



SERIAL
新曄集團

1Q2016 Results Briefing

09 May 2016

Your Integral Component to Success

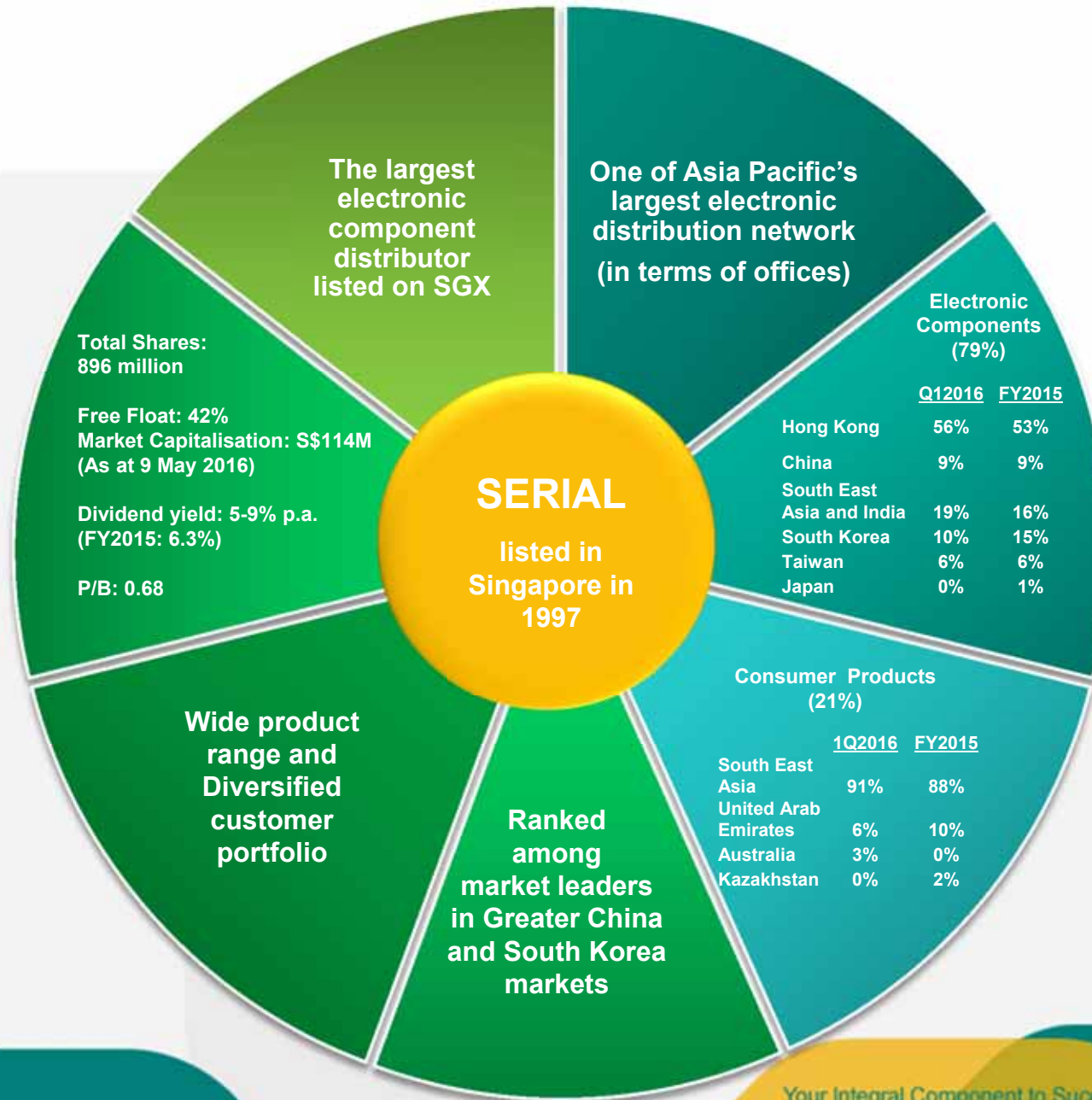
AGENDA

1. Corporate Overview
2. Recent Corporate Developments
3. Financial Results
4. Outlook & Strategies



 SERIAL
新曄集團

SERIAL SYSTEM AT A GLANCE



Partnering Leading Suppliers



Electronic Components Distribution Business



ON Semiconductor®



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

Partnering Leading Suppliers



Consumer Products Distribution Business



Consumer Products Distribution Business

The Group comprises 100% owned subsidiaries: Swift-Value Business Pte. Ltd, Achieva Technology Group, Serial I-Tech Group, and 70% owned Hydra & Thermal group

Key Suppliers: Hewlett-Packard (HP), Epson and Canon, Intel, Western Digital, Seagate, Asus, Power Colour, Adata, Roccat, Apple, Tamron, Titan, Nixon, Fossil, Gorenje and Sennheiser

Geographical presence in Singapore, Malaysia, Indonesia, Australia, United Arab Emirates and Cambodia



OTHER BUSINESSES

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



- Core businesses: hospitality solutions and outdoor media advertising
- 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), next-generation meal ordering system.
- Clients: Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, St Andrews Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital with a list of other hospital deployments in the pipeline.
- Outdoor advertising media: large format outdoor LED and billboard advertising displays at Grand Park Orchard @ Knightbridge (Exclusively for Samsung)

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
- Exploring opportunities to expand via M&As

Strategic Investment - South Pacific Laundry

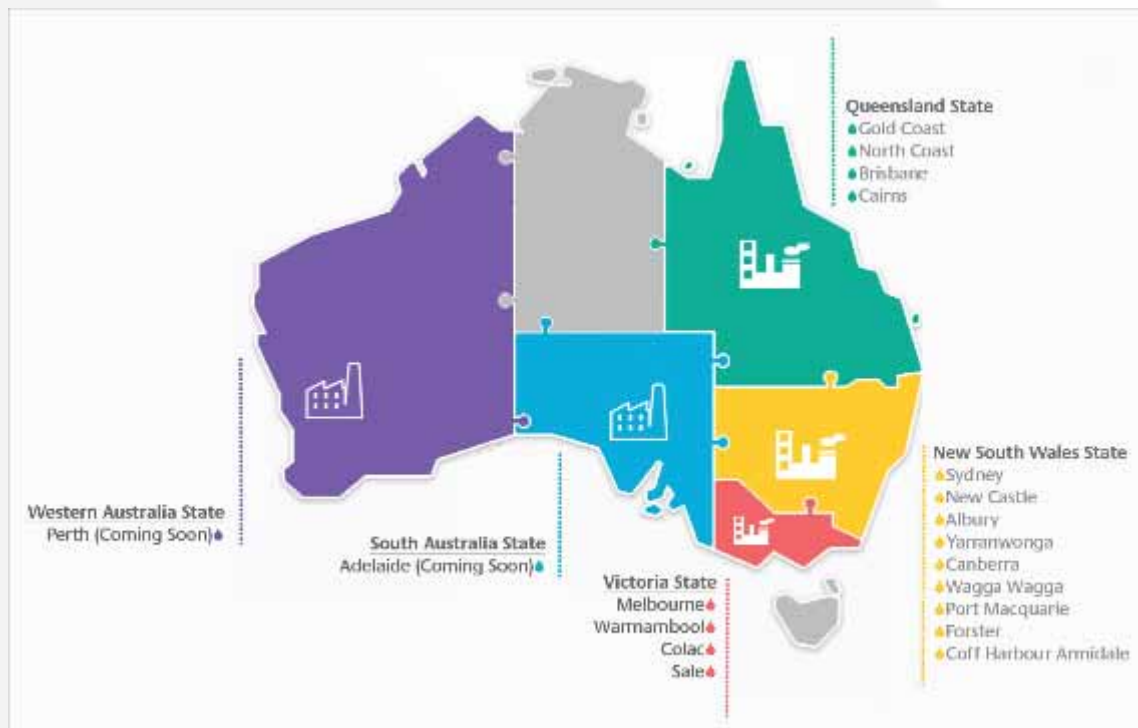


27.34% stake in SPL Holdings (Australia) Pty Ltd, a laundry provider servicing hospitality industry (hotels, resorts, hospitals, care centres, and restaurants) in Melbourne, Sydney, Brisbane, Canberra and in various cities and towns in the states of Victoria and New South Wales.

Cutting-edge technology and efficient processes ensure linens are washed, ironed and folded in record time

High gross and net margins

Exploring opportunities to expand reach within Australia



Strategic Investment - Tong Chiang Group



21% stake in food manufacturer and caterer Tong Chiang Group ("TCG")

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

TCG comprises 13 wholly-owned subsidiaries and three separate property investment holding entities, operating in five factories and three warehouse units

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



Recent Corporate Developments



Recent Corporate Developments

14 January 2016

- ▶ Proposed acquisition of 100% equity interest in **Hydra & Thermal International (Cambodia) Co., Ltd**
 - ❑ Incorporated in Cambodia and principally engaged in the distribution of consumer electronic products and household appliances

27 January 2016

- ▶ Completed acquisition of the remaining 51% equity stake in **Achieva Technology Pte Ltd**
 - ❑ Achieva Technology Pte Ltd and its subsidiaries, namely Achieva Technology Sdn Bhd and Achieva Technology Australia Pty Ltd., became wholly-owned subsidiaries of the Group
 - ❑ Achieva Technology group is principally engaged in the distribution and marketing of information technology (IT) products, computer peripherals, parts, software and related products

Recent Corporate Developments

22 March 2016

► Change of interest in **SPL Holdings (Australia) Pty Ltd**

- ❑ The Group increased its stake from 20.00% to 27.34% via a rights issue by SPL Holdings (Australia)
- ❑ Investment cost AUD\$6.6 million (US\$5.0 million)
- ❑ SPL Holdings (Australia) is principally engaged in laundry services for the hospitality industry

24 March 2016

► Incorporation of **Serial Microelectronics (Beijing) Co., Ltd**

- ❑ The Group's 91%-owned Hong Kong subsidiary, Serial Microelectronics (HK) Limited, has incorporated Serial Microelectronics (Beijing) Co., Ltd in China as a wholly owned subsidiary
- ❑ Intended registered capital of RMB 10 million (approx. US\$1,523,000)
- ❑ Principally engaged in distribution of electronic and electrical components
- ❑ Acquired two office units in Beijing; properties will serve as the Group's HQ for North China

Financial Results



SNAPSHOT OF 1Q2016 PERFORMANCE

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 <i>(Attributable to shareholders)</i>	(6,559)	3,055	N.M.
Net Profit Margin (%)	N.M.	1.2	N.M.
EPS (LPS) on fully diluted basis <i>(US cents) ⁽¹⁾</i>	(0.73)	0.34	N.M.
NAV per share (US cents) ⁽²⁾	13.80	13.33	4

⁽¹⁾ Earnings (loss) per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue during the period of 895,841,914 (1Q2015: 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 31 March 2016 and 31 December 2015 of 895,841,914.

1Q2016 HIGHLIGHTS



- **Revenue** of US\$332.8M, a 27% increase compared to 1Q2015:
 - Highest in any quarter since the Group adopted USD as reporting currency in place of SGD with effect from January 2013
 - Revenue from electronic components distribution increased 7% to US\$262.7M, driven mainly by operations in SE Asia, India, Taiwan, China
 - Revenue from consumer products distribution at US\$68.9M (21% of Group sales)
- **Gross profit margin** slipped to 6.7% from 8.3%:
 - Higher sales of lower-margin products in Singapore and Taiwan, and stiff competition in Hong Kong and China for the electronic components distribution
 - Lower-margin consumer products distribution also accounted for the drop
- **Share of losses in associated companies** increased to US\$3.2M from US\$0.1M:
 - Loss of US\$3.5M at Bull Will due to provisions for doubtful debts and inventory obsolescence
 - Overall share of losses in associated companies mitigated by profits of US\$0.2M from 27.34%-owned SPL Holdings (Australia) and US\$0.1M from 21%-owned Tong Chiang Group

1Q2016 HIGHLIGHTS

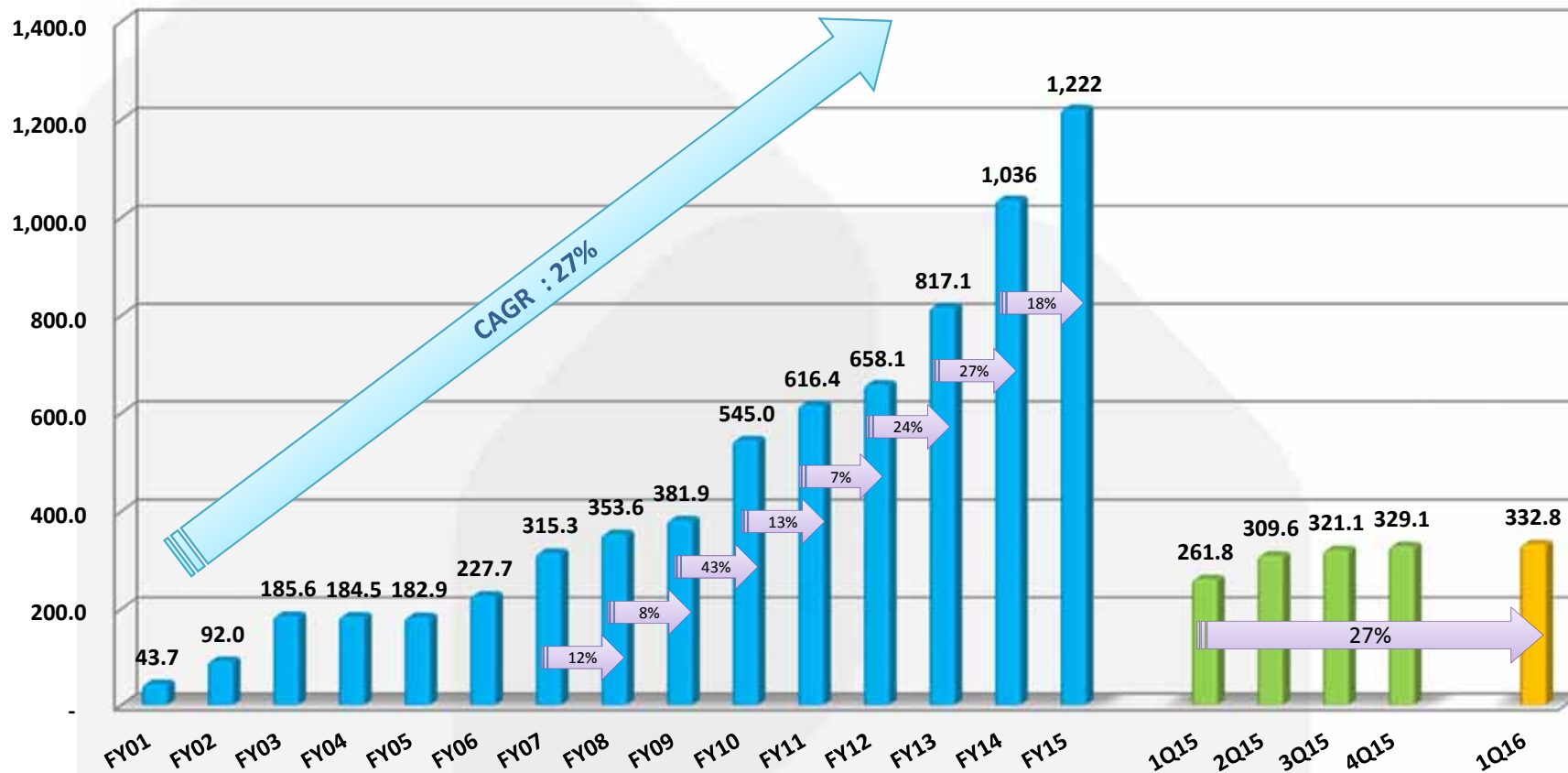


- **Total expenses** of US\$27.5M, up 42% from 1Q2015:
 - Distribution expenses up 15% due to:
 - Higher freight, customs declaration and storage costs for electronic components distribution
 - Staff costs for 100%-owned Swift-Value Business and Achieva Technology group
 - Increased advertising & promotional expenses by Serial I-Tech group
 - Finance expenses up 69% due to:
 - Higher trade facility utilisation by the Hong Kong and Singapore electronic components distribution subsidiaries
 - Utilisation of trade facilities to fund working capital requirements by the consumer products distribution subsidiaries
 - Other operating expenses up 130% due to:
 - Net FX loss of US\$3.2M
 - Higher allowances for inventory obsolescence
- **Net loss** of US\$6.6M versus net profit of US\$3.1M in 1Q2015

REVENUE GROWTH

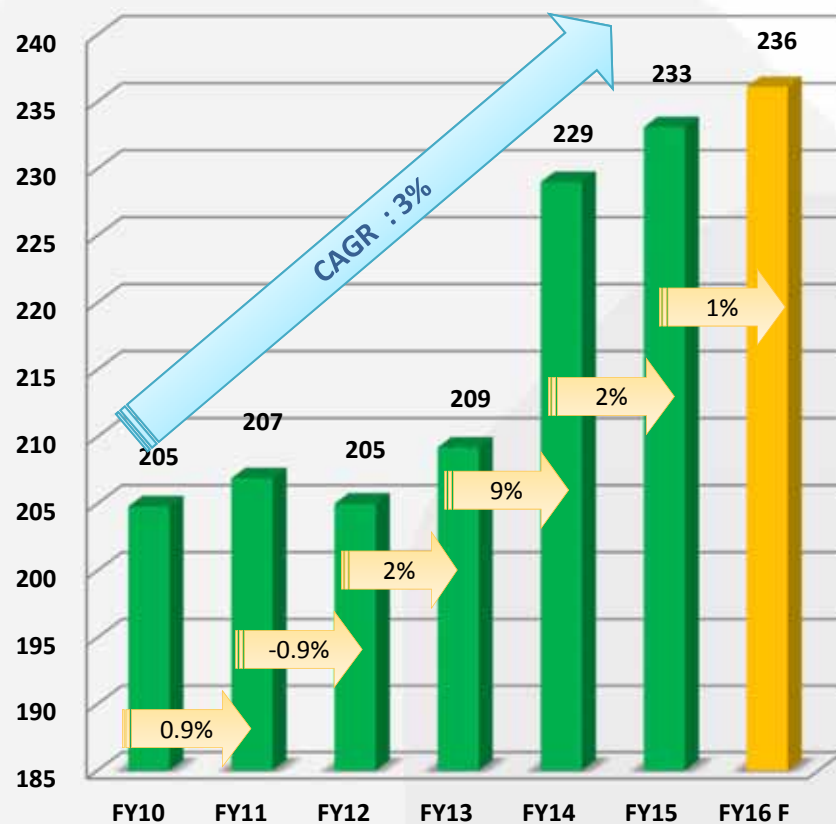


Revenue (US\$' million)



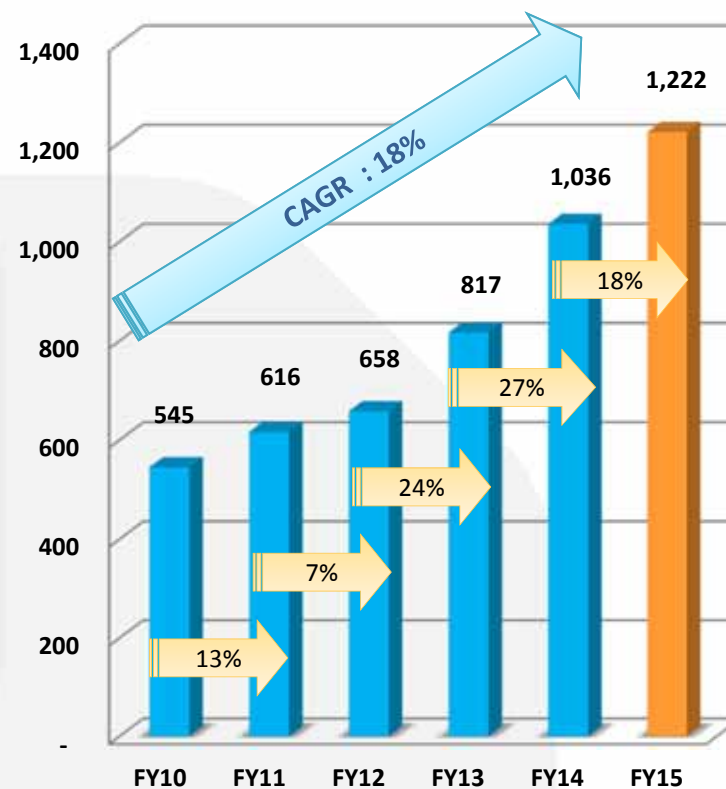
OUTPERFORMING THE INDUSTRY

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



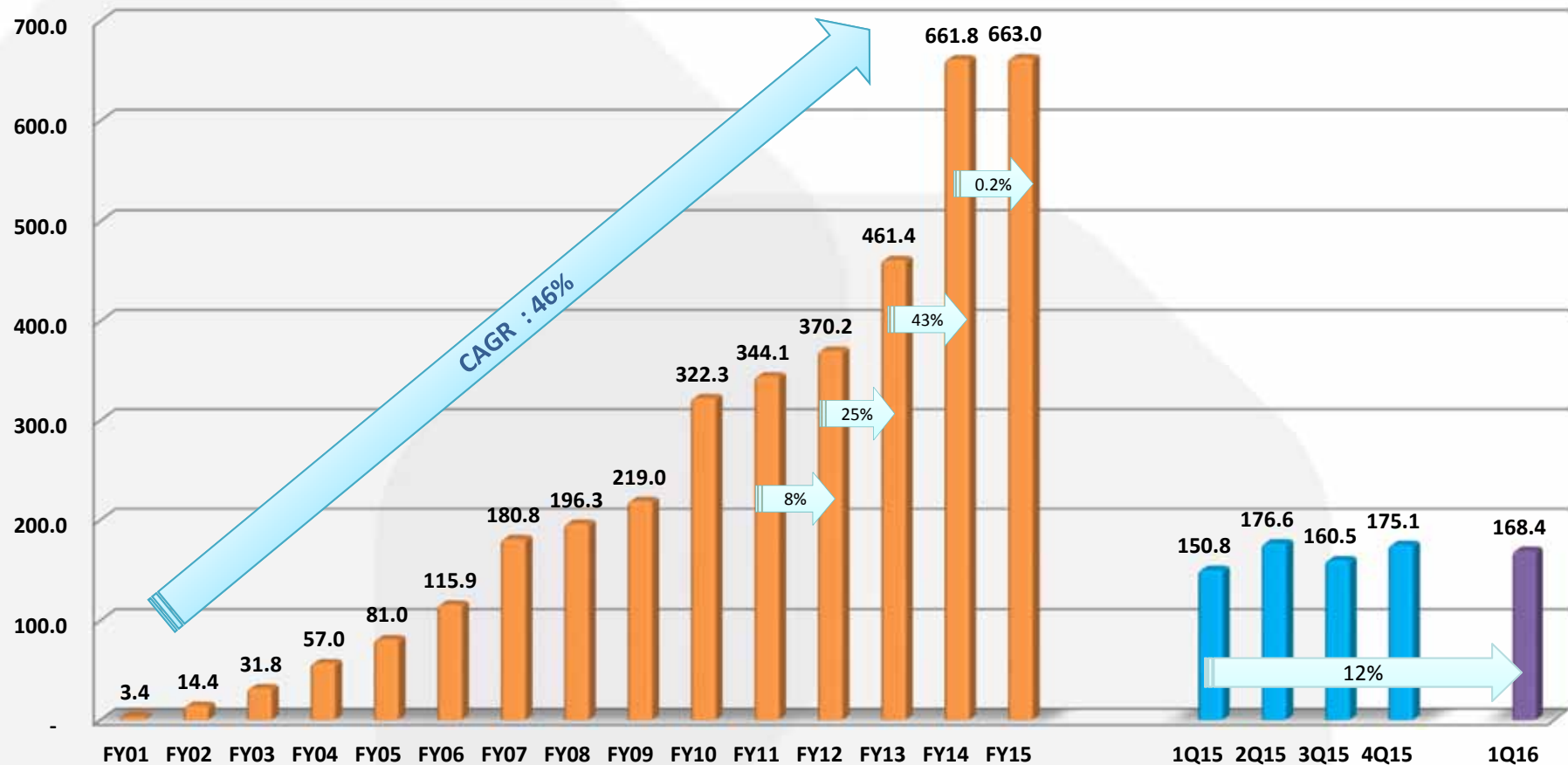
Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

Serial System Revenue (US\$' million)



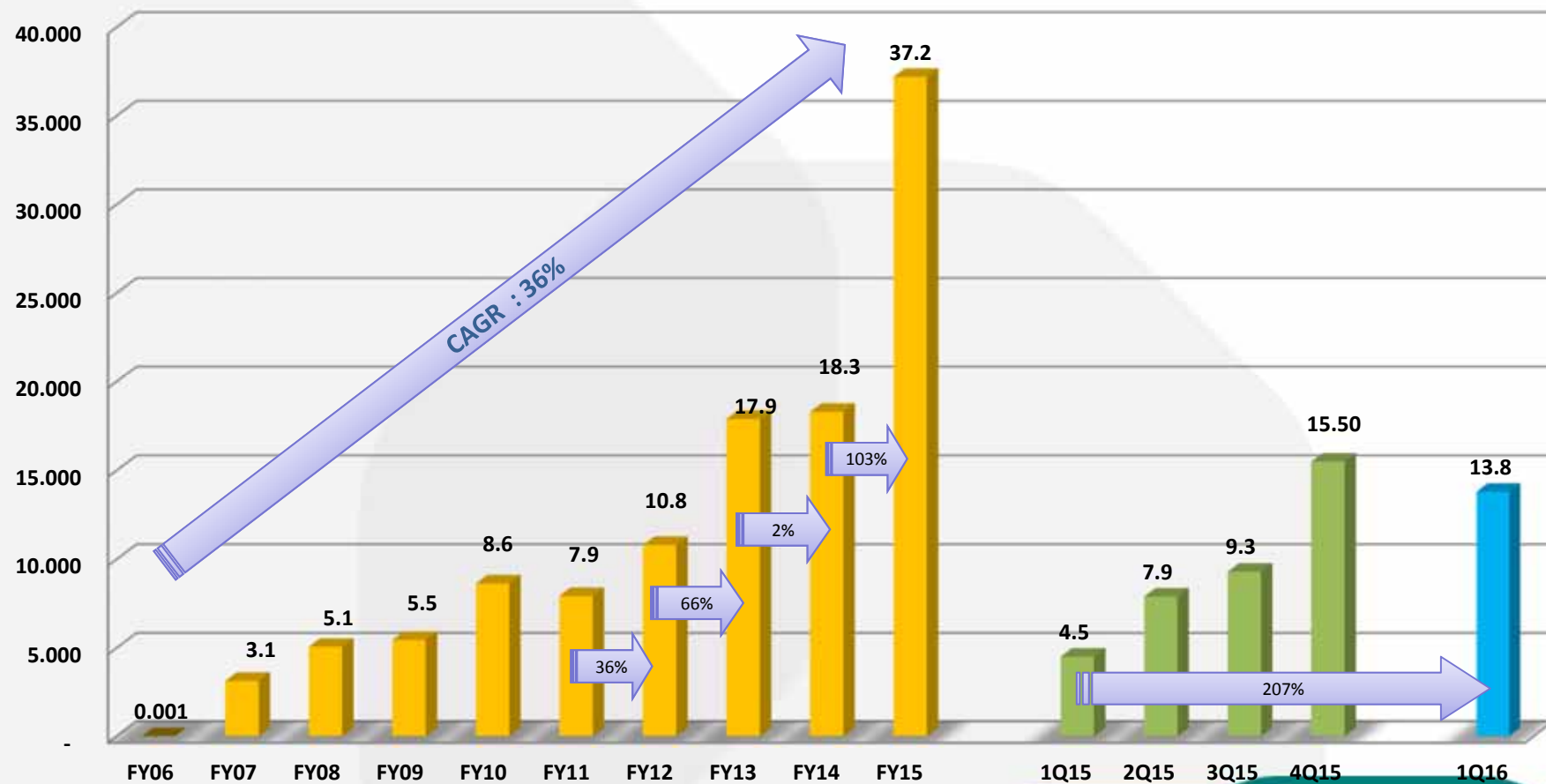
Revenue

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



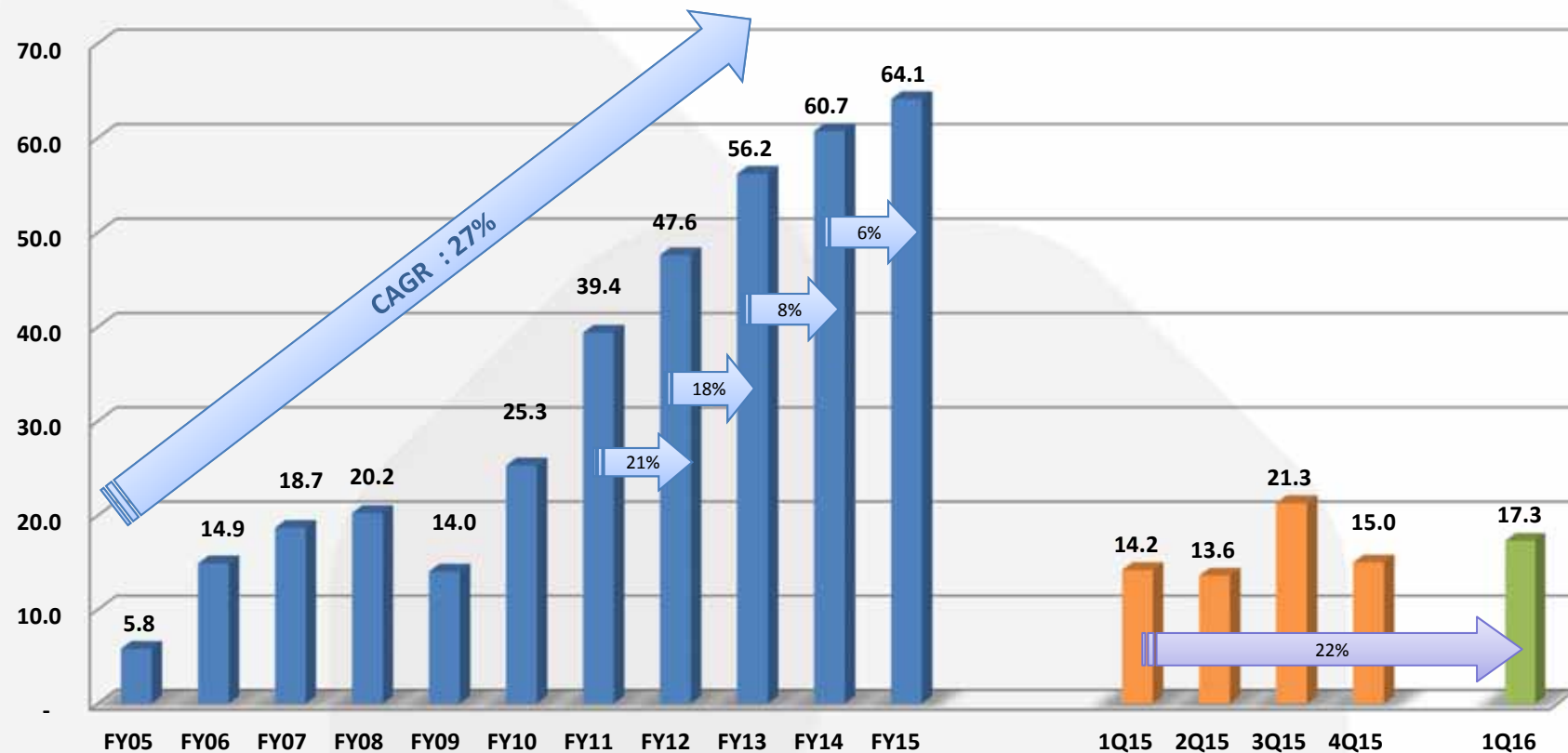
Revenue

India Revenue US\$' million



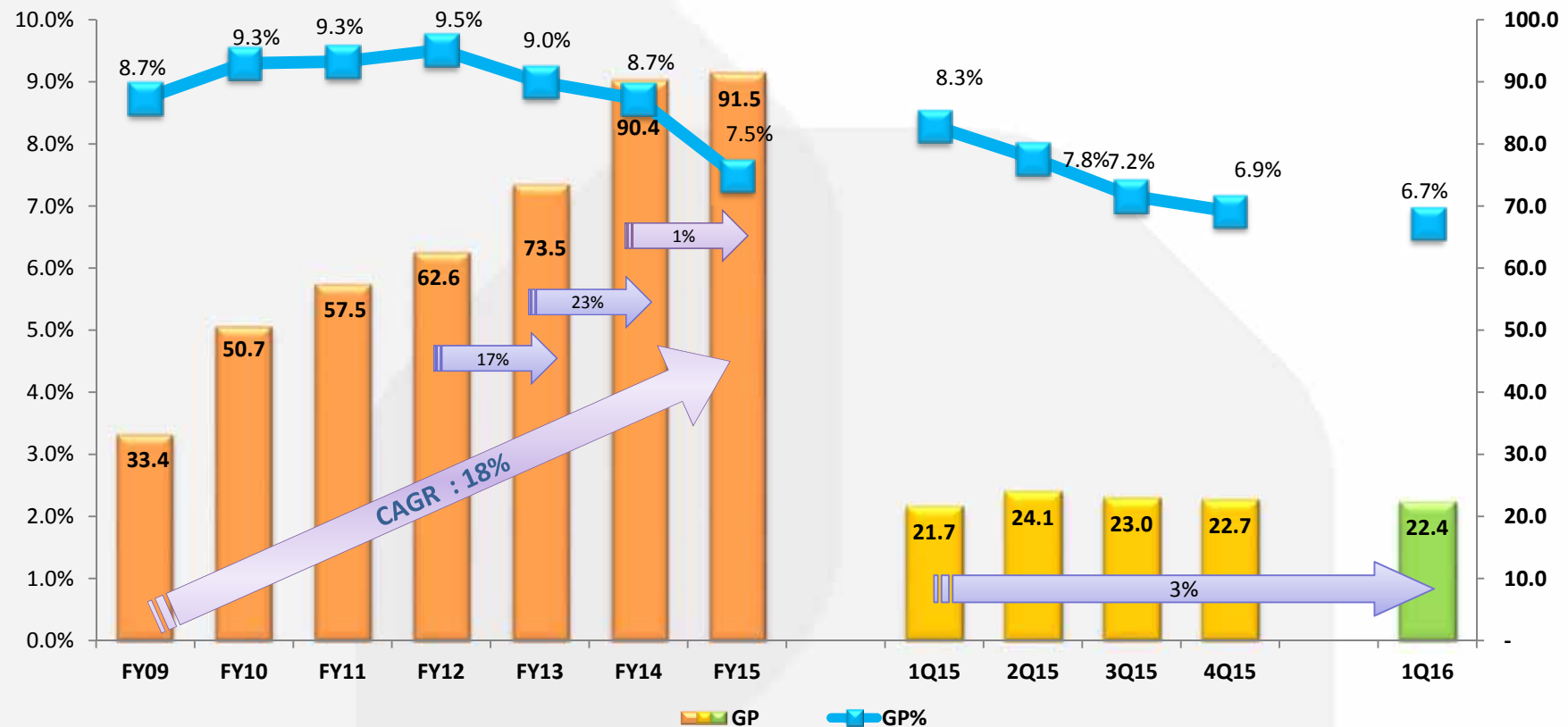
Revenue

Taiwan Revenue (US\$' million)



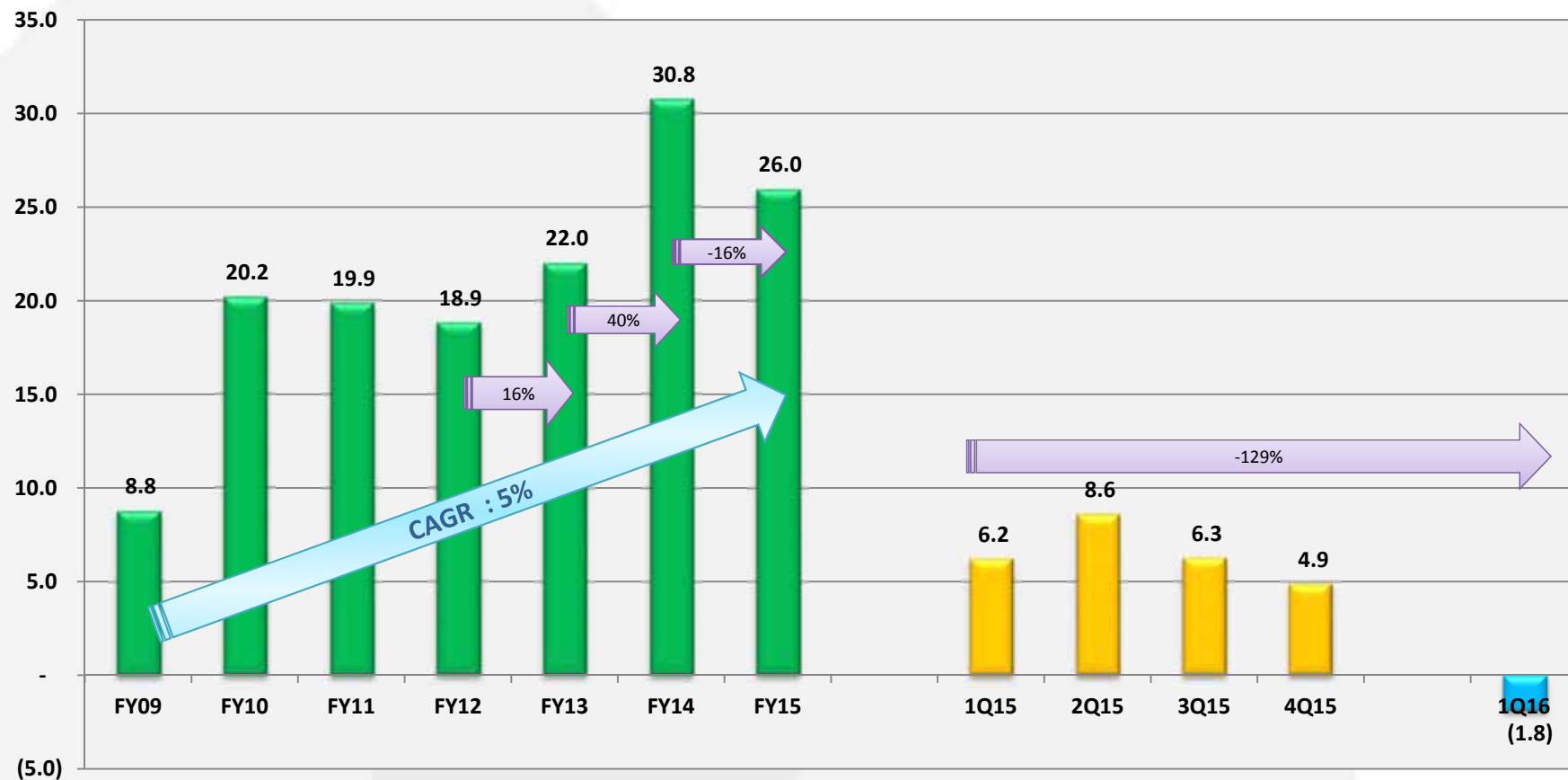
PROFITABILITY

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



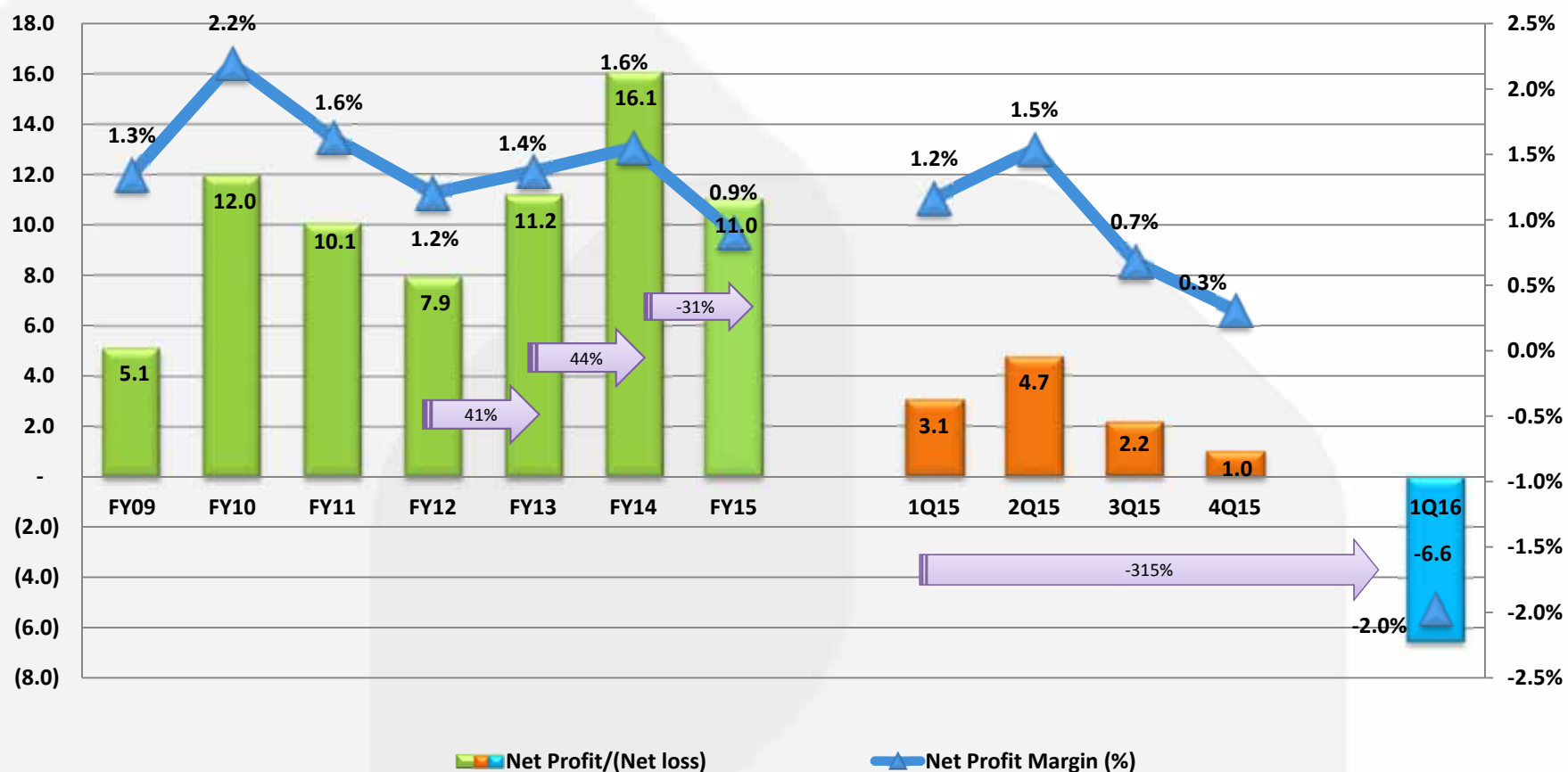
PROFITABILITY

EBITDA (US\$' million)



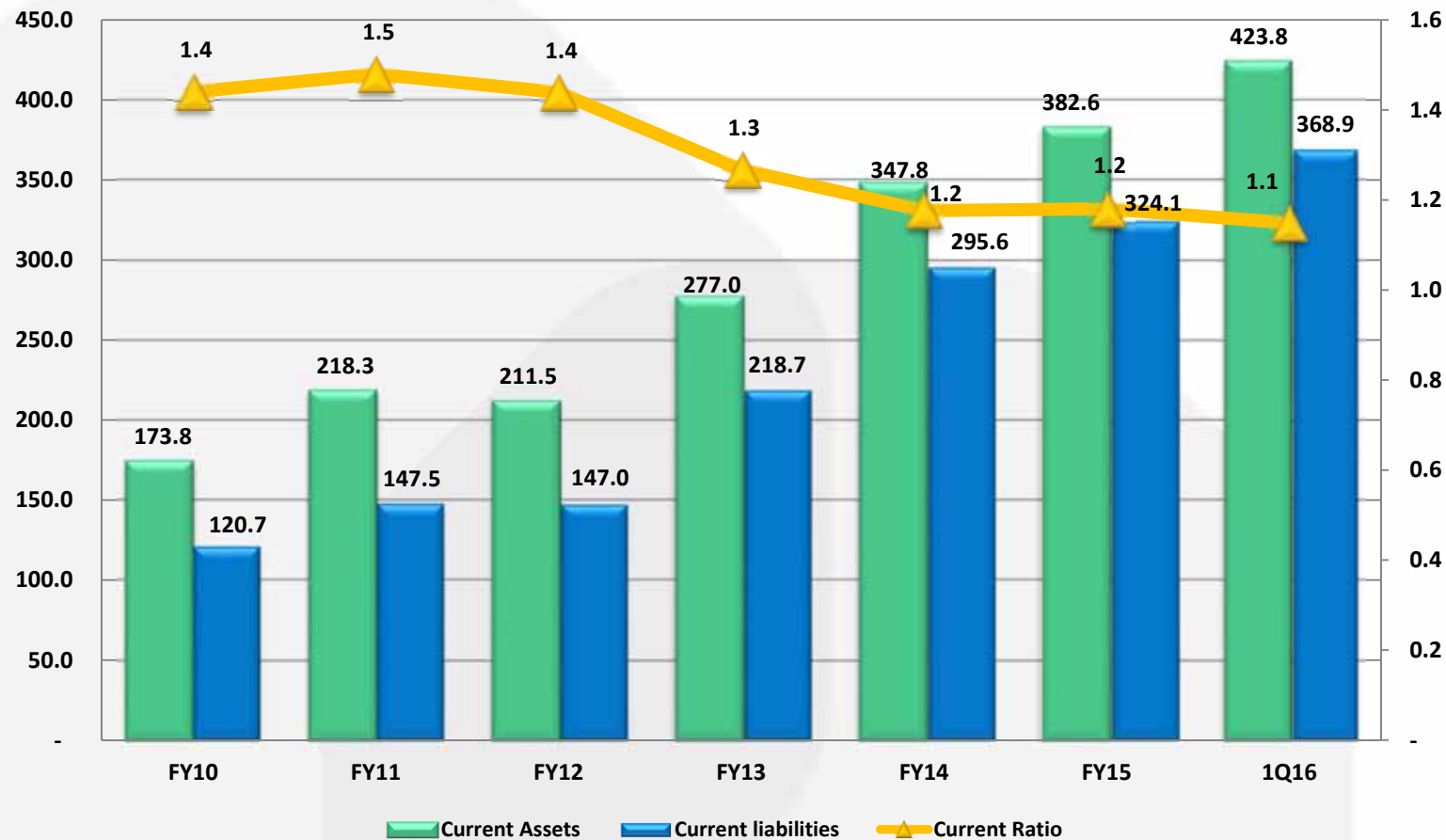
PROFITABILITY

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



FINANCIAL POSITION

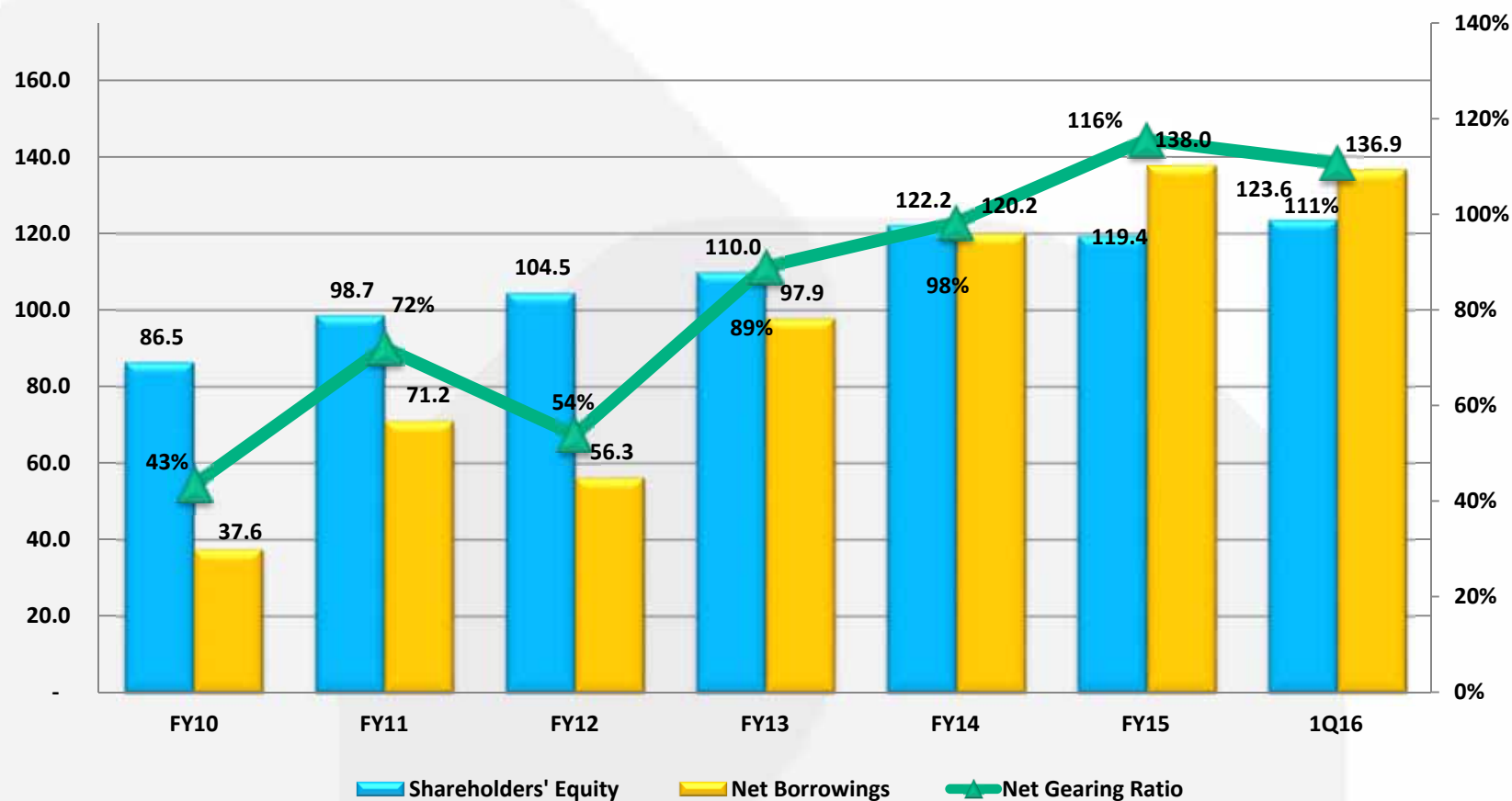
Maintaining Healthy Current Ratio



FINANCIAL POSITION

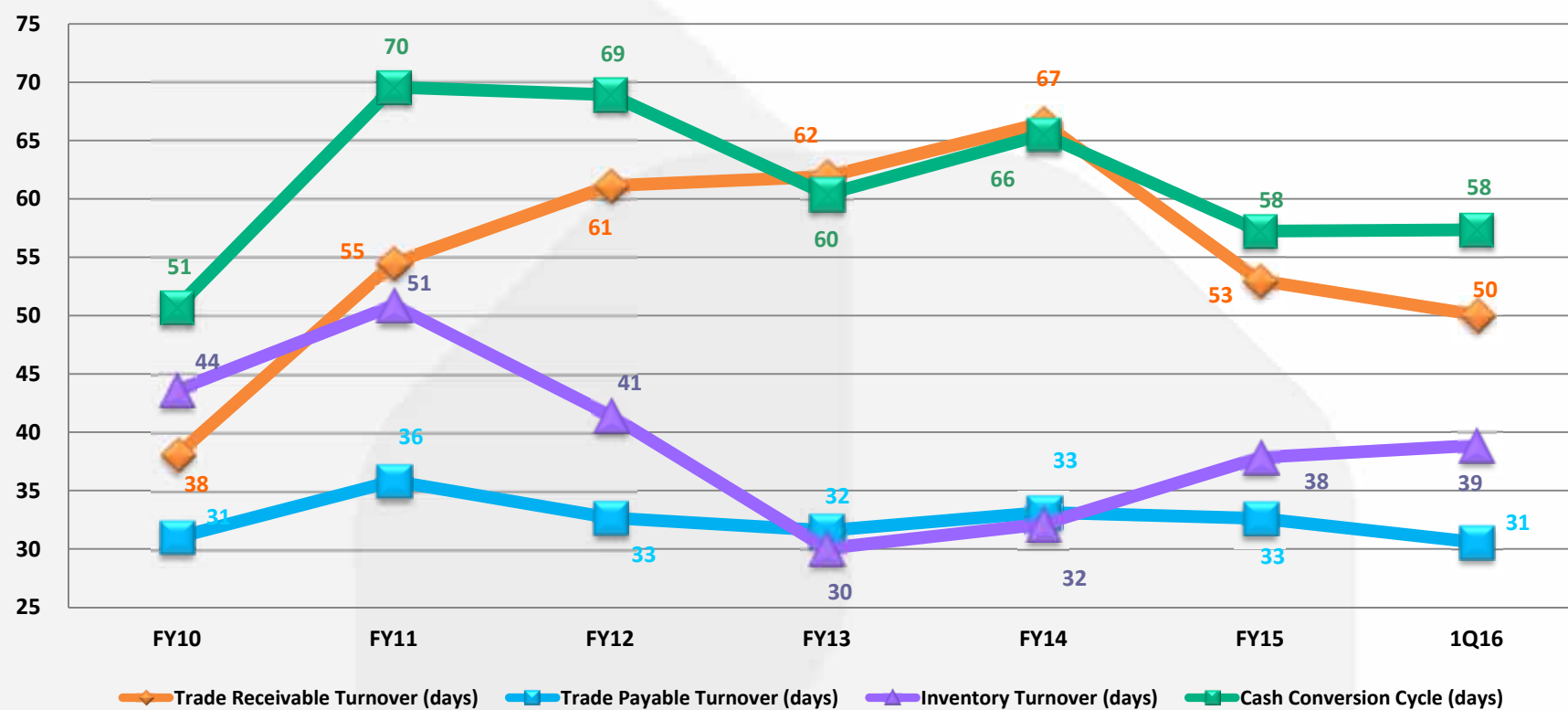


Net Gearing Ratio



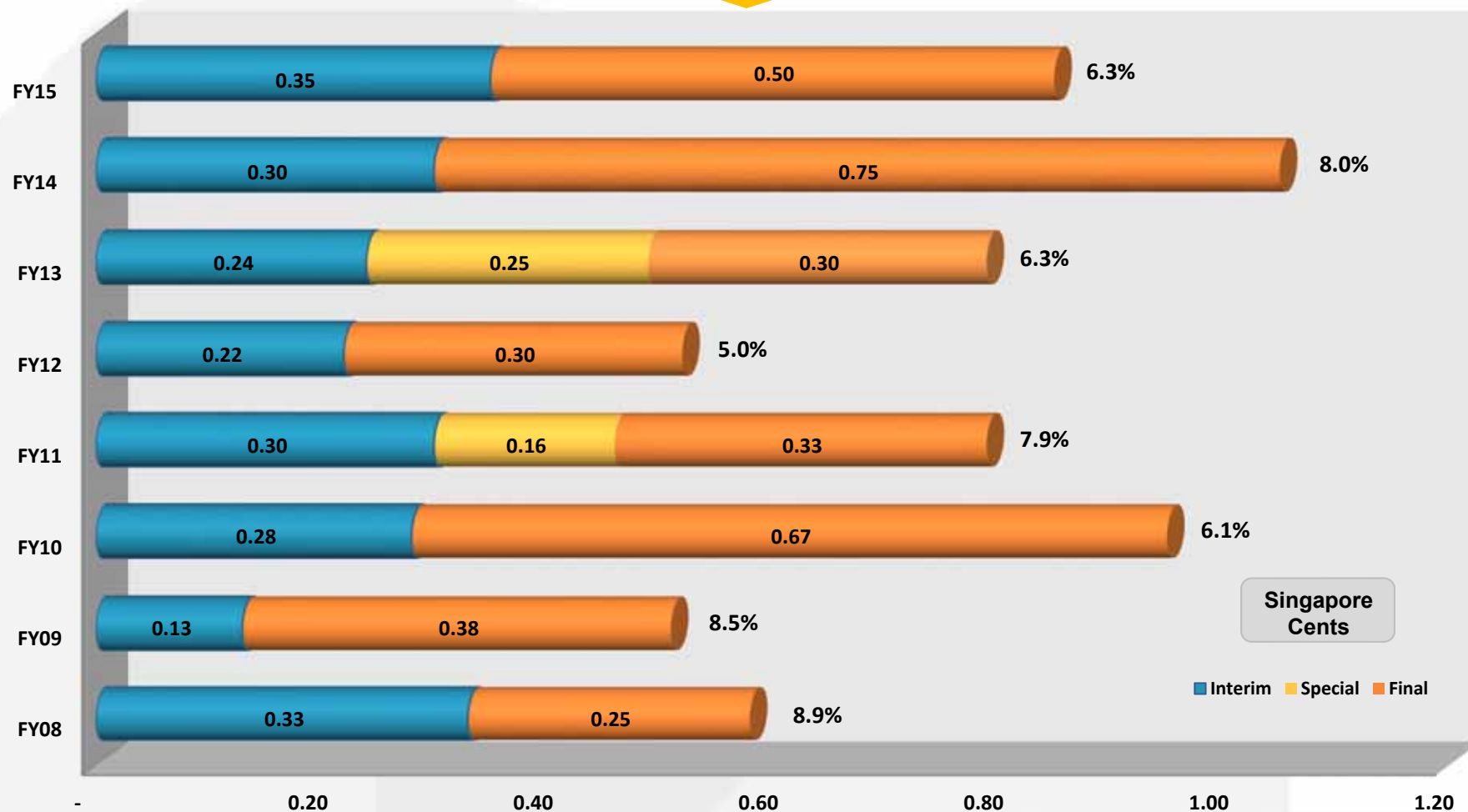
FINANCIAL POSITION

Cash Conversion Cycle (days)

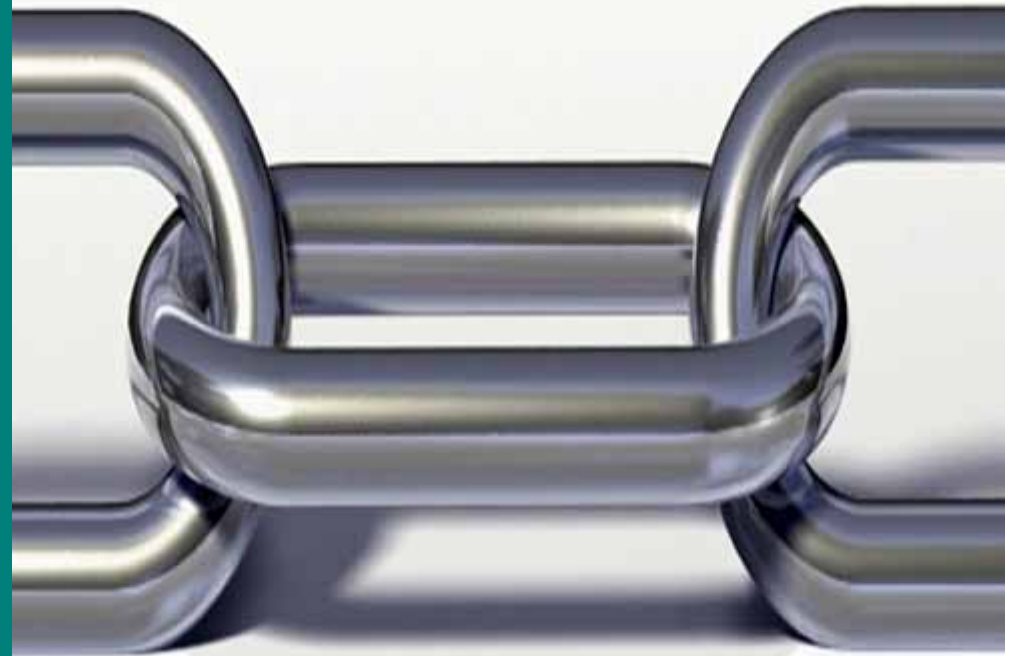


DIVIDEND YIELD

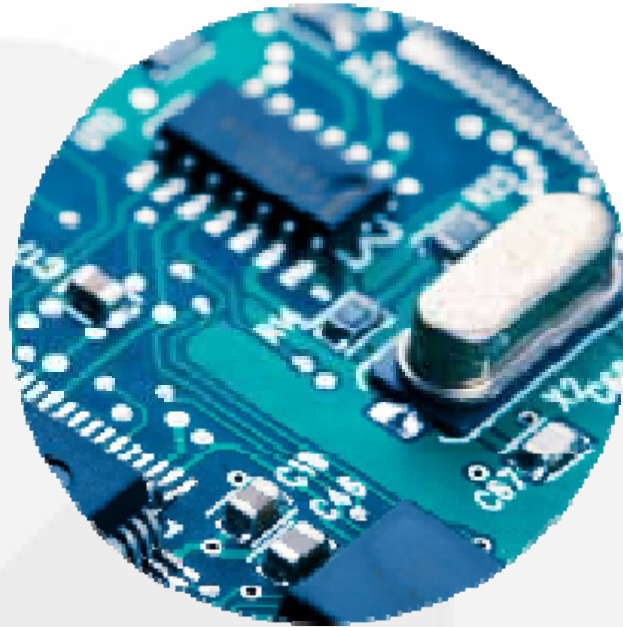
**At least
two dividend payouts
(Interim & Final) each year**



Outlook & Strategies



Industry Outlook



The semiconductor industry is showing signs of slower growth amid an increasingly uncertain global economic climate

Group Outlook

- Continue to streamline **consumer products distribution business** to achieve better synergies and unified economies of scale across Group's entire distribution footprint
 - This should help turn around some companies in the consumer products distribution business by end of FY2016
- Explore opportunities to expand **electronic components business** through investments in:
 - Higher-value business segments such as automotives, mobile devices and enterprise cloud solutions
 - M&A or addition of new product lines
- Notwithstanding 1Q2016 loss, and barring unforeseen circumstances, the Group will strive for better performances.

Our Three-Pronged Strategy



Objectives:

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

Expand product portfolio & increase higher-value components

- Deepen penetration in Automotive segment, Mobile devices and Enterprise Cloud Solutions
- Component modules as a reference solution - higher margins & differentiator

Improve internal efficiencies

- Internal forecasting system
- Centralised asset management
- Greater adoption of electronic data interchange ("EDI")

Deepen penetration in existing markets & widen geographical expansion

- Deepen footprint in emerging markets (e.g. Vietnam & Indonesia)
- Expand to Europe and U.S. (~40% of semiconductor business) via M&A / JV

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Thank You

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