

Serial System Reports 1H2017 Net Profit of US\$6.1M Vs US\$3.3M Loss in 1H2016

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 (Attributable to shareholders)	3,370	3,280	3	6,078	(3,279)	N.M.
Net Profit Margin (%)	0.9	0.9	0	0.9	N.M.	N.M.
Earnings/(Loss) Per Share - fully diluted (US cents)	0.38	0.36	6	0.68	(0.37)	N.M.
NAV per share (US cents)	15.11 (As at 30 June 2017)			13.93 (As at 31 December 2016)		

N.M. – Not Meaningful

Singapore, 4 August 2017 – Serial System Ltd (“**Serial System**” or the “**Group**”) reported today a net profit of US\$6.1 million for the six months ended 30 June 2017 (“**1H2017**”), compared to a net loss of US\$3.3 million for the same period last year (“**1H2016**”), as profit margins rose and losses from associate companies narrowed.

A smaller currency translation loss stemming from more favourable exchange rates, as well as reduced allowance for inventory obsolescence, also supported the bottom line of the SGX Mainboard-listed distributor of electronic components and consumer products in 1H2017.

Gross profit margin inched up to 7.1% in 1H2017 from 6.6% in 1H2016, driven mainly by the higher margin achieved by the consumer products distribution business. The electronic components distribution business posted lower gross profit margin in 1H2017 affected by keen competition.

Serial System’s share of losses from associated companies narrowed to US\$0.6 million in 1H2017 from losses of US\$3.7 million a year earlier, when Bull Will Co., Ltd had to make significant provisions for doubtful debts and inventory obsolescence. Bull Will, in which Serial System has a 29.03% stake, manufactures magnetic components for electronic products.

The Group's overall revenue of US\$706.9 million in 1H2017 was comparable to the US\$711.4 million generated in 1H2016. Revenue from electronic components distribution business increased 17% to US\$677.3 million as growth in Hong Kong, China and South Asia Pacific offset lower contributions from Taiwan and South Korea. Among the three growth markets, sales in China rose the most in 1H2017 – by 35%.

Consumer products distribution business accounted for the remaining US\$27.5 million in revenue for 1H2017. This marked a 79% decline from 1H2016, due to lower sales across all subsidiaries, which made concerted efforts to exit or reduce exposure to non-performing markets and low-margin products.

The Group's ongoing efforts to streamline operational efficiency continued to bear fruit as total expenses as a percentage of revenue declined to 6.2% in 1H2017 from 7.1% a year earlier. Distribution expenses alone fell 7% in 1H2017.

For the three months ended 30 June 2017 ("**2Q2017**"), the Group's revenue of US\$373.9 million was comparable to the US\$378.6 million for the same quarter last year ("**2Q2016**"). Electronic components distribution business generated revenue of US\$362.3 million, up 14%, as higher sales in Hong Kong and China offset lower contributions from Taiwan, South Korea and South Asia Pacific.

The consumer products distribution business turned in revenue of US\$10.4 million in 2Q2017. This was 83% lower than in 2Q2016 as all subsidiaries pared exposure to non-performing markets and low-margin products.

The Group generated a net profit of US\$3.4 million in 2Q2017, slightly more than the US\$3.3 million in 2Q2016. Gross profit margin edged up to 7.0% from 6.6% in 2Q2016, aided by the electronic components distribution business in Singapore and Taiwan, as well as the consumer products distribution business.

Declines in distribution and administrative costs, income tax expenses, depreciation charges, and impairment losses on goodwill, as well as a net gain on derivative financial instruments, also underpinned Serial System's 2Q2017 earnings.

Fully diluted earnings per share for 2Q2017 came in at 0.38 US cent, compared to 0.36 US cent for 2Q2016. Net asset value per share amounted to 15.11 US cents as at 30 June 2017, up from 13.93 US cents as at 31 December 2016.

Despite keen competition, the Group expects to remain profitable in FY2017 as global semiconductor sales worldwide could reach a new high this year, according to Dr Derek Goh, Serial System's Executive Chairman and CEO, citing recent data from Gartner.

In its latest assessment of the global semiconductor industry, Gartner said in July 2017 that it expects semiconductor sales worldwide to reach US\$401.4 billion this year, an increase of 16.8% from 2016 and more than the market research firm's projection of US\$386 billion made in April 2017. This will be the first time that global semiconductor revenue surpasses US\$400 billion in any single year if the forecast comes to pass. Memory products will be the main driver of semiconductor sales in 2017, according to Gartner.

As part of efforts to further expand its presence in Hong Kong and China, Serial System said on 22 June 2017 that it intends to spin off its Hong Kong electronic components distribution entity, 91% owned Serial Microelectronics (HK) Limited group ("**SMHK group**") through a listing on the mainboard of the Stock Exchange of Hong Kong. The SMHK group's customers are primarily China- and Hong Kong-based manufacturers of smartphones, household appliances, consumer electronics, automotives and industrial products.

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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 53 offices and 13 warehouses throughout Asia Pacific. It also has a wide customer base of more than 7,000, 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, Broadcom Limited, ON Semiconductor, Fairchild Semiconductor, SK Hynix, OSRAM Opto Semiconductors, TE Connectivity and Fingerprints. Its major suppliers for consumer products distribution include Hewlett-Packard, Intel, Asus, Canon, Samsung, Advanced Micro Devices and Fossil.

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