

Serial System's 1Q2016 Revenue Up 27% At US\$332.8M; Consumer Products Business Contributes US\$68.9M In Sales

US\$'000	1Q2016	1Q2015	Change (%)
Sales	332,796	261,760	27
Gross Profit	22,357	21,694	3
Gross Profit Margin (%)	6.7	8.3	(1.6) pt
Net Profit (Loss) After Tax (Attributable to shareholders)	(6,559)	3,055	N.M.
Net Profit Margin (%)	N.M.	1.2	N.M.
EPS (LPS) - fully diluted (US cents)	(0.73)	0.34	N.M.
NAV per share (US cents)	13.80	13.33 ⁽¹⁾	4

N.M. – Not Meaningful
⁽¹⁾ As at 31 December 2015

Singapore, 9 May 2016 – Serial System Ltd (“**Serial System**” or the “**Group**”) reported today improved revenue and gross profit for the quarter ended 31 March 2016 (“**1Q2016**”) as both its electronic components and consumer products distribution businesses made further headway in most of their key markets.

Revenue rose 27% from the same period last year (“**1Q2015**”) to US\$332.8 million, the highest in any quarter since the Group adopted the US Dollar as its reporting currency in place of the Singapore Dollar with effect from January 2013.

Revenue from the electronic components distribution business increased 7% to US\$262.7 million, driven mainly by higher contributions from the Group’s operations in South East Asia, India, Taiwan and China.

The consumer products distribution business, which Serial System ventured into in 2014, generated total sales of US\$68.9 million, accounting for 21% of the Group’s overall 1Q2016 revenue. The business generated revenue of US\$15.2 million in 1Q2015, less than 6% of the Group’s total sales in that quarter.

Companies in the consumer products business – Swift-Value Business Pte Ltd, Achieva Technology group (which became a wholly owned subsidiary on 27 January 2016), PT. Achieva Technology Indonesia, Serial I-Tech group and Hydra and Thermal Pte Ltd – distribute a wide range of products, including printer accessories, computer peripherals, IT accessories, photographic products and household appliances.

The Group’s gross profit increased 3% to US\$22.4 million. Gross profit margin slipped, however, to 6.7% from 8.3% on increased sales of lower-margin products in Singapore and Taiwan, as well as stiff competition in Hong Kong and China. Serial System’s lower-margin consumer products business also accounted for the drop in overall gross profit margin.

Total expenses for the quarter came to US\$27.5 million, compared to US\$19.4 million for 1Q2015. The increase was mainly due to higher freight, customs declaration and storage costs for the electronic components business, as well as increased staff and advertising expenses for the consumer products business. Currency translation losses, a one-off loss on acquisition of the remaining 51% stake in Achieva Technology group and increased allowances for inventory obsolescence also pushed up expenses in 1Q2016.

The Group's associated companies delivered a mixed performance in 1Q2016. Serial System shared a loss of US\$3.5million in its 29.03%-owned Taiwan-based Bull Will Co., Ltd ("**Bull Will**"). Bull Will's loss was mainly due to provisions for doubtful debts and inventory obsolescence. On the other hand, Serial System's 27.34%-owned SPL Holdings (Australia) Pty Ltd, a laundry service provider, and 21%-owned Tong Chiang Group, a food caterer, contributed profits of US\$0.2 million and US\$0.06 million respectively. Taken together, the Group's share of net losses in its associated companies increased to US\$3.2 million in 1Q2016 from US\$0.1 million in 1Q2015.

With the drop in gross profit margin, losses at Bull Will, currency translation losses and allowance for inventory obsolescence, the Group ended up with a net loss of US\$6.6 million in 1Q2016, compared to a net profit of US\$3.1 million in 1Q2015.

Loss per share for 1Q2016 amounted to 0.73 cent, compared to earnings per share of 0.34 cent a year earlier. Net asset value came to 13.80 cents a share, compared to 13.33 cents a share as at 31 December 2015.

Notwithstanding the 1Q2016 loss, and barring unforeseen circumstances, the Group will strive for better performances.

Dr. Derek Goh, Serial System's Executive Chairman and CEO, said: "We will double down on efforts to streamline our consumer products distribution business and further integrate it with our electronic components distribution business in order to achieve better synergies and unified economies of scale across our entire international distribution footprint. We believe this will help improve the financial performance of some of our entities in the consumer products business by the end of the year."

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 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