

Serial System 3Q2014 Net Profit Soars 50% To US\$4.3 Million, Outpacing Revenue Growth Of 32%; On Track To Achieve US\$1 Billion Revenue Target

US\$'000	3Q2014	3Q2013	Change (%)	YTD'14 30/09/14	YTD'13 30/09/13	Change (%)
Sales	293,107	222,657	32	768,391	600,265	28
Gross Profit	24,711	19,645	26	66,338	54,247	22
Gross Profit Margin (%)	8.4	8.8	(0.4) pt	8.6	9.0	(0.4) pt
Net Profit After Tax (Attributable to shareholders)	4,318	2,870	50	11,439	8,150	40
Net Profit Margin (%)	1.5	1.3	0.2 pt	1.5	1.4	0.1 pt
EPS on fully diluted basis ⁽¹⁾ (US cent)	0.49	0.32	53	1.28	0.91	41
NAV per share ⁽²⁾ (US cents)	30/09/2014: 13.22			31/12/2013: 12.27		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares during the period of 895,841,914 shares (3Q2013 / YTD 30/09/2013: 895,749,177) after adjusting assumed conversion of all potential dilutive ordinary shares

(2) Net asset value per share are computed based on existing issued share capital as at the end of the financial periods ended 30 September 2014 and the immediately preceding financial year ended 31 December 2013

Singapore, 4 November 2014 – Serial System Ltd (“Serial System” or the “Group”) announced today that its net profit for June-to-September 2014 (“3Q2014”) grew 50% year-on-year to US\$4.3 million, outpacing revenue growth of 32% to US\$293.1 million, putting it on track to achieve its US\$1 billion revenue target for the financial year ending 31 December 2014 (“FY2014”).

Underscoring its efforts to drive internal efficiencies, net profit of the largest electronics components distributor listed on the SGX mainboard grew 40% for the nine months ended 30 September 2014 (“9M2014”) to US\$11.4 million, compared to the 28% revenue growth to US\$768.4 million during the period.

Higher sales volume of lower-margin products by the Greater China and Singapore subsidiaries – which contributed to the top-line growth – narrowed the 9M2014 gross profit margin to 8.6% from 9.0% a year ago.

Serial System lowered its expenses as a percentage of turnover to 6.8% in 3Q2014 from 7.6% in 3Q2013 while 3Q2014 net profit margin rose to 1.5% from 1.3% in 3Q2013, in line with its revenue- and margin-accretive strategy unveiled in January 2014.

Sales in North-Asia – which accounted for 85% of the Group’s 3Q2014 turnover – grew 37%, led by a 55% growth in Greater China’s turnover that was driven by strong demand in the smartphone, consumer electronics, household appliances and automotive sectors.

While South-East Asia and India reported a 10% improvement in its revenue contributed by new product lines, Japan, South Korea and Taiwan faced stiffer market competition, which lowered turnover by 11%, 7% and 1%, respectively.

The Group's share of losses of associates decreased to US\$0.09 million this quarter compared to US\$0.2 million in 3Q2013. Its 20%-owned Australian industrial laundry associates contributed US\$0.2 million in profit which was offset by a US\$0.3 million share of losses from 38.13%-owned Bull Will Co., Ltd which has seen sales improvements this quarter.

Fully diluted earnings per share for this quarter was 0.49 U.S. cent compared to 0.32 U.S. cent in 3Q2013. Net asset value per share rose to 13.22 U.S. cents as at 30 September 2014 from 12.27 U.S. cents as at 31 December 2013.

Serial System's Executive Chairman and Group CEO, Dr. Derek Goh, said, "While we grow the top line, we are also aggressively striving to improve margins, especially through deeper integration of our internally-developed business intelligence IT systems that have significantly improved our cost controls, inventory management and operational efficiencies."

The Group will continue to pursue its three-pronged strategy and leverage on its supply chain economies of scale to extend its value proposition to include that of finished products while expanding its geographical footprint.

Towards this end, the Group had on 30 September 2014 completed acquiring 49%-equity interest in the distribution and trading entity of SGX-listed Achieva Limited, which distributes Intel (semi-conductors) and Western Digital (hard disks) and owns distribution offices in Australia.

Serial System is also completing the acquisition of the entire distribution and trading entity of SGX-listed GSH Corporation Limited, with the intention to leverage on the latter's presence in Central Asia, Middle East, Cambodia, and Bangladesh.

"The recent acquisitions have strong synergies with our core business and allow us to offer differentiated value to our customers. We continue to be on the lookout for merger and acquisition opportunities or to forge strategic partnerships to increase our value proposition in a challenging market," he added.

Building upon the momentum, the Group is reasonably confident, barring unforeseen circumstances, that it will achieve its US\$1 billion revenue target by the end of FY2014.

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 their suppliers and customers. Today, Serial System has one of the largest distribution networks in Asia, with 53 offices and seven warehouses located throughout Asia. It also has a wide customer base of more than 6,000, spanning across a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunication, electronics manufacturing services, automotive and medical. Its major suppliers include Texas Instruments, ON Semiconductor, Avago Technologies, TE Connectivity, Advanced Micro Devices and OSRAM Opto Semiconductors.

Serial System's ability to align to 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.