



SERIAL
新曄集團

1Q'2018 RESULTS PRESENTATION

Saturday, 28 April 2018

Your Integral Component to Success

AGENDA

1

CORPORATE OVERVIEW

2

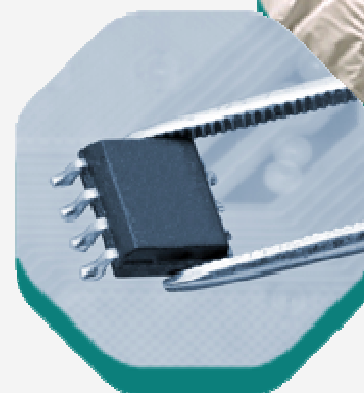
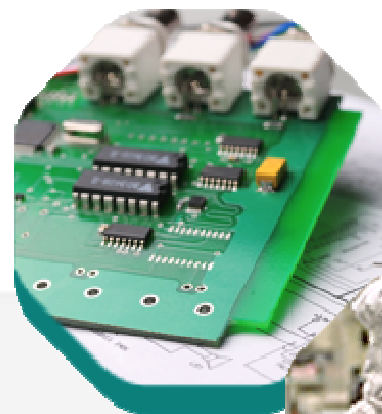
CORPORATE HIGHLIGHTS

3

FINANCIAL RESULTS

4

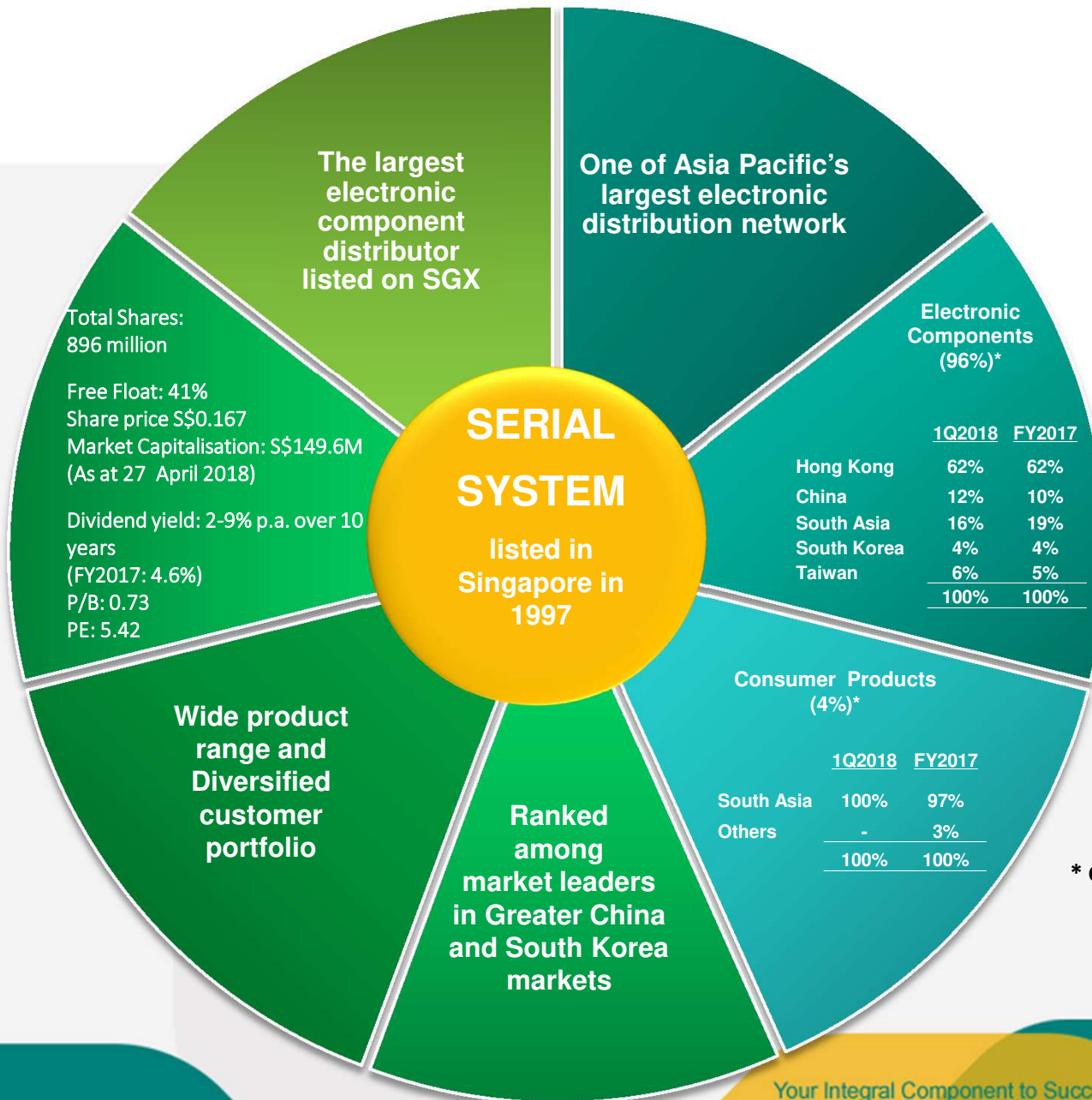
OUTLOOK & STRATEGIES



A photograph of a business meeting. In the center, two people are shaking hands over a table. On the table, there is a document titled "CONTRACT" and a bar chart. Other people in business attire are visible in the background, some holding pens. 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, Managed Print Services and Durians.



Electronic Components Distribution



Consumer Products Distribution



Hospitality Solutions



Managed Print Services

Medical Device Manufacturing and Distribution



Industrial Laundry Services



Food Manufacturing and Catering

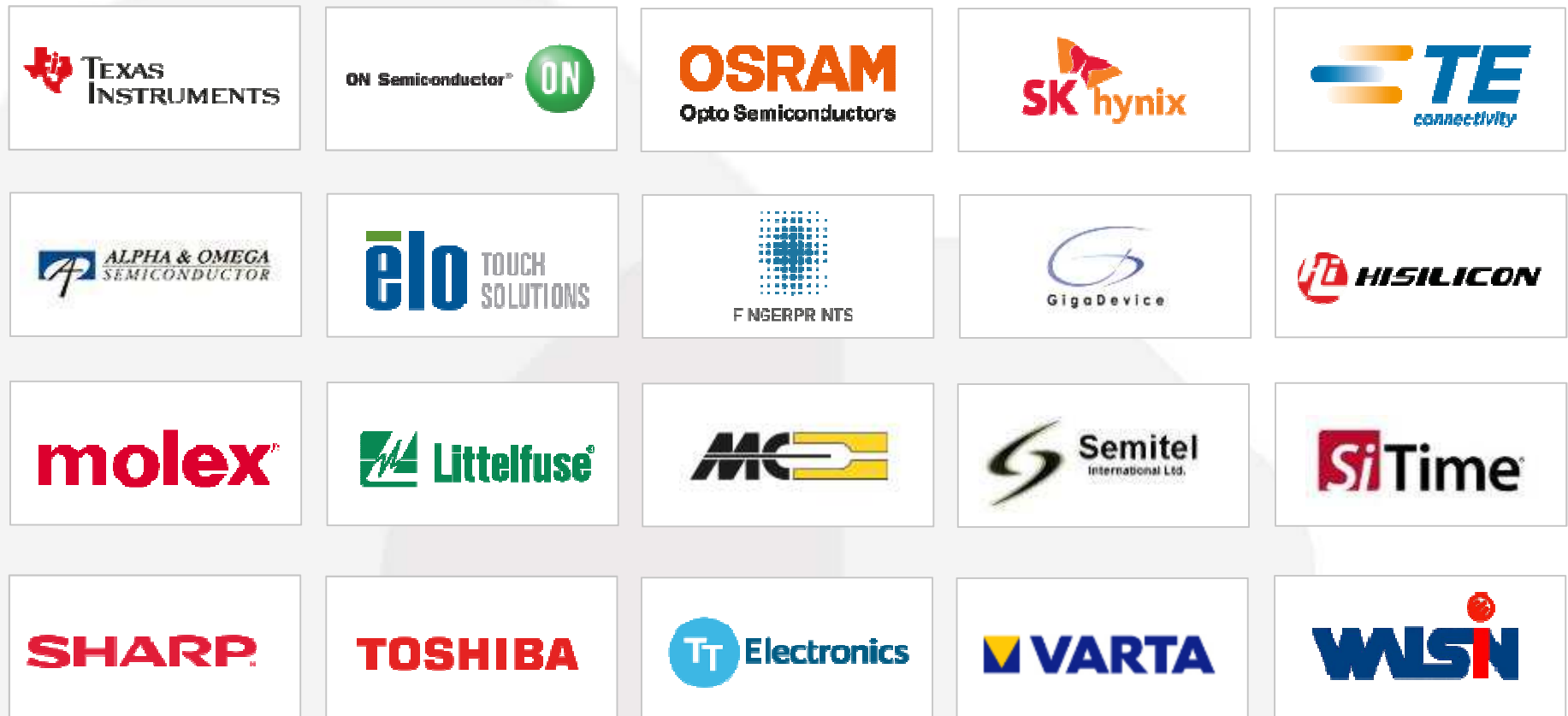


Musang King



PARTNERING LEADING SUPPLIERS

Electronic Components Distribution



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

PARTNERING LEADING SUPPLIERS

Consumer Products Distribution



AMD

ASUS

BENRO

Canon

EPSON



MARUMI

PowerColor

SAMSUNG



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: 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, 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 and thus our coverage already captures the majority of the hospitals in Singapore.

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

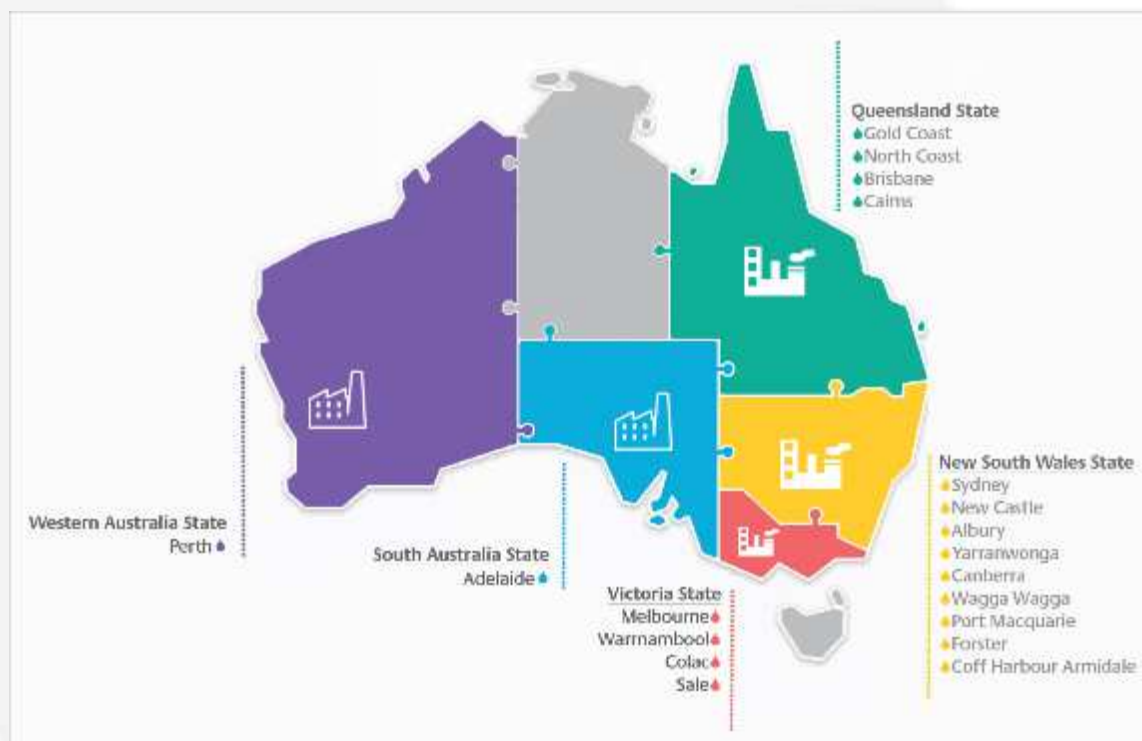
South Pacific Laundry



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

High gross margins



STRATEGIC INVESTMENT

Tong Chiang Group



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

TCG comprises 14 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



THE GRAND CHEF



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

Processing Durians



Participation in China's food exhibitions



A blue-tinted photograph of a modern office interior. In the foreground, a desk holds a tablet, a pen, and a document with a colorful bar chart. In the background, three people are silhouetted against a large window with a grid pattern, looking out at a city skyline.

CORPORATE HIGHLIGHTS

CORPORATE HIGHLIGHTS

ELECTRONIC COMPONENTS DISTRIBUTION



CORPORATE DEVELOPMENTS

June 2017

- Announced proposed spin-off of Serial Microelectronics (HK) Limited (“SMHK”)
 - SMHK group to be listed on main board of the Stock Exchange of Hong Kong Limited
 - In connection with the HK listing, the Group received in-principle approval from SGX to transfer its listing from the Mainboard to the Catalyst

ELECTRONIC COMPONENTS DISTRIBUTION

August 2017

Strategies : Expand Product Portfolio & Increase High-Value Components

- Incorporated a 63.7% effective equity interest in Xuanli Automotive Electronics Co., Limited in China to focus on automotive segment
- The company focus on semiconductor components for automotive segment in China

September 2017

- SMHK increased investment in subsidiary Serial Vision Limited from 55% to 100%

CORPORATE HIGHLIGHTS

CONSUMER PRODUCTS DISTRIBUTION



CONSUMER PRODUCTS DISTRIBUTION

**April
2017**

Strategies : Rationalise Operations and Explore New Profitable Investments

- Disposed of 100% equity interest in JEL Distribution (Kazakhstan) LLP
- Restructured Serial I-Tech Singapore, Serial I-Tech Middle East and Achieva Technology Australia
- Consolidated Consumer Products Distribution group into a single Changi office/warehouse

**May
2017**

- Completed acquisition of 70% issued and paid-up capital of Print-IQ Singapore Pte. Ltd.

CORPORATE HIGHLIGHTS

OTHER BUSINESSES



OTHER BUSINESSES

Strategies : Diversify Risk and Generate Recurring Income

**February
2017**

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

**August
2017**

- Entered into joint-venture agreement to incorporate Bast Investment Pte Ltd, which acquired a 50% stake in Musang Durians Frozen Food (M) Sdn. Bhd. Our effective interest in Musang Durians is 27.5%.
- Musang Durians is engaged in the manufacturing, processing, trade and export of durian puree and related products

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 holding a pen, ready to write. The background is slightly blurred, showing other participants in a meeting.

FINANCIAL RESULTS

SNAPSHOT OF 1Q2018 & FY2017 PERFORMANCE

US\$'000	1Q2018	1Q2017	Change (%)	FY2017	FY2016	Change (%)
Sales	405,220	332,937	22	1,492,204	1,402,583	6
Gross Profit	31,393	23,959	31	105,119	97,393	8
Gross Profit Margin (%)	7.7	7.2	0.5 pt	7.0	6.9	0.1 pt
Net Profit After Tax <i>(Attributable to shareholders)</i>	5,190	2,708	92	9,550	4,558	110
EPS - fully diluted <i>(US cents) ⁽¹⁾</i>	0.58	0.30	93	1.07	0.51	110
NAV per share (US cents) ⁽²⁾	31/03/2018: 17.15 cents			31/12/2017: 16.19 cents		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue for 1Q2018 / FY2017 of 895,841,914 (1Q2017 / FY2016: 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 the end of 31 March 2018 and 31 December 2017 of 895,841,914.

1Q2018 HIGHLIGHTS



- **Revenue of US\$405.2M, an increase of 22% compared to US\$332.9M in 1Q2017**
 - Revenue from electronic components distribution business up 23% to US\$386.5M, due to higher sales in all markets except South Asia
 - Revenue from consumer products distribution business up 3% to US\$17.6M due to higher demand for its product lines in Malaysia and Indonesia
- **Gross profit margin inched up to 7.7% from 7.2% in 1Q2017**
 - Higher margins as the Group focused sales and marketing efforts on higher-margin products and customers
- **Share of losses in associated companies narrowed to US\$0.2M compared to US\$0.3M in 1Q2017**
 - Loss of US\$0.1 million each in 27.34%- SPL Holdings (Australia) Pty Ltd and 19.02%-owned Bull Will Co., Ltd
 - New 27.5% joint venture Musang Durians Frozen Food (M) Sdn. Bhd. accounted for US\$0.1 million loss, with lower sales resulting from the New Year holidays in China
- **NPAT almost doubles to US\$5.2M in 1Q2018 from US\$2.7M in 1Q2017**
 - Increase due to higher gross profit coupled with gains from currency translation and write-back of inventory obsolescence
 - Net margin of 1.3% in 1Q2018 compared to 0.8% in 1Q2017

FY2017 HIGHLIGHTS

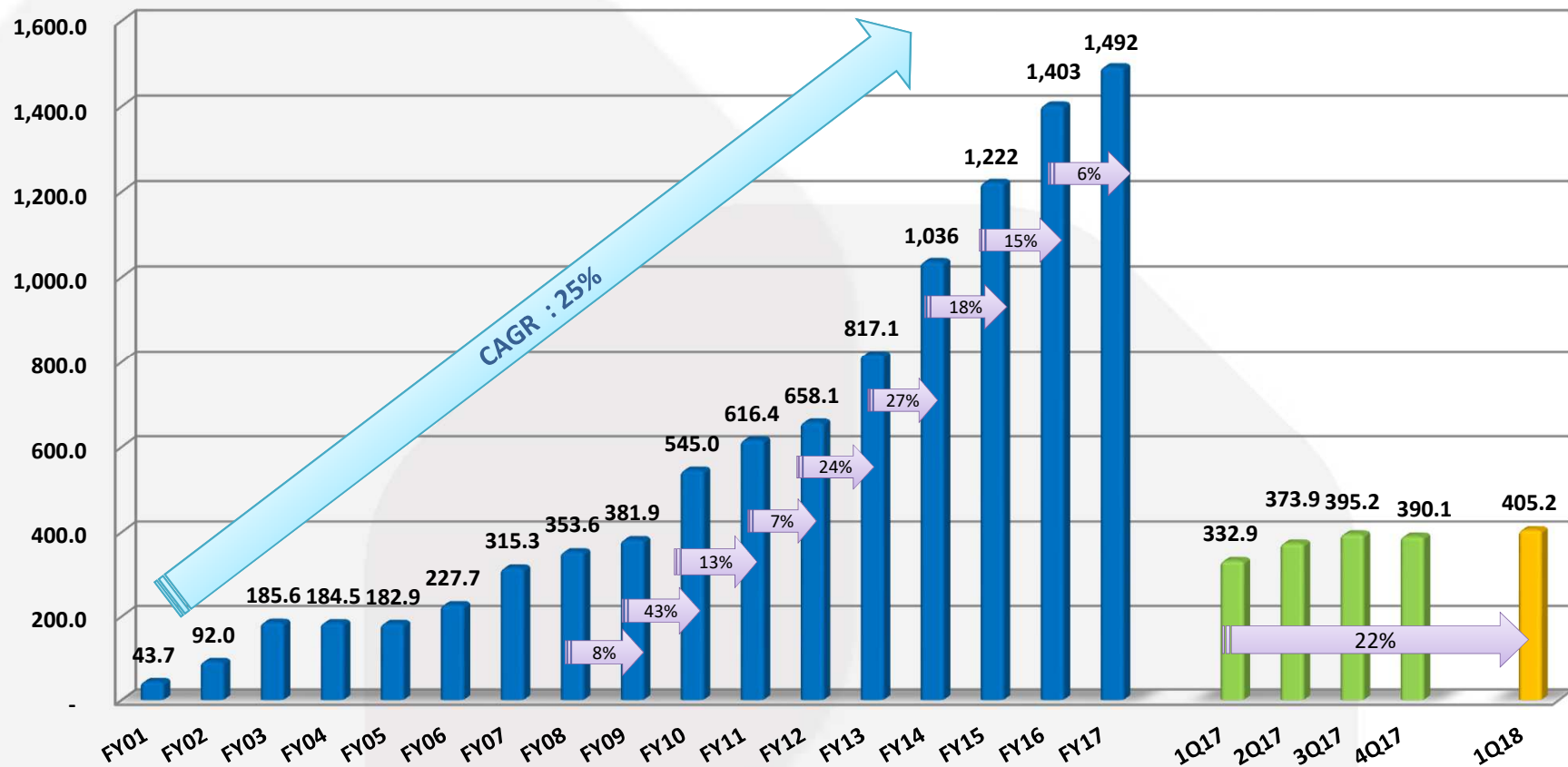
- **Revenue of US\$1.5B, an increase of 6% from FY2016**
 - Electronic components distribution business rose 17% to US\$1.43B on higher revenue contributions from Hong Kong, China, Taiwan and South Asia
 - Consumer products distribution business declined 69% to US\$55.4M due to lower overall product sales
- **Gross profit margin increased to 7.0% compared to 6.9% in FY2016**
 - Higher margins achieved by consumer products distribution business
 - Partly offset by lower margins achieved by electronic components distribution business amid keen competition and higher sale of low-margin products
- **NPAT of US\$9.6M compared to US\$4.6M in FY2016; net margin of 0.6% compared to 0.3% the previous year**
 - Higher gross profit from increased sales
 - Reduced share of losses in associated companies

REVENUE GROWTH TREND

SERIAL SYSTEM GROUP

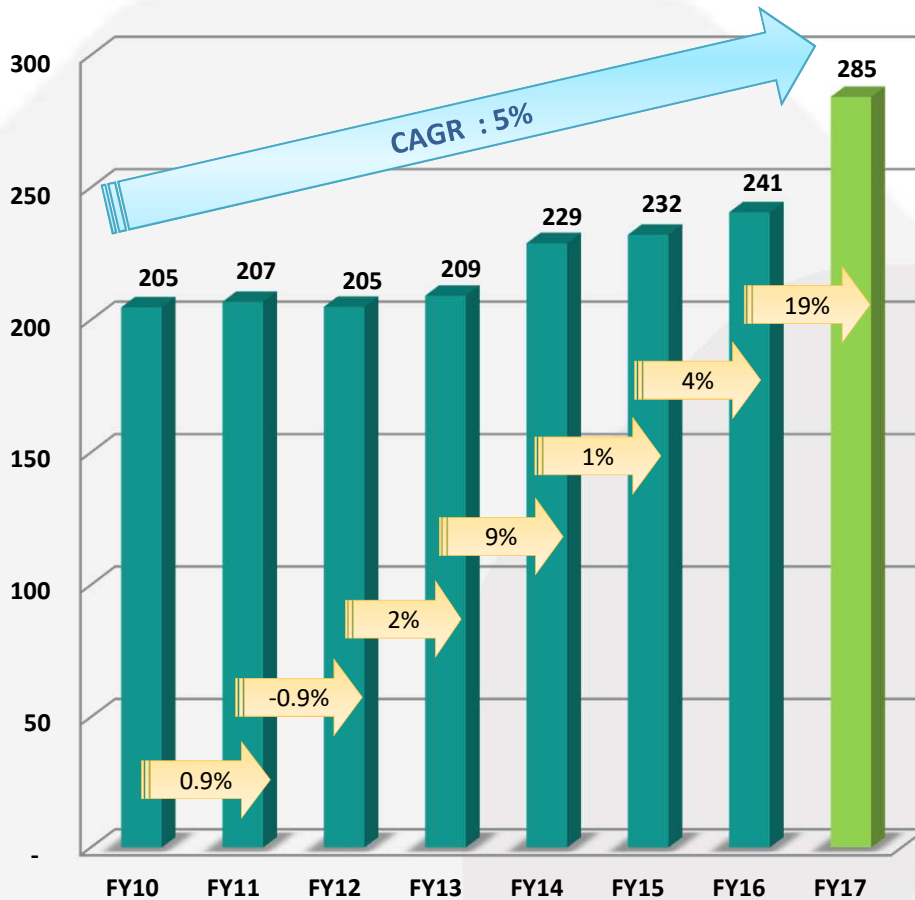


Revenue (US\$' million)



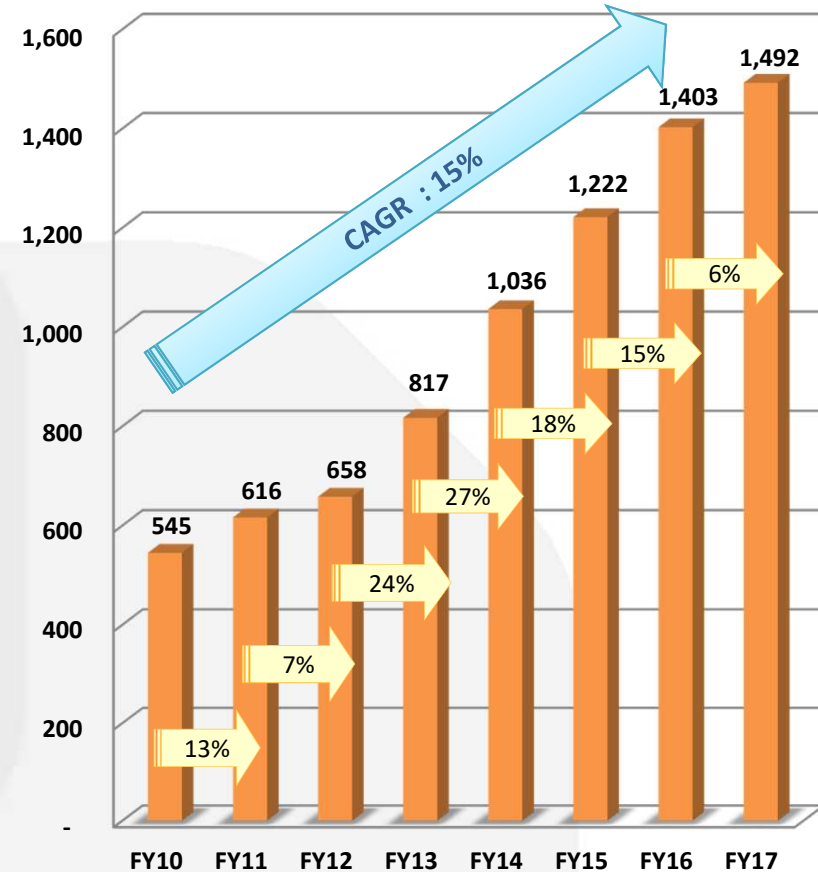
OUTPERFORMING THE INDUSTRY

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



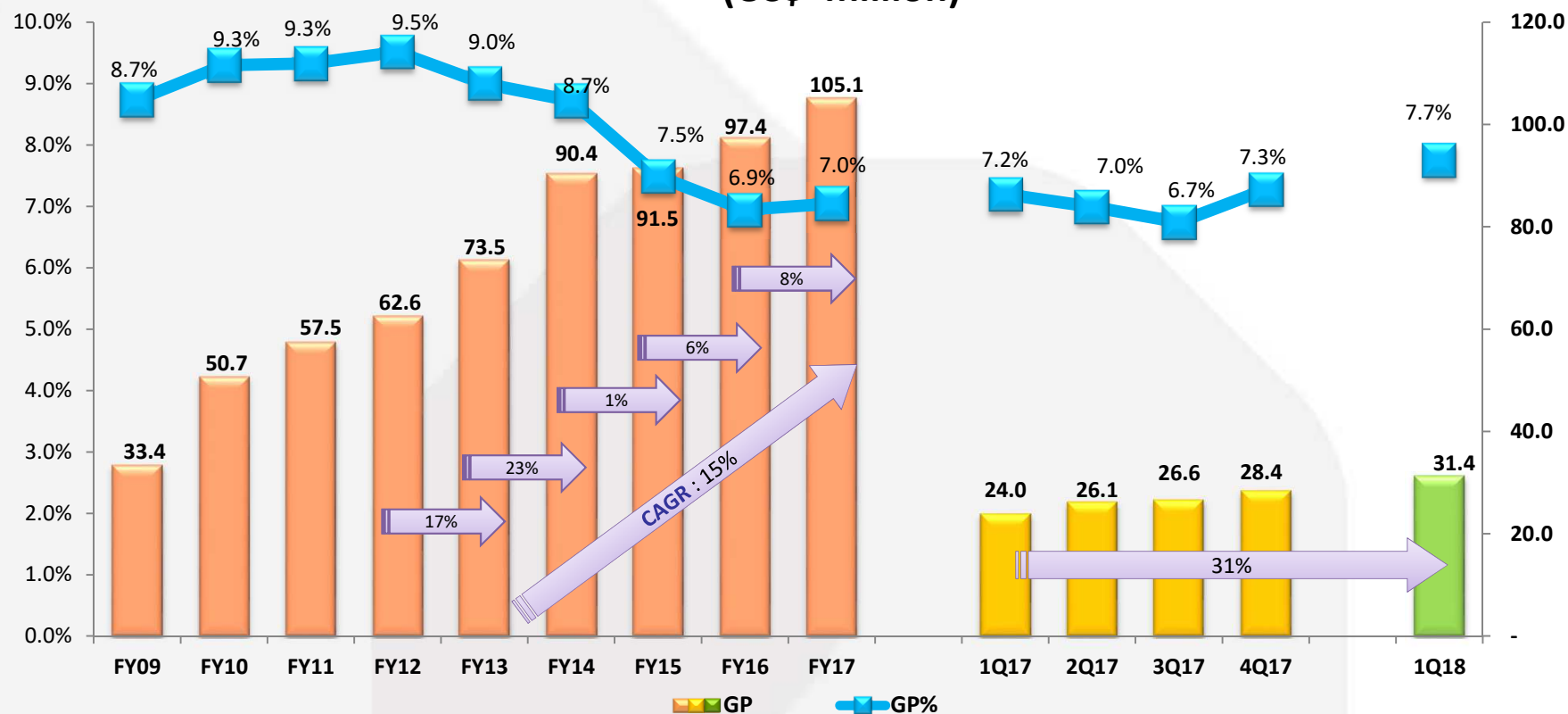
Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

Serial System Revenue (US\$' million)



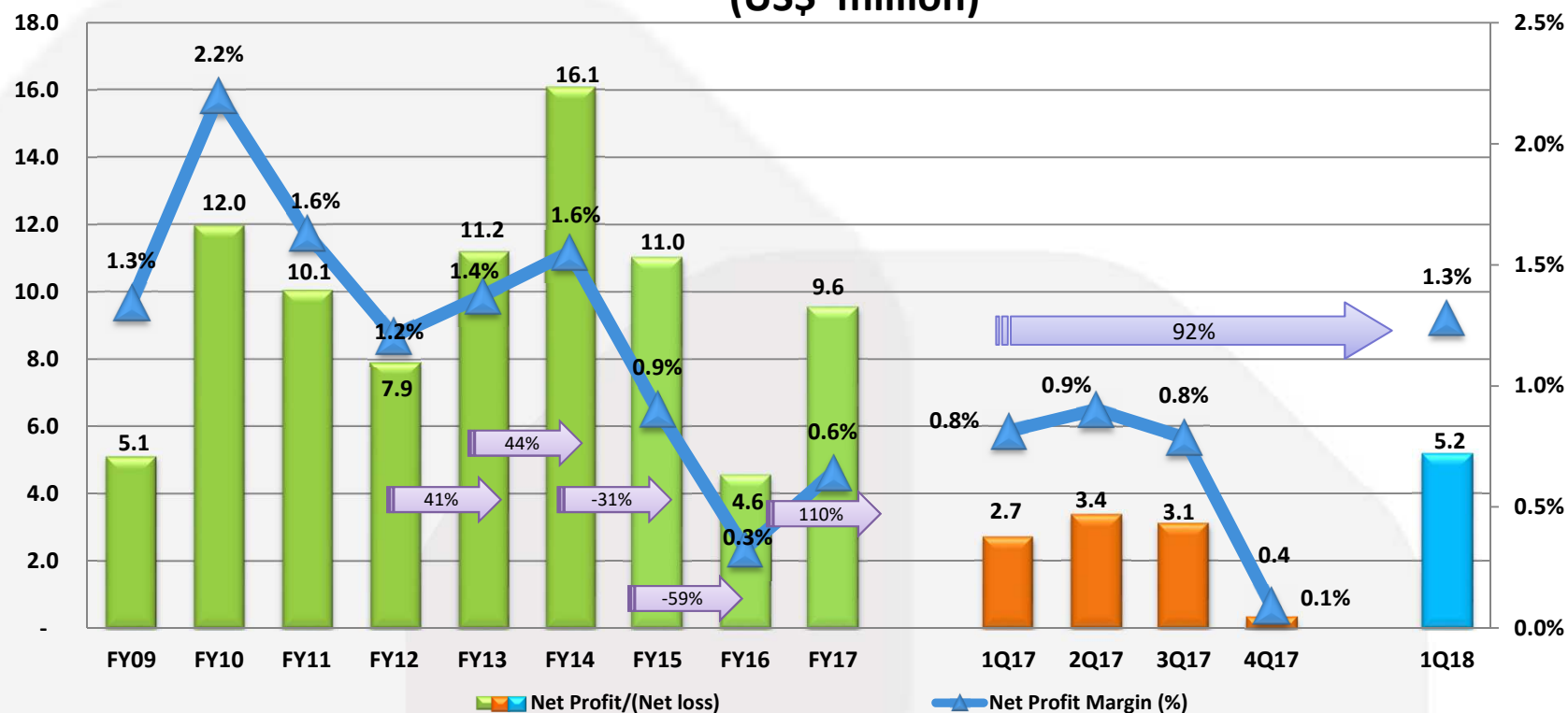
PROFITABILITY

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



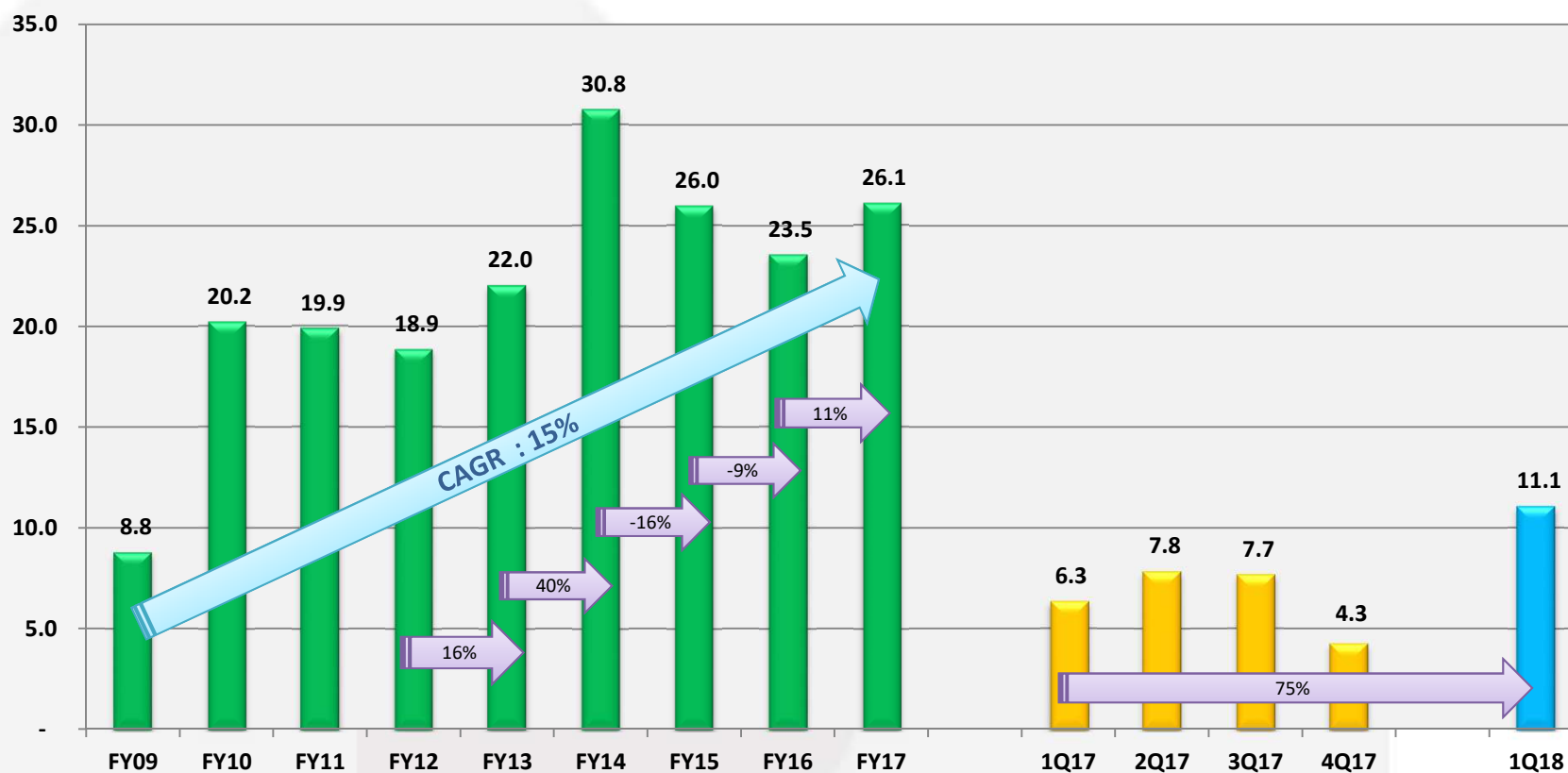
PROFITABILITY

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



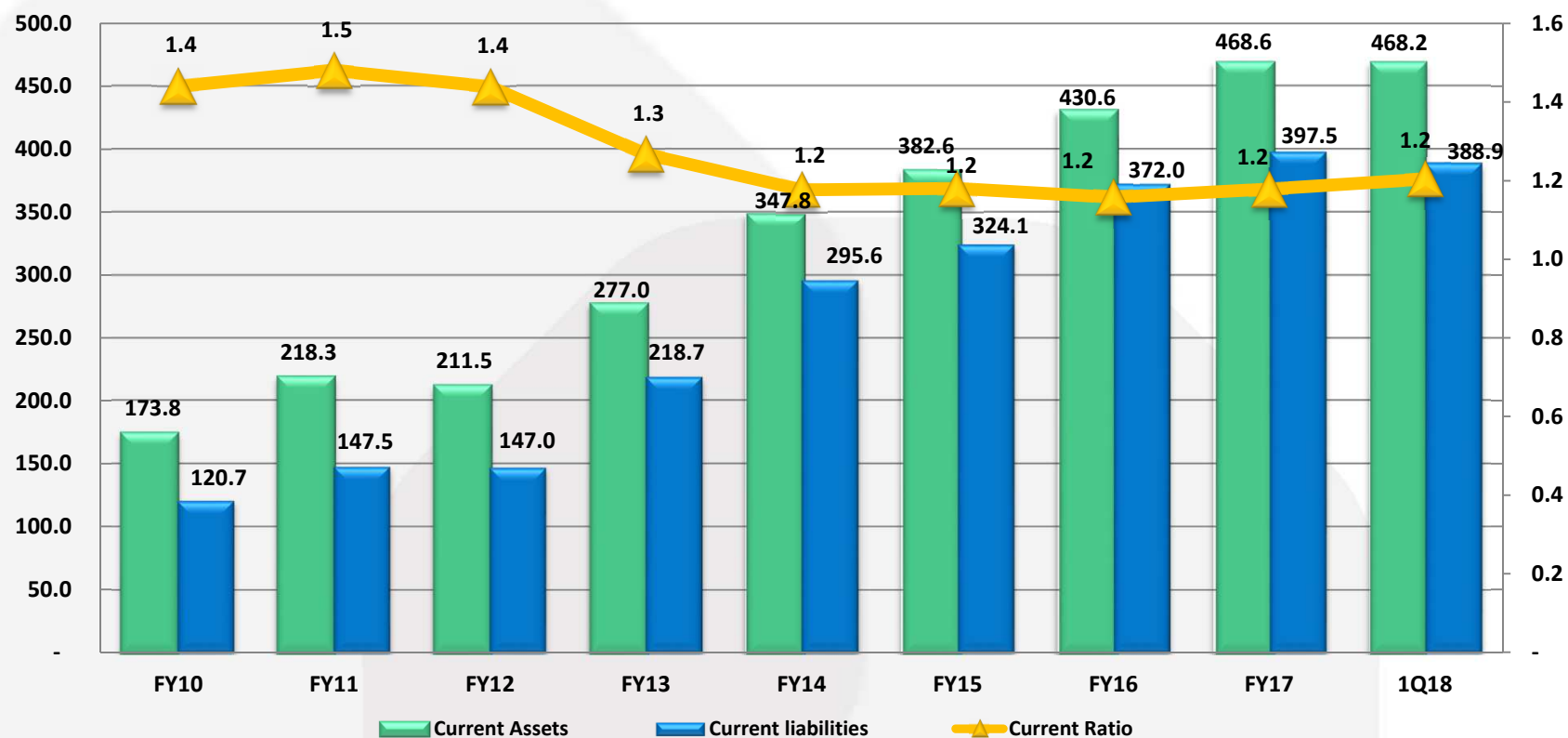
PROFITABILITY

EBITDA (US\$' million)



FINANCIAL POSITION

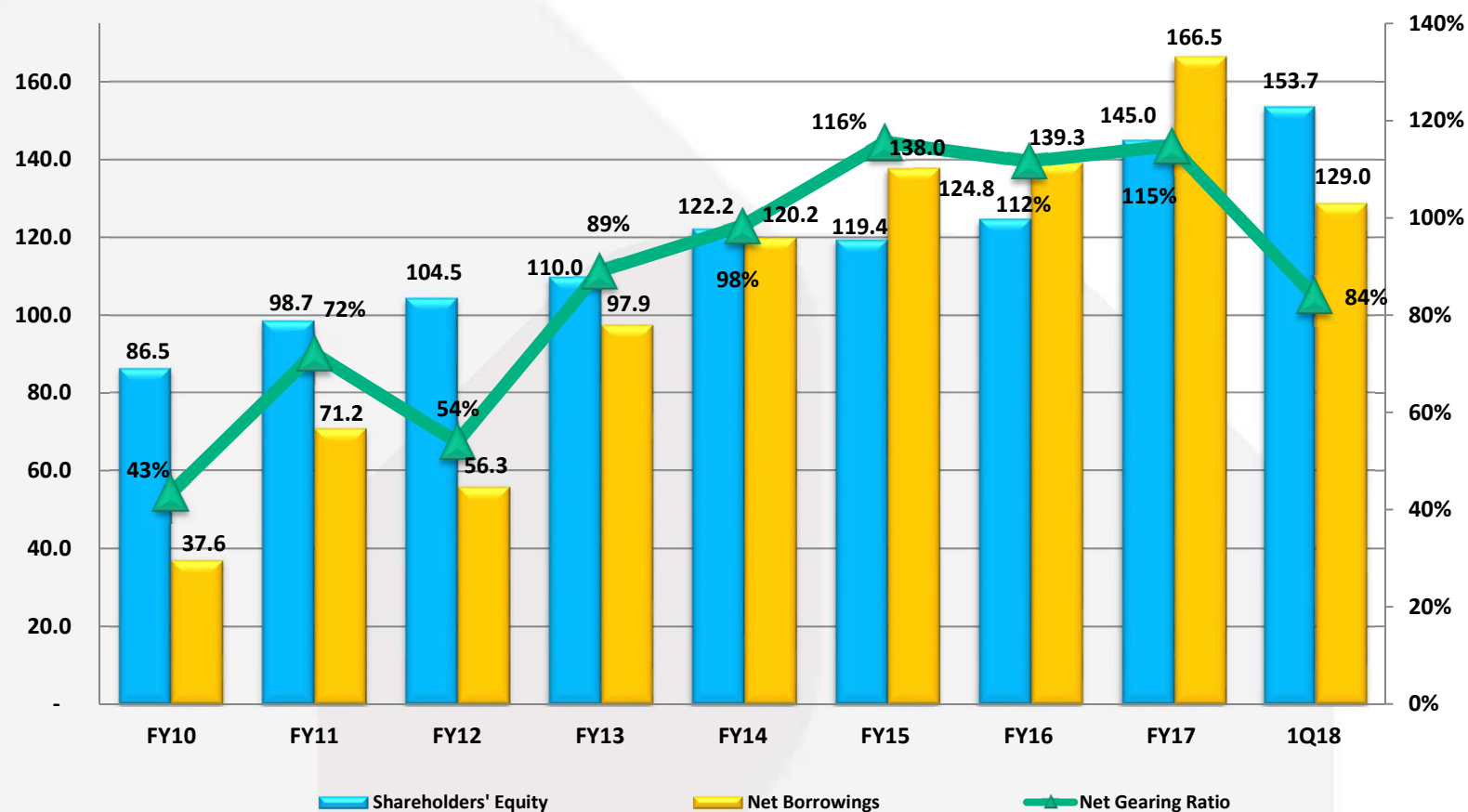
Maintaining Healthy Current Ratio



FINANCIAL POSITION

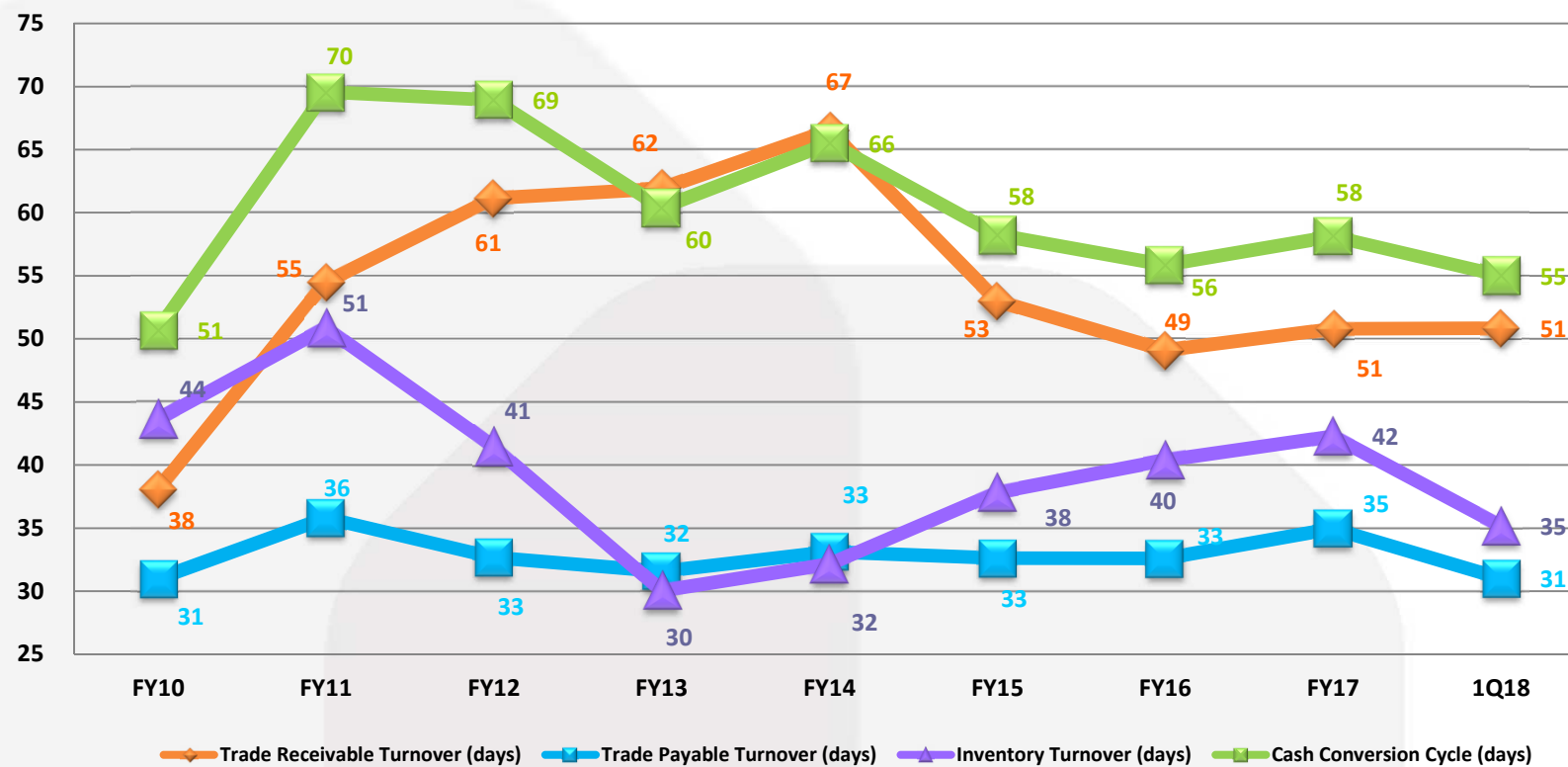


Net Gearing Ratio

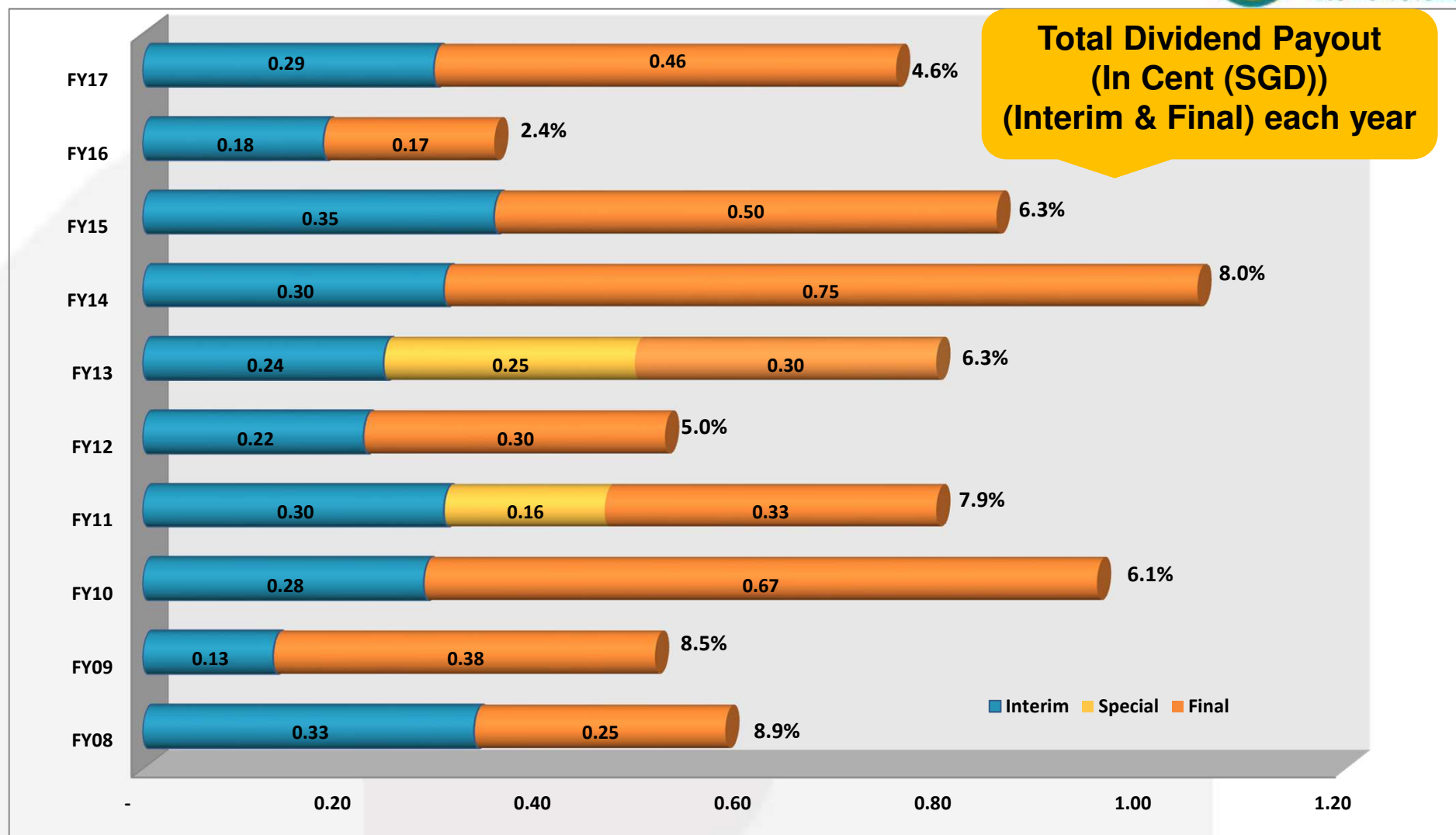


FINANCIAL POSITION

Cash Conversion Cycle (days)



DIVIDEND YIELD



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK

According to Gartner, global semiconductor revenue is slated to reach US\$451 billion this year. The industry achieved its highest annual growth in 14 years in 2017, with revenue up 21.7% at US\$429.1 billion, driven by strong demand for memory integrated circuits, according to business information provider IHS Markit.

The Group stands to benefit from its extensive distribution network of chip suppliers and electronics manufacturers, which is one of the largest in Asia. It will monitor potential risks to the global economy, such as mounting trade tensions between the U.S. and China, which may dampen investor sentiment.



GROUP OUTLOOK



- The Group plans 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 listing will enable the SMHK group to raise funds for its distribution business in Hong Kong and China, which currently accounts for more than half of total Group revenue.
 - Its customers are primarily China and Hong Kong-based manufacturers of smartphones, household appliances, consumer electronics, automotives and industrial products.
 - Following the above spin-off, the Group intends to transfer its listing to the SGX Catalist and focus on markets outside Hong Kong and China.
- The Group is monitoring competitive and cost pressures to stay nimble, uphold margins and better meet client needs.

OUR THREE-PRONGED STRATEGY

Objectives:

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

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.

This presentation does not constitute an invitation or an offer to sell, or solicitation of an offer to buy any securities in connection with, any contract or commitment whatsoever.

This presentation has been prepared exclusively for the parties presently being invited for the purposes of discussion. Information contained in this presentation does not constitute a prospectus or offering circular in whole or in part.



SERIAL
新曄集團

Thank You

Media and Investor Contact Information:

WeR1 Consultants Pte Ltd

3 Phillip Street #12-01

Royal Group Building

Singapore 048693

Tel: (65) 6737 4844 | Fax: (65) 6737 4944

Frankie Ho, frankieho@wer1.net

Grace Yew, graceyew@wer1.net

Your Integral Component to Success