US\$362.3M, mainly due to higher product demand from Hong Kong and China
 - Revenue from consumer products distribution business down 83% to US\$10.4 million due to lower sales of product lines across all subsidiaries
- **Gross profit margin** increased to 7.0% from 6.6% in 2Q2016
 - Higher margins achieved by the consumer products distribution business and electronic components distribution business in Singapore and Taiwan
 - Offset by lower margins achieved by the electronic components distribution business in Hong Kong, China and South Korea
- **Share of losses in associated companies** at US\$0.3M
 - Due mainly to losses incurred by SPL Holdings (Australia) Pty Ltd from high depreciation charges and amortisation of intangible assets and losses at the two new plants in Adelaide and Perth, Australia
- **NPAT** of US\$3.4M in 2Q2017 compared to a net loss of US\$3.3M in 2Q2016
 - Net margin maintained at 0.9% in 2Q2017 compared to 2Q2016

1H2017 HIGHLIGHTS

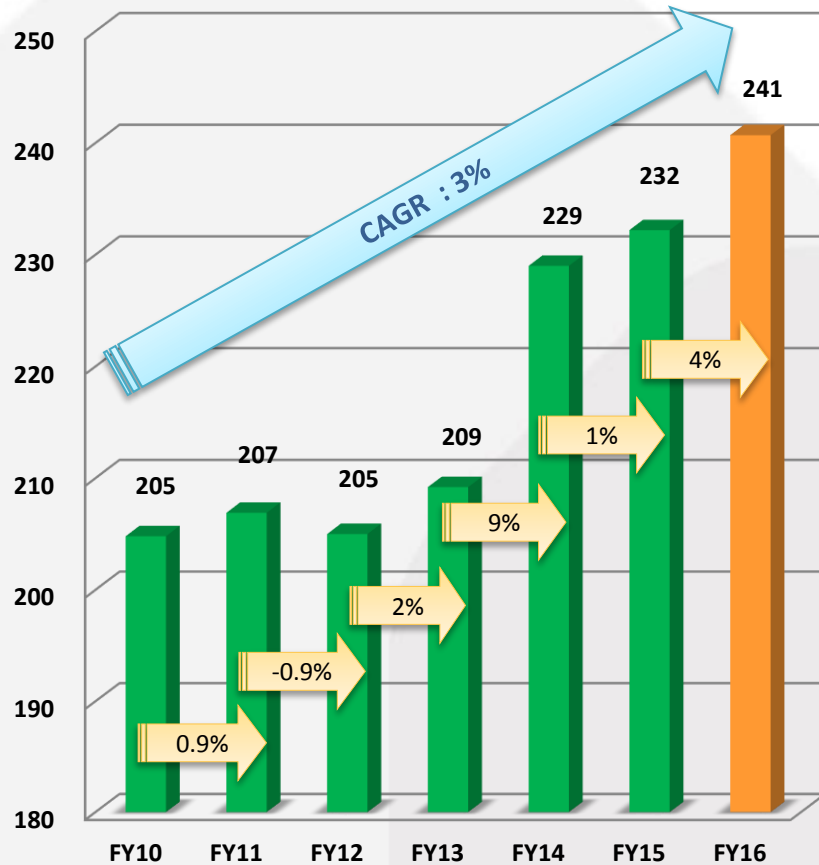
- **Revenue** of US\$706.9M compared to US\$711.4M in 1H2016
 - Electronic components distribution business rose 17% to US\$677.3m on higher product demand from Hong Kong, China and South Asia Pacific
 - Consumer products distribution business declined 79% to US\$27.5M due to lower overall product sales
- **Gross profit margin** increased to 7.1% in 1H2017 compared to 6.6% in 1H2016
 - Higher margins achieved by consumer products distribution business
 - Partly offset by lower margins achieved by electronic components distribution business amid keen competition
- **NPAT** of US\$6.1M, compared to a net loss of US\$3.3M in 1H2016
 - Higher gross profit margin
 - Lower currency translation loss and allowance for inventory obsolescence
 - Reduced share of losses in associated companies

REVENUE GROWTH TREND – SERIAL SYSTEM GROUP



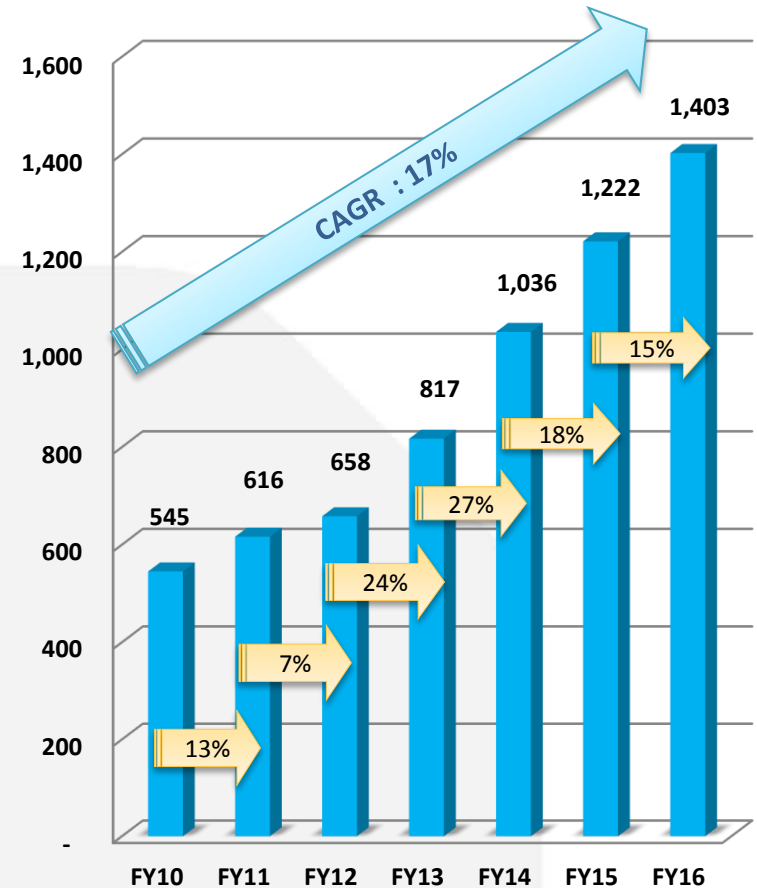
OUTPERFORMING THE INDUSTRY

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

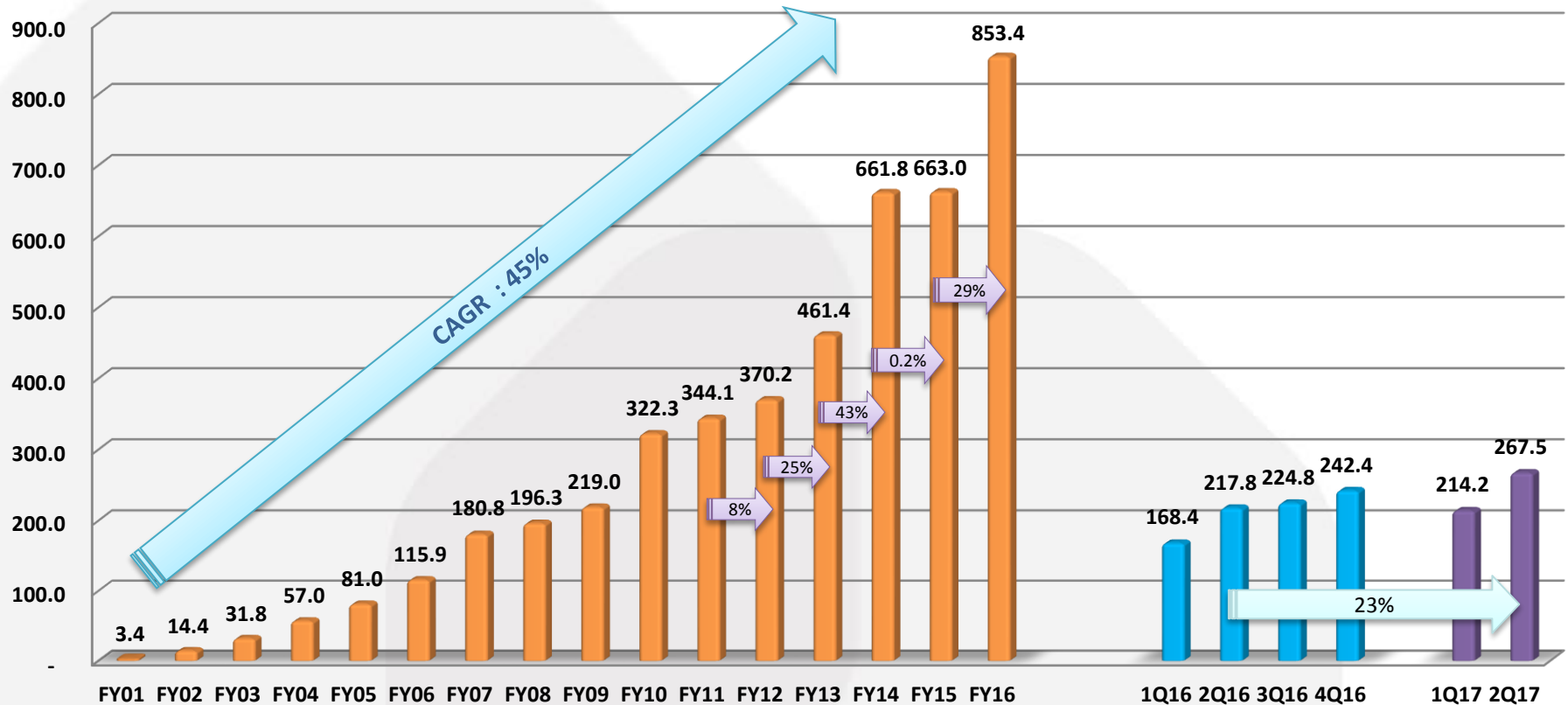


Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

Serial System Revenue (US\$' million)

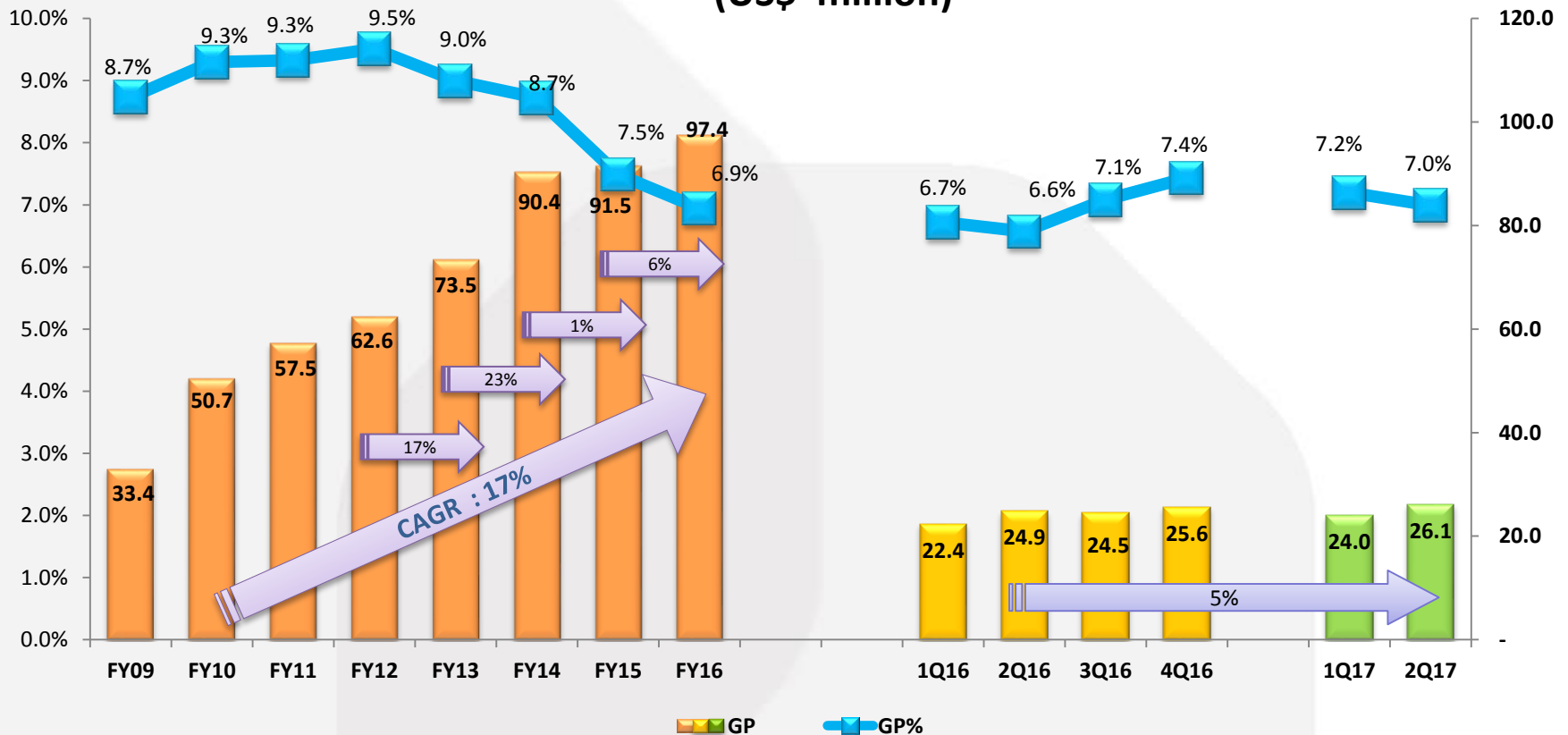


Hong Kong & China Revenue (US\$' million)



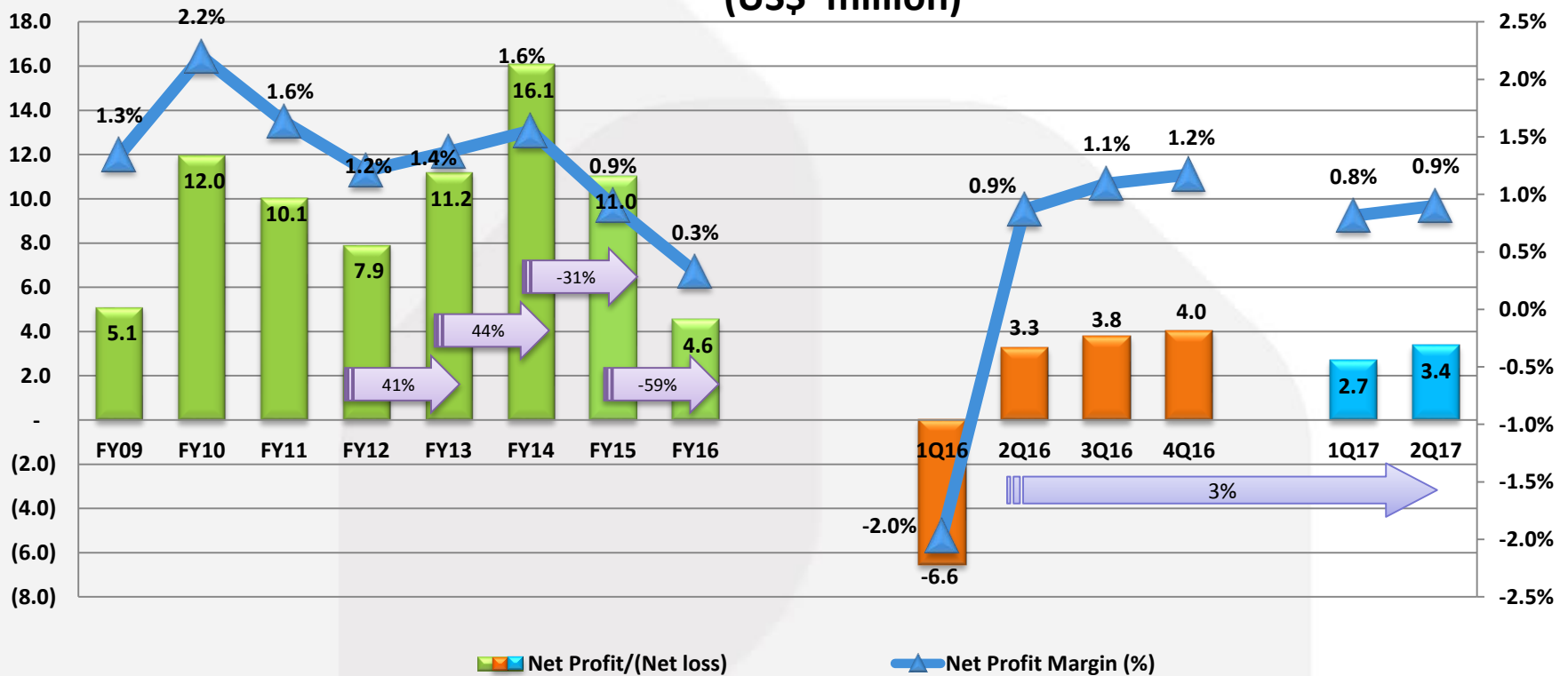
PROFITABILITY

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



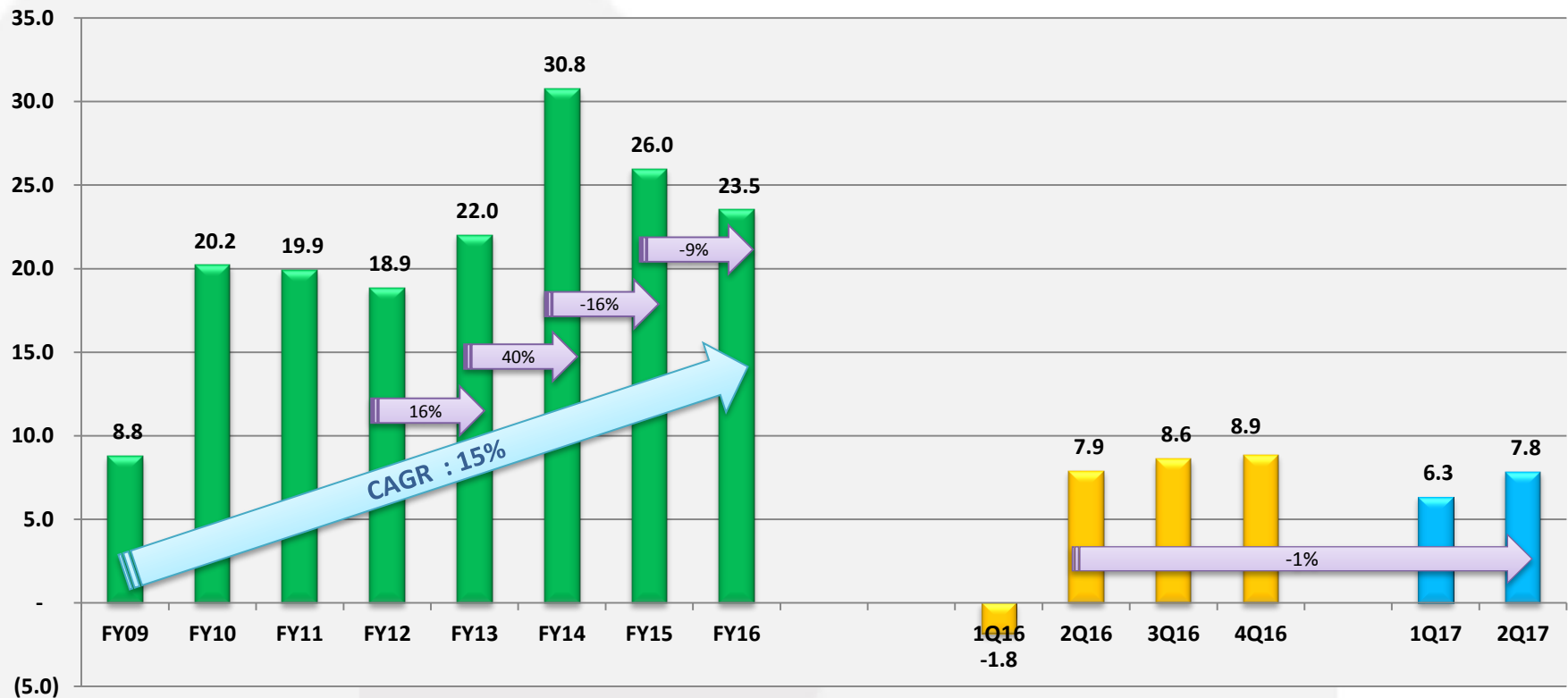
PROFITABILITY

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

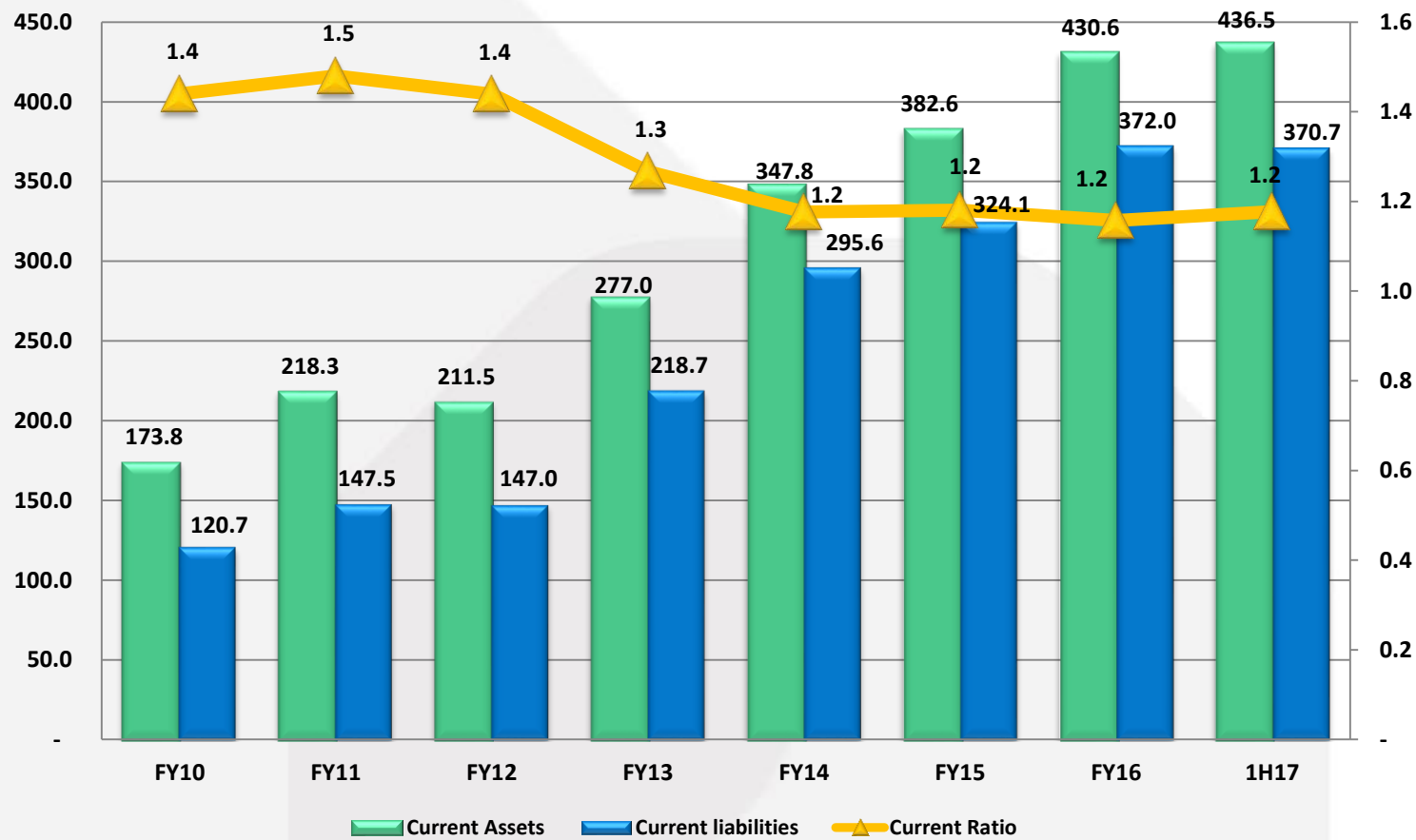


PROFITABILITY

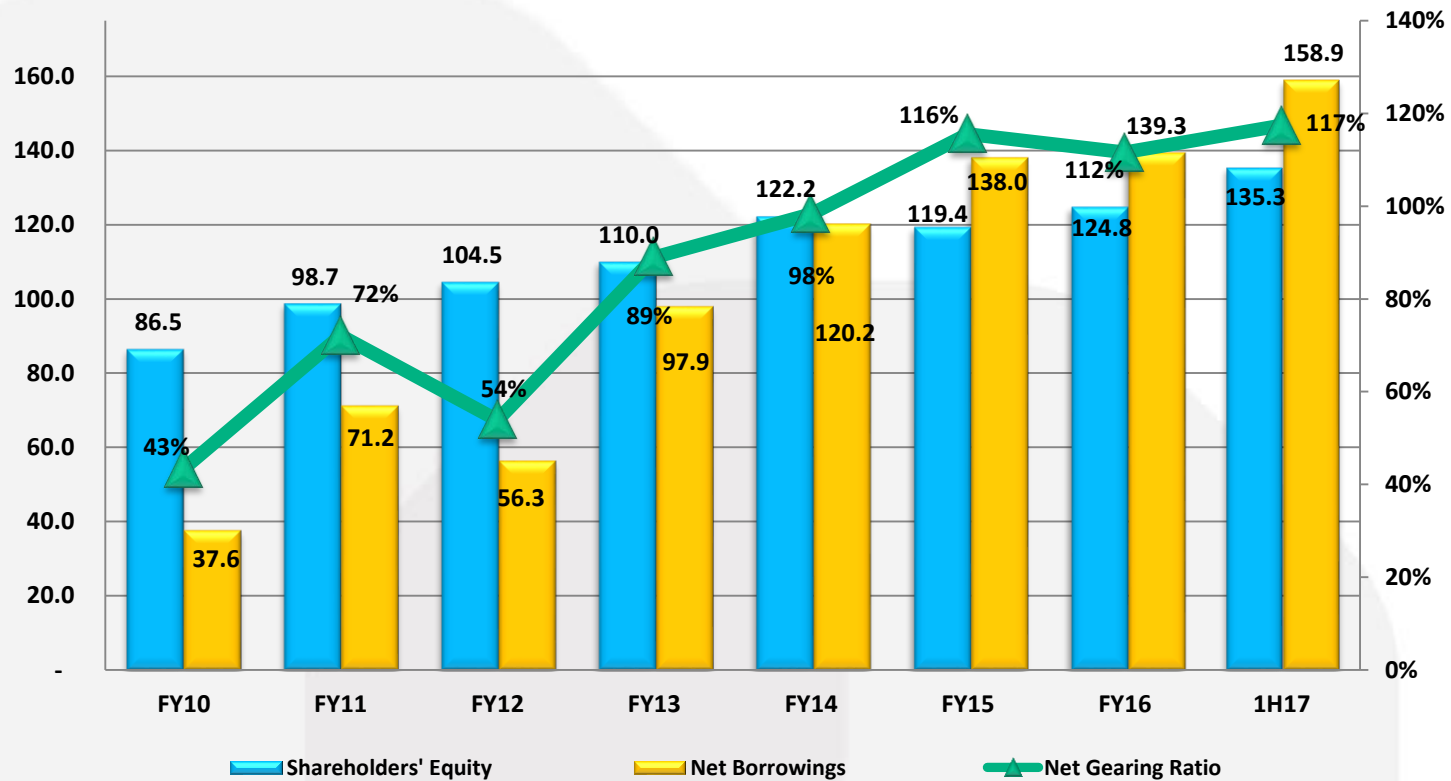
EBITDA (US\$' million)



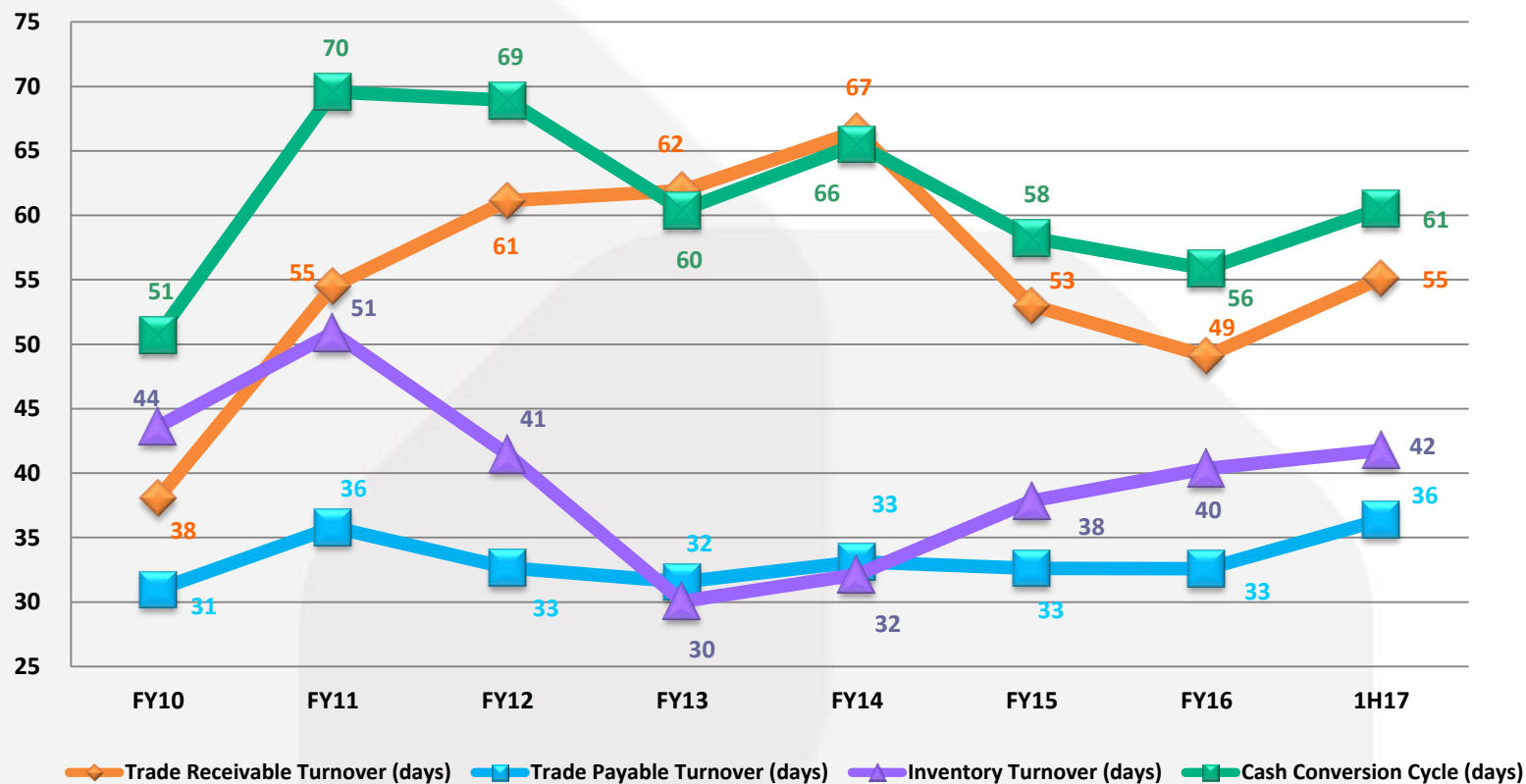
Maintaining Healthy Current Ratio



Net Gearing Ratio

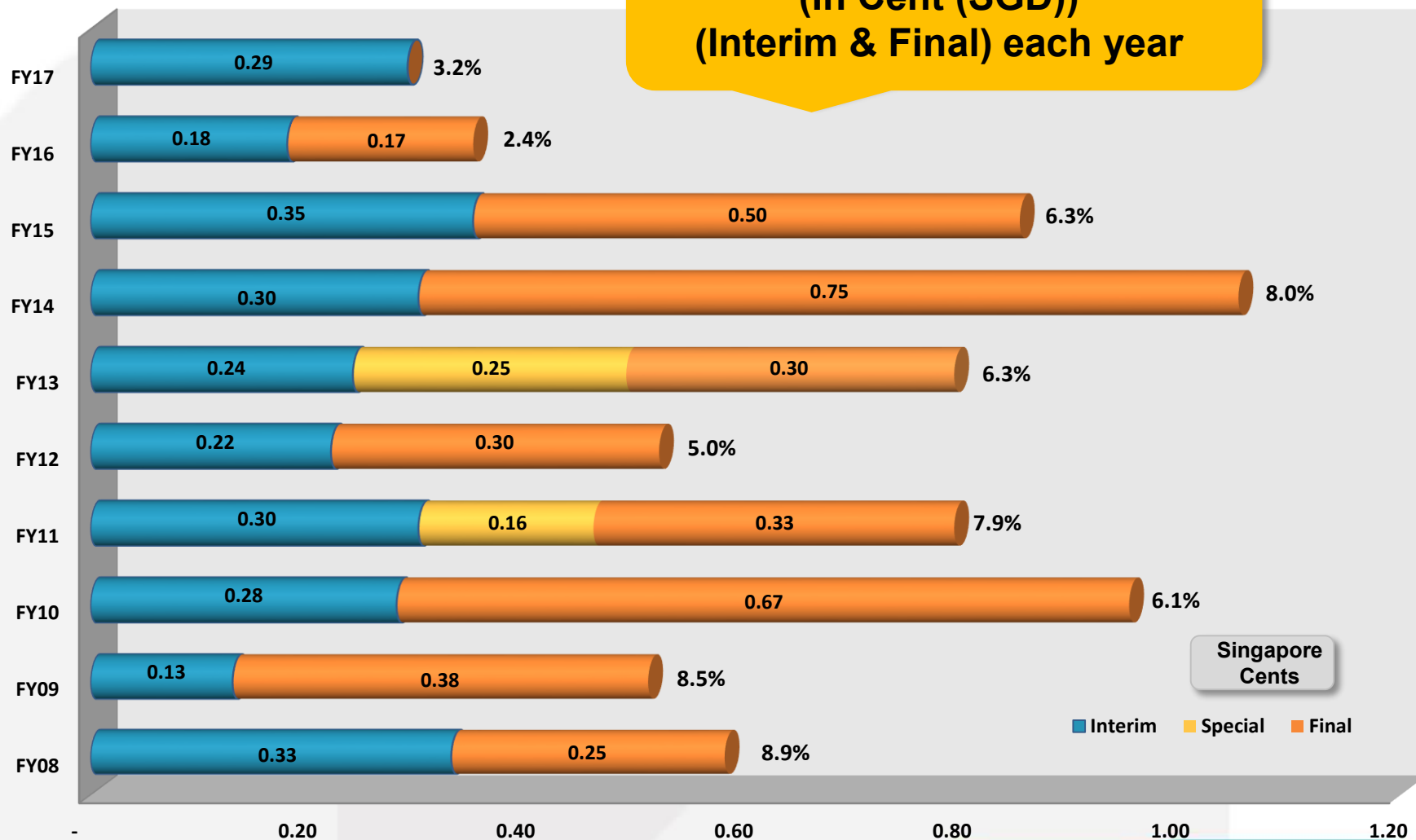


Cash Conversion Cycle (days)



DIVIDEND YIELD

**Total Dividend Payout
(In Cent (SGD))
(Interim & Final) each year**



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK



The semiconductor industry is expected to fare better in 2017, surpassing Gartner's initial projections to reach US\$401.4 billion in sales this year. This growth will be driven mainly by memory products. The Group stands to benefit from its close ties with chip suppliers and electronics manufacturers, as well as growing regional demand.

GROUP OUTLOOK

- The Group is looking to 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 the burgeoning Chinese market.
 - 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 and explore promising investment opportunities to improve the Group’s overall performance

OUR THREE-PRONGED STRATEGY

Objectives:

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

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Thank You

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