



SERIAL
新曄集團

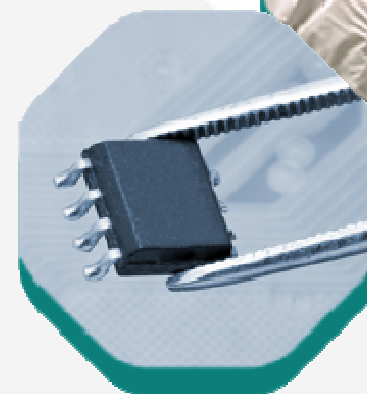
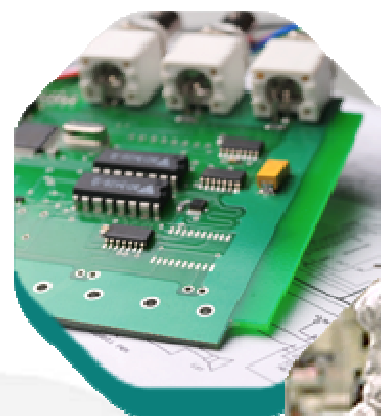
3Q'2017 & YTD 3Q'2017 RESULTS PRESENTATION

Friday, 03 November 2017

Your Integral Component to Success

AGENDA

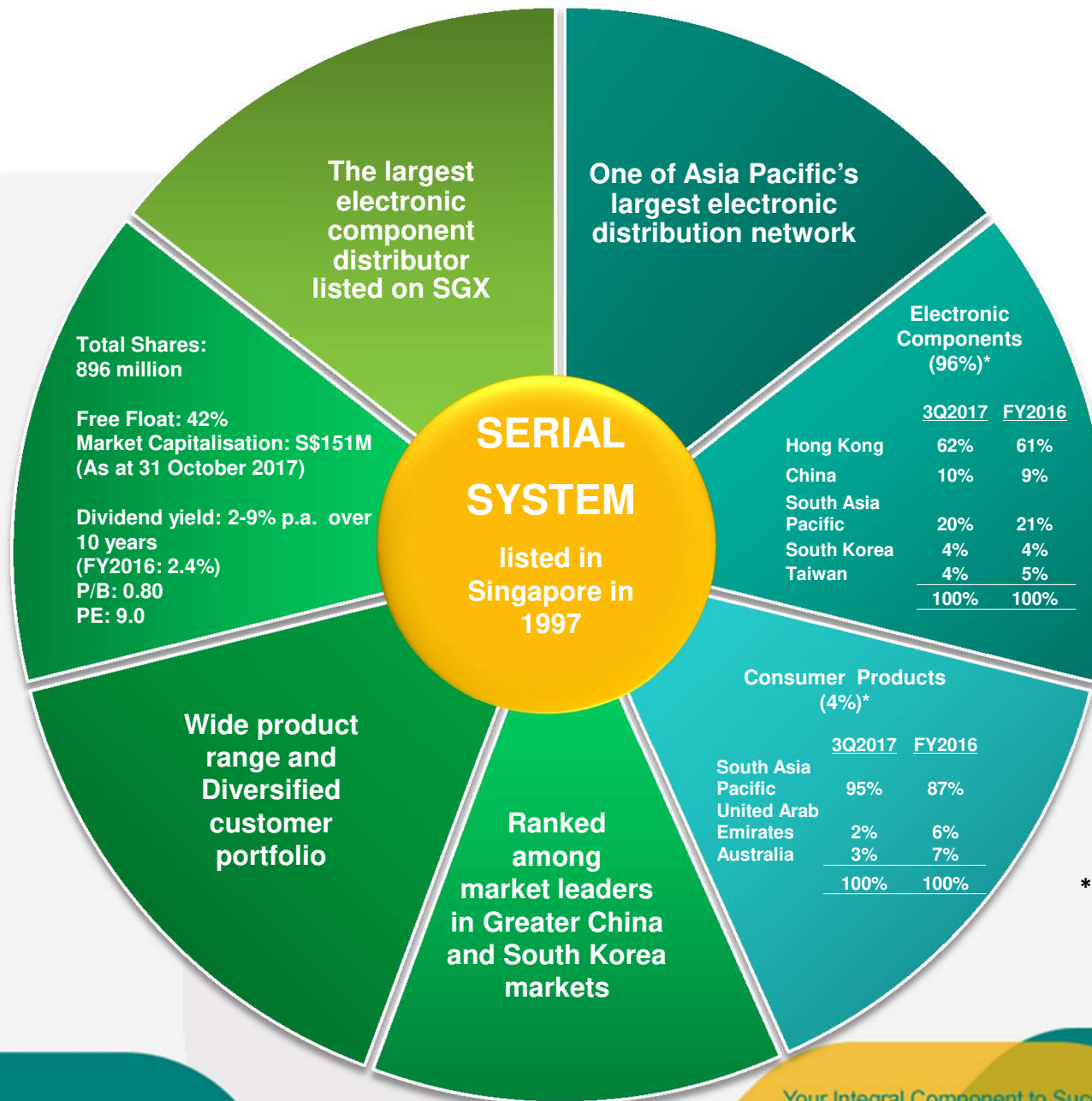
1. CORPORATE OVERVIEW
2. CORPORATE HIGHLIGHTS
3. FINANCIAL RESULTS
4. OUTLOOK & STRATEGIES



A photograph of a business meeting. In the foreground, two people are shaking hands over a table. On the table, there is a document titled "CONTRACT", a pen, and a colorful bar chart. In the background, another person is visible, also in business attire, holding a pen. The overall scene suggests a formal business agreement or partnership.

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 Durian



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



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



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



- Core businesses: hospitality 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, St Andrew's Community Hospital, Gleneagles Hospital, Mount Elizabeth Hospital, Parkway East Hospital, Parkway Mount Elizabeth Novena Hospital, Yishun Community Hospital and Sengkang Hospital with a list of other hospital deployments in the pipeline.

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

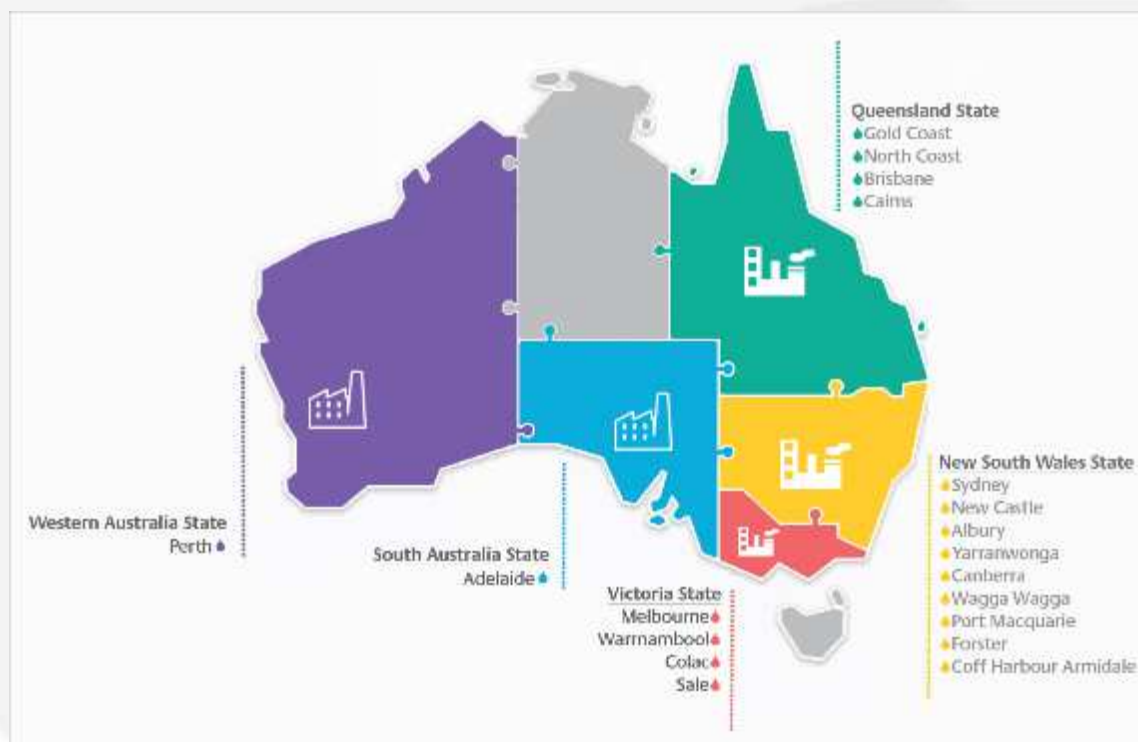
STRATEGIC INVESTMENT – South Pacific Laundry



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 and net margins



Your Integral Component to Success

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

Supported by NSG Catering Pte Ltd ("Nanshan Group"), which acquired a 25% stake in TCG in 2017



STRATEGIC INVESTMENT

– Musang Durian Frozen Food (M) Sdn. Bhd.



The Group has an effective 27.5% stake in durian processing and distribution company Musang Durian 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



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



CORPORATE DEVELOPMENTS

- ▶ Proposed spin-off and separate listing of Serial Microelectronics (HK) Limited group **June 2017**
 - ❖ Serial Microelectronics (HK) group to be listed on main board of the Stock Exchange of Hong Kong Limited

ELECTRONIC COMPONENTS DISTRIBUTION

Strategies : Expand Product Portfolio & Increase High-Value Components

- ▶ Increase of investment by Serial Microelectronics (HK) Limited group in subsidiary Serial Vision Limited from 55% to 100% **October 2017**
- ▶ Partner with Beston International (Hong Kong) Ltd (“Beston International”) to market and distribute ON semiconductor products through newly incorporated company, Newstone Technology Limited **December 2016**
 - ❖ 51% owned by Serial Microelectronics (HK) Limited
 - ❖ Principal activities: marketing, promotion, sales, export and distribution of ON Semiconductor products
- ▶ Partner with South Korean-listed Unitrontech Co., Ltd. through newly incorporated company in Hong Kong, Unitrontech China Co. Ltd. **September 2016**
 - ❖ 45% owned by Serial Microelectronics (HK) Limited
 - ❖ Principal activities: marketing, promotion and sales of Micron memory products with focus on automotive market in China
- ▶ Expansion of additional Product Line, Broadcom after its acquisition by Avago **June 2016**

CORPORATE HIGHLIGHTS



CONSUMER PRODUCTS DISTRIBUTION

Strategies : Rationalise Operations & Explore New Profitable Investments

June 2017

- ▶ Acquired 100% equity interest in Inkcart Pte. Ltd. (“Inkcart”)
- ▶ Inkcart is principally engaged in the business of trading and distribution of computers and peripheral equipment, IT and electronic products

April 2017

- ▶ Entered into a conditional sale and purchase agreement (“SPA”) to acquire 70% of the issued and paid-up capital of Print IQ Singapore Pte. Ltd. (“Print IQ”)
- ▶ Disposed of 100% equity interest in JEL Distribution (Kazakhstan) LLP
- ▶ Restructured and scaled down Serial I-Tech Singapore, Serial I-Tech Middle East and Achieva Technology Australia
- ▶ Consolidated Consumer Products Distribution group into a single location in Changi office/warehouse

CORPORATE HIGHLIGHTS



OTHER BUSINESSES

Strategies : Diversify Risk and Generate Recurring Income

August 2017

- ▶ Entry into JV agreement with Datuk Philip Ting Ding Ing in relation to Bast Investment Pte Ltd, which has a 50% stake in issued and paid-up capital of Musang Durian Frozen Food Sdn Bhd
- ▶ Musang Durian is engaged in the manufacturing, processing, trade and export of durian puree and related products

February 2017

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

March 2016

- ▶ Increased investment in SPL Holdings (Australia) Pty Ltd ("SPL Holdings") from 20.00% to 27.34%, pursuant to rights issue undertaken by SPL Holdings
 - ❖ 2 new greenfield projects in Adelaide and Perth
 - ❖ Acquired companies in Cairns, Sydney and Melbourne
 - ❖ Increased market share in Queensland, New South Wales and Victoria states

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 3Q2017 & YTD'3Q2017 PERFORMANCE

US\$'000	3Q2017	3Q2016	Change (%)	YTD'3Q2017	YTD'3Q2016	Change (%)
Sales	395,240	346,266	14	1,102,104	1,057,634	4
Gross Profit	26,636	24,524	9	76,739	71,756	7
Gross Profit Margin (%)	6.7	7.1	(0.4 pt)	7.0	6.8	0.2 pt
Net Profit After Tax <i>(Attributable to shareholders)</i>	3,114	3,789	(18)	9,192	510	1,702
EPS - fully diluted <i>(US cents) ⁽¹⁾</i>	0.35	0.42	(16.7)	1.03	0.06	1,617
NAV per share (US cents) ⁽²⁾	30/09/2017: 15.37			31/12/2016: 13.93		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue for 3Q2017/YTD3Q2017 of 895,841,914 (3Q2016/YTD3Q2016: 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 30 September 2017 and 31 December 2016 of 895,841,914.

3Q2017 HIGHLIGHTS

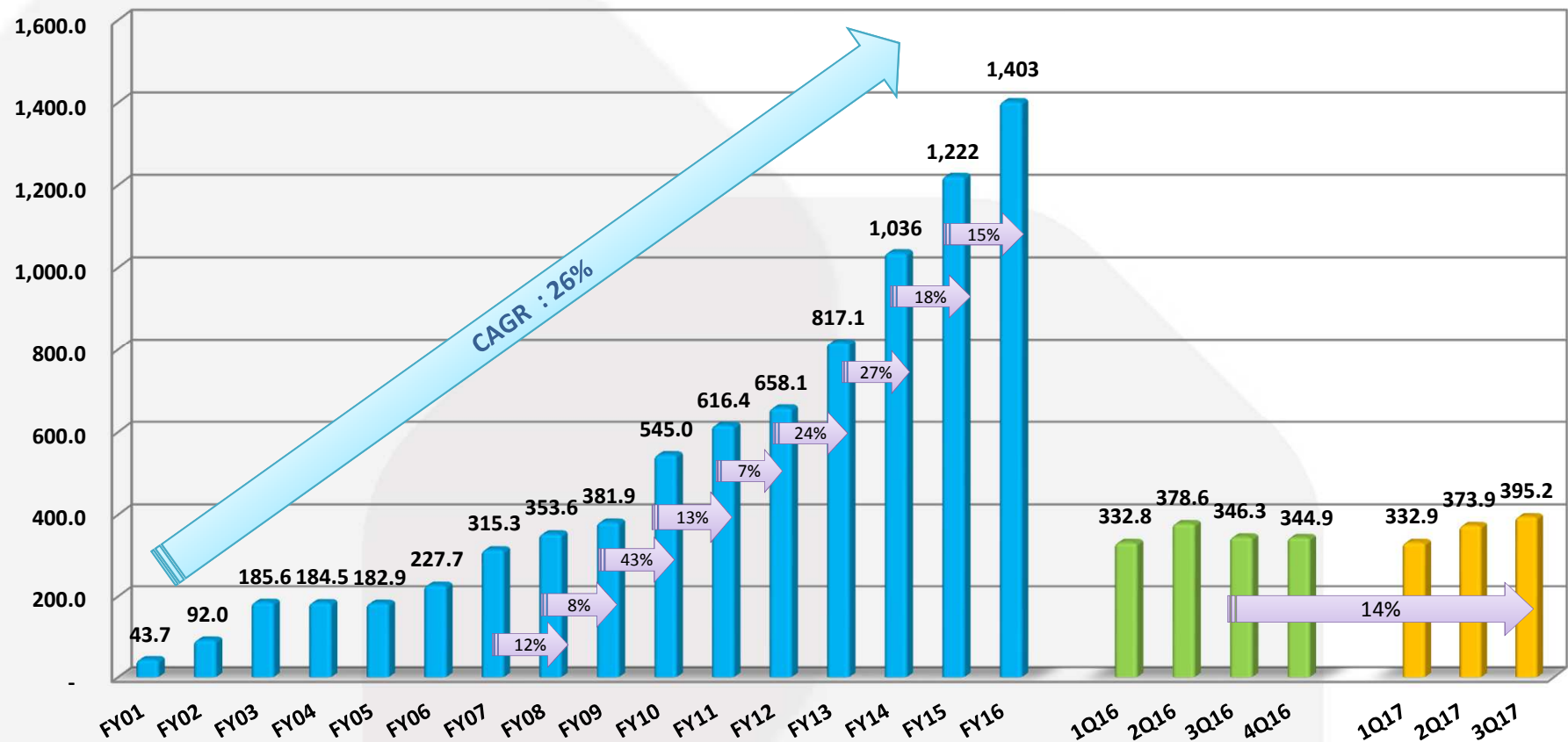
- **Revenue** of US\$395.2M compared to US\$346.3M in 3Q2016
 - Revenue from electronic components distribution business increased 20% to US\$382.1M, mainly due to higher product demand from Hong Kong and China
 - Revenue from consumer products distribution business down 55% to US\$12.0 million due to lower sales of product lines across all subsidiaries, as entities exited or reduced sales in non-performing markets and lower-margin products
- **Gross profit margin** decreased to 6.7% from 7.1% in 3Q2016
 - Higher margins achieved by the consumer products distribution business
 - Offset by lower margins achieved by the electronic components distribution business
- **Share of profits in associated companies** at US\$0.1M
 - Profits of US\$0.2 million each in 27.34%- SPL Holdings (Australia) Pty Ltd and 21%-owned Tong Chiang Group, respectively
 - 19.02%-owned Bull Will Co. Ltd accounted for US\$0.3 million loss
- **NPAT** of US\$3.1M in 3Q2017 compared to US\$3.8M in 3Q2016
 - Net margin decreased to 0.8% from 1.1% a year ago
 - Lower other operating income earned – drop in rebates and commission income from suppliers associated with the consumer distribution business and absence of US\$1.4 million gain recorded in 3Q2016 from the partial sale of shares in Unitrontech Co., Ltd

YTD'3Q2017 HIGHLIGHTS

- **Revenue** of US\$1.1B compared to US\$1.06B in YTD'3Q2016
 - Electronic components distribution business rose 18% to US\$1.06B on higher revenue contributions from Hong Kong, China and South Asia
 - Consumer products distribution business declined 75% to US\$39.4M due to lower overall product sales
- **Gross profit margin** increased to 7.0% in YTD'3Q2017 compared to 6.6% in YTD'3Q2016
 - 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\$9.2M, compared to US\$0.5M in YTD'3Q2016
 - Higher overall gross profit margin
 - Reduced share of losses in associated companies
 - Lower currency translation loss and allowance for inventory obsolescence
 - Lower expenses due to improved operational and cost efficiencies

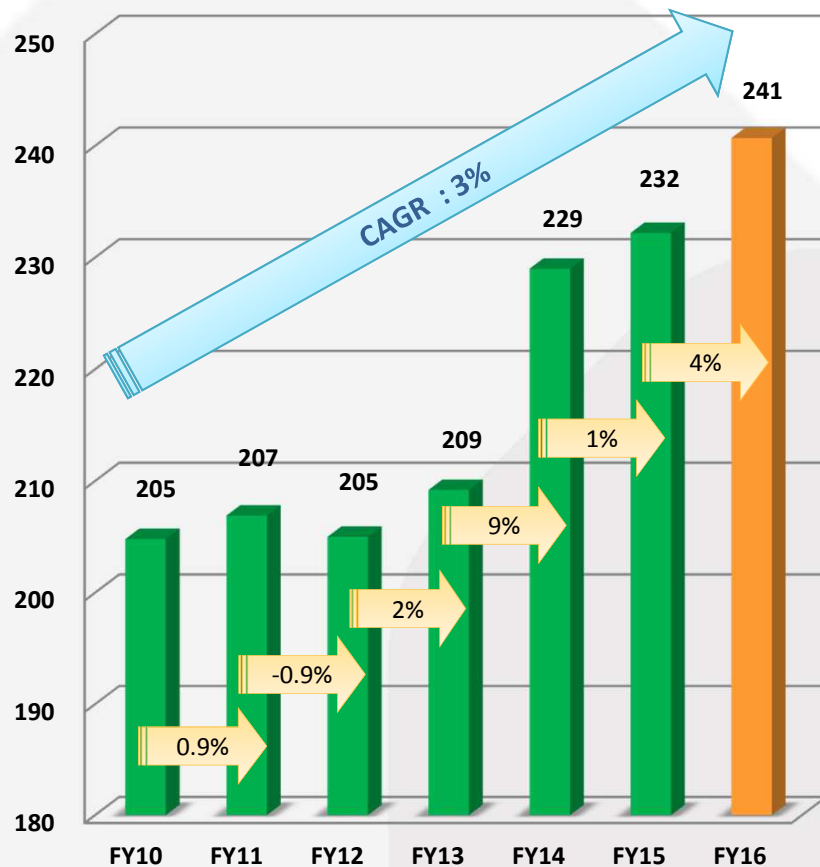
REVENUE GROWTH TREND – SERIAL SYSTEM GROUP

Revenue (US\$' million)



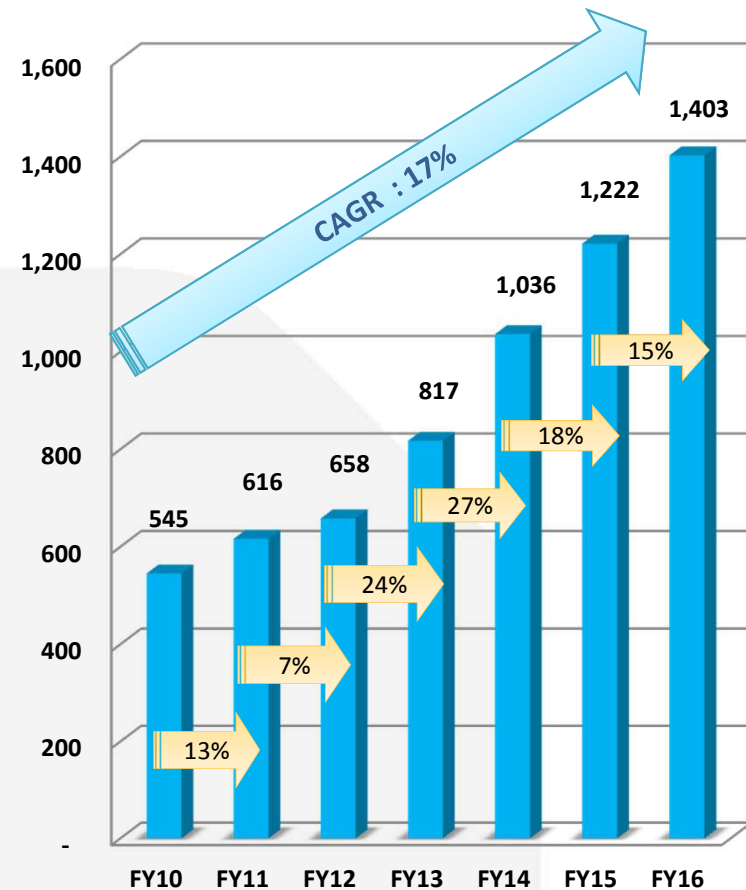
OUTPERFORMING THE INDUSTRY

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



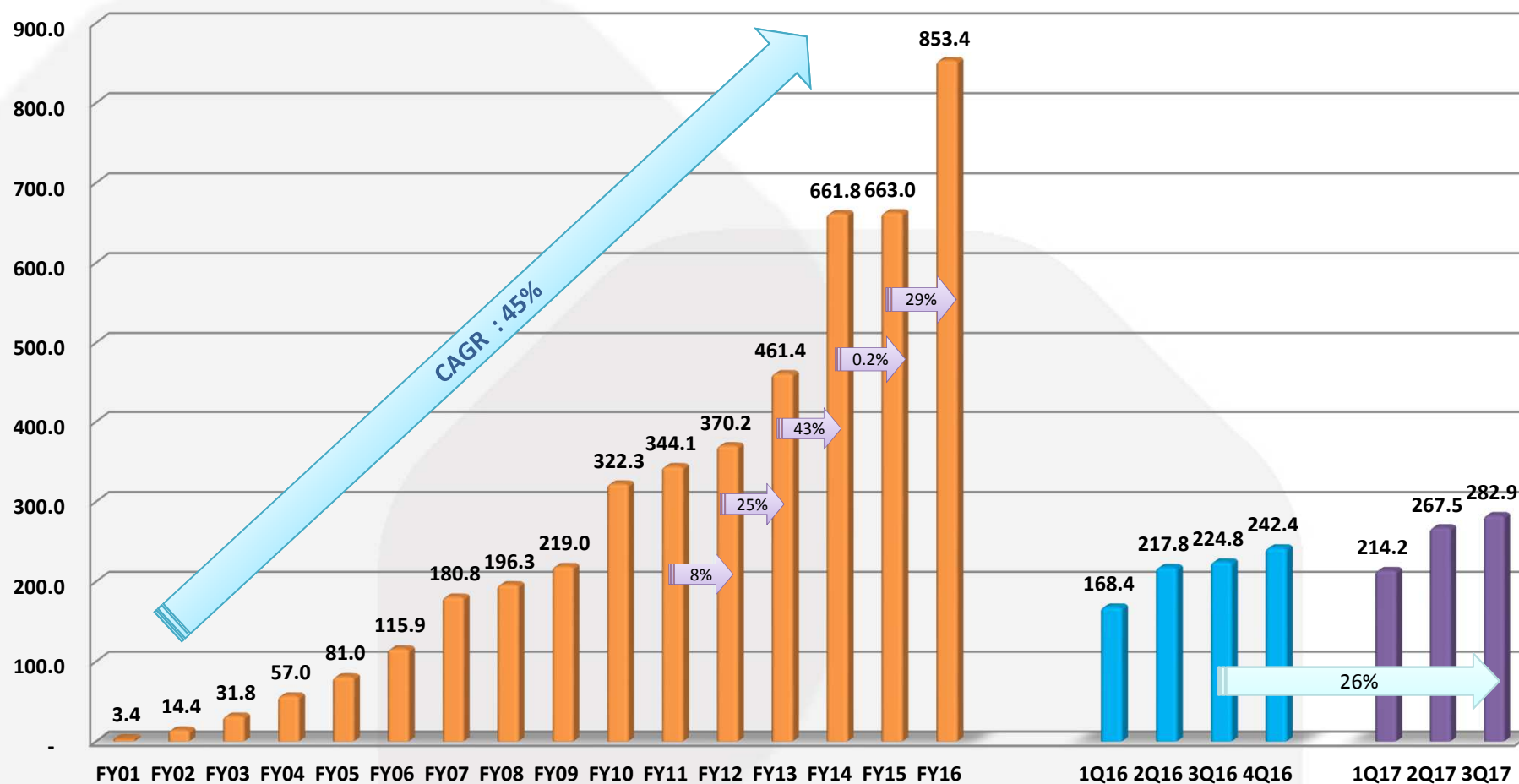
Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

Serial System Revenue (US\$' million)



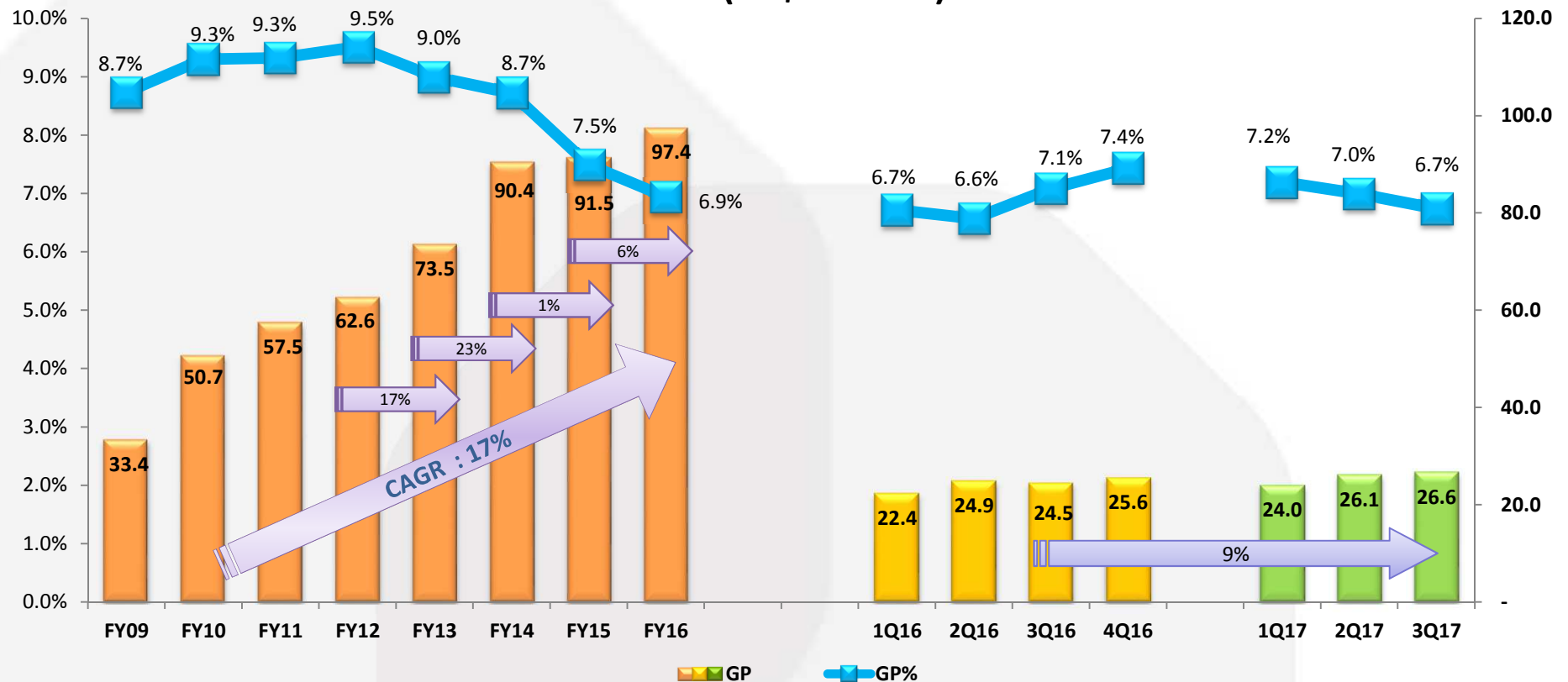
REVENUE

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



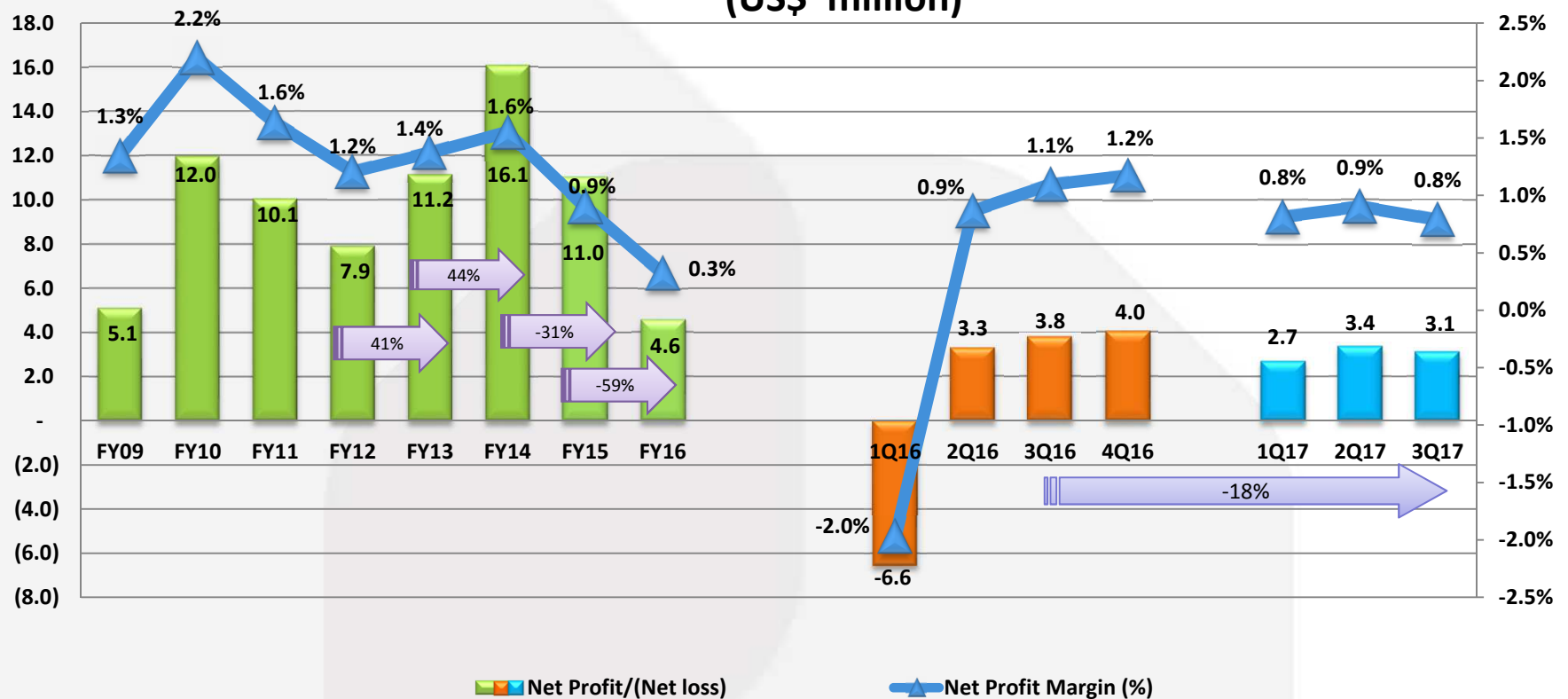
PROFITABILITY

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

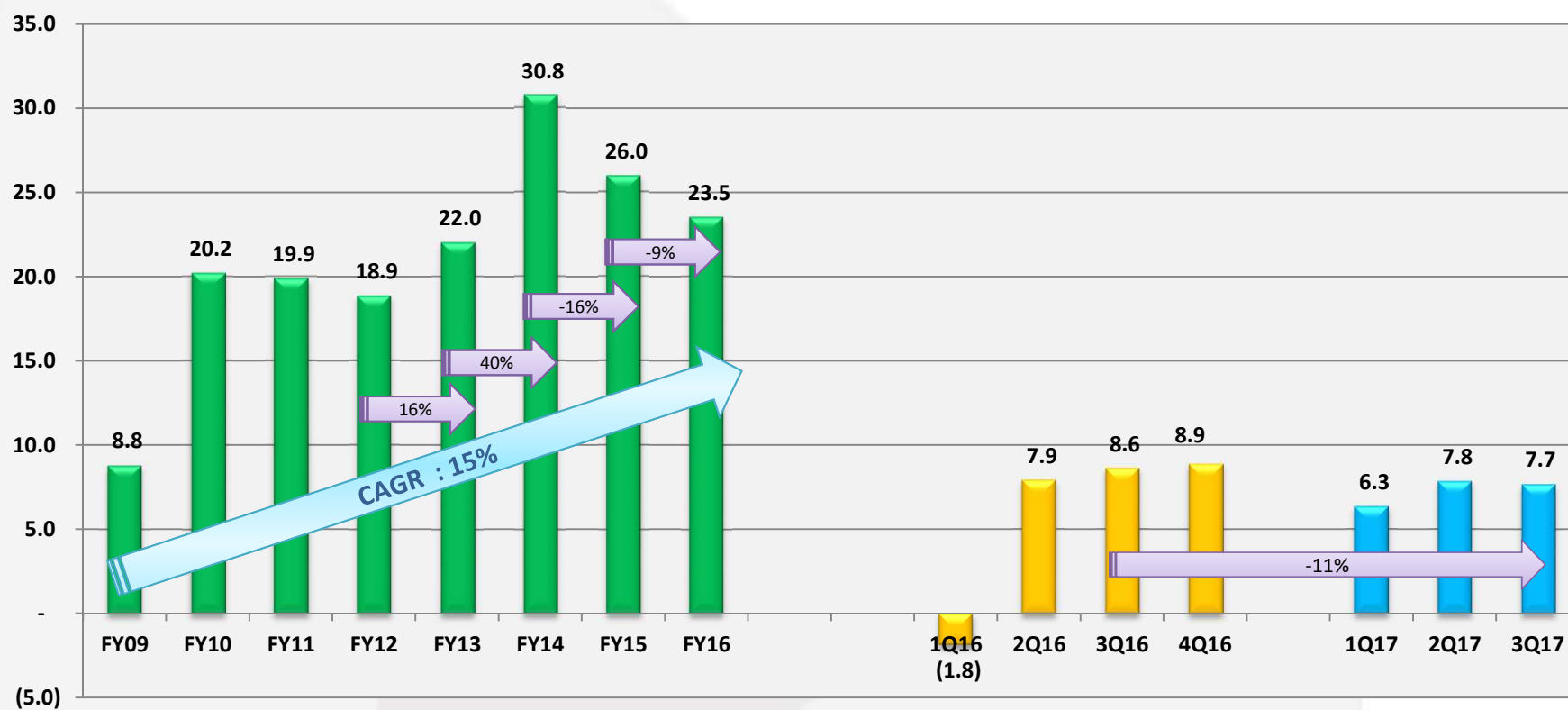


PROFITABILITY

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

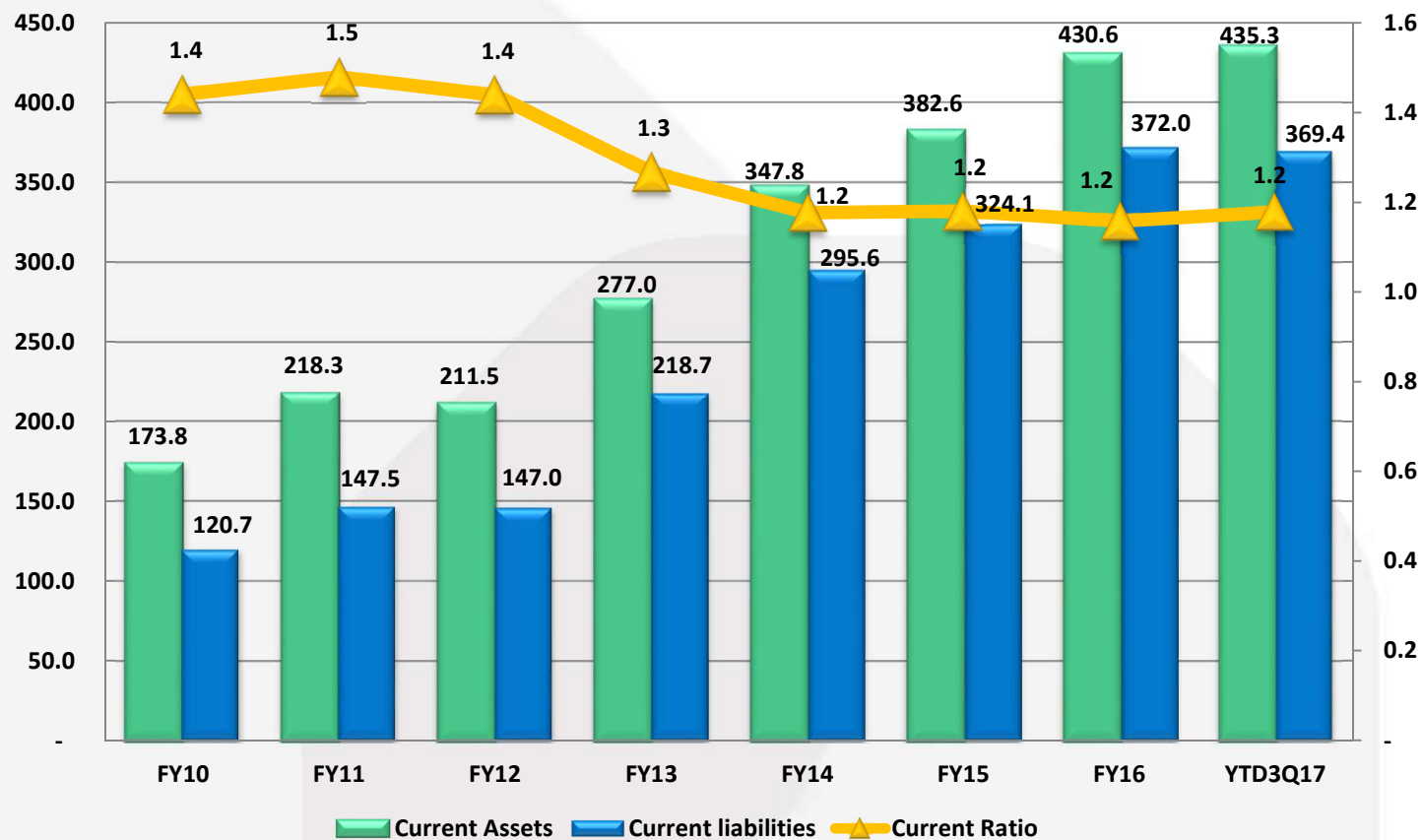


EBITDA (US\$' million)



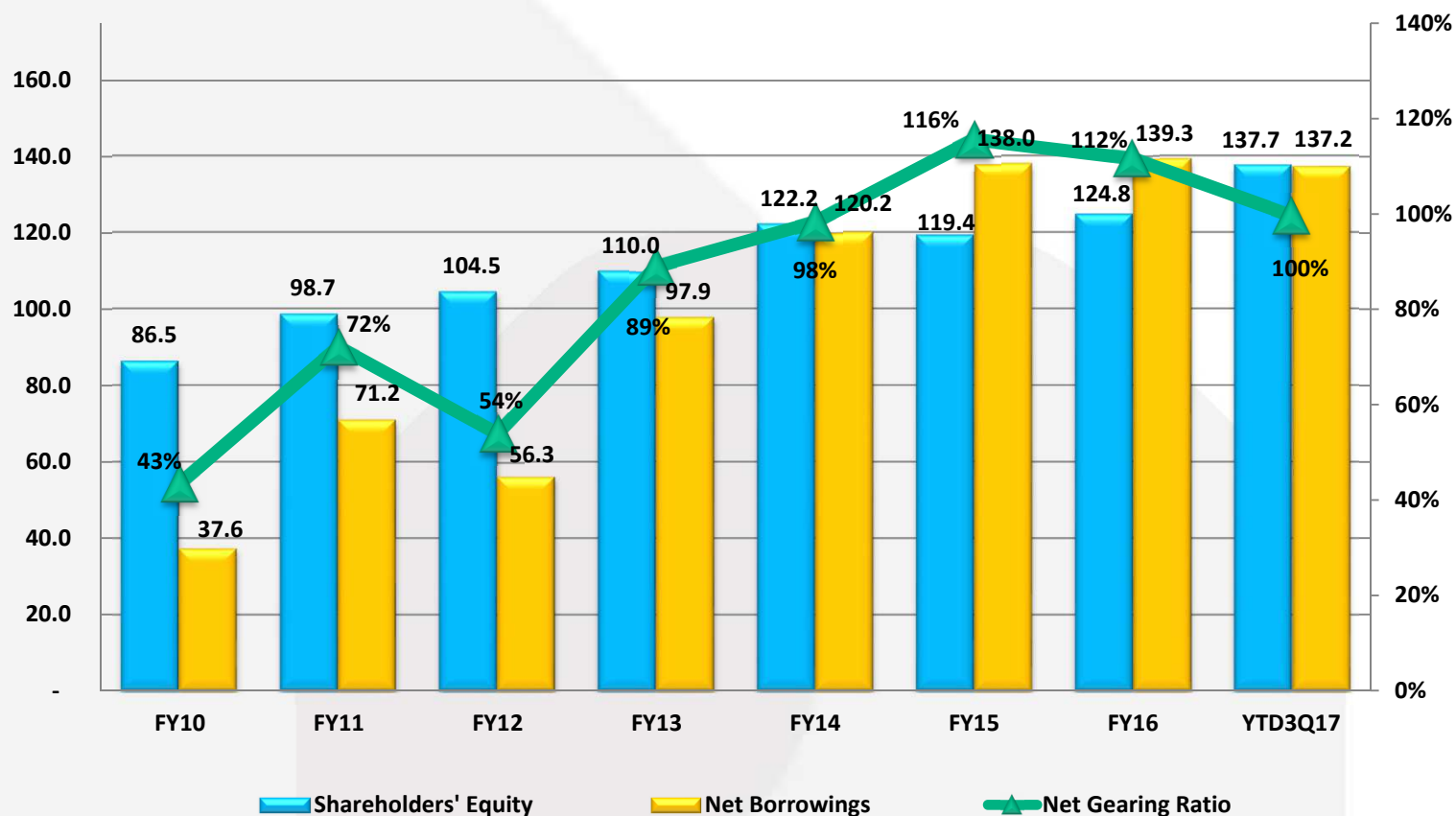
FINANCIAL POSITION

Maintaining Healthy Current Ratio



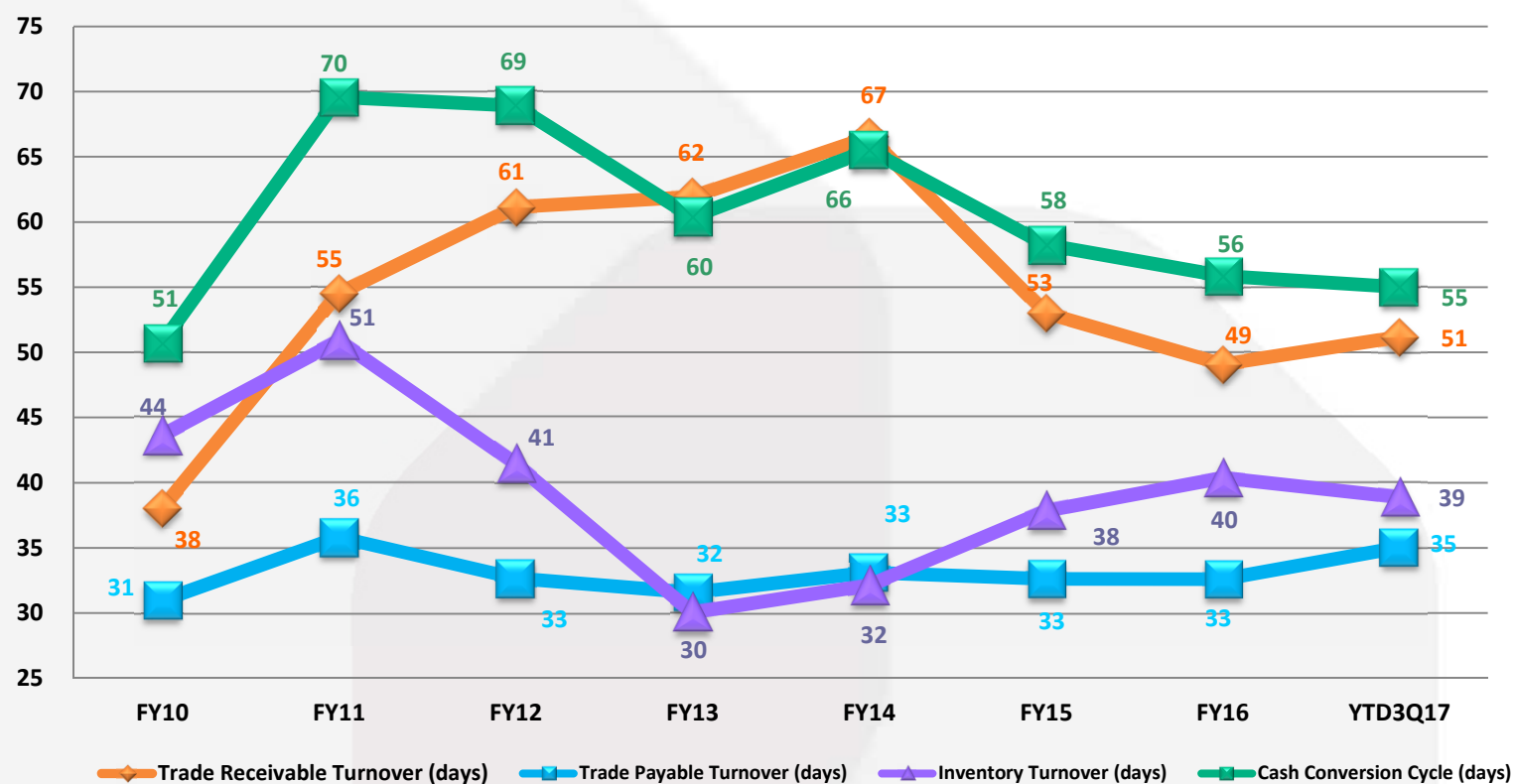
FINANCIAL POSITION

Net Gearing Ratio



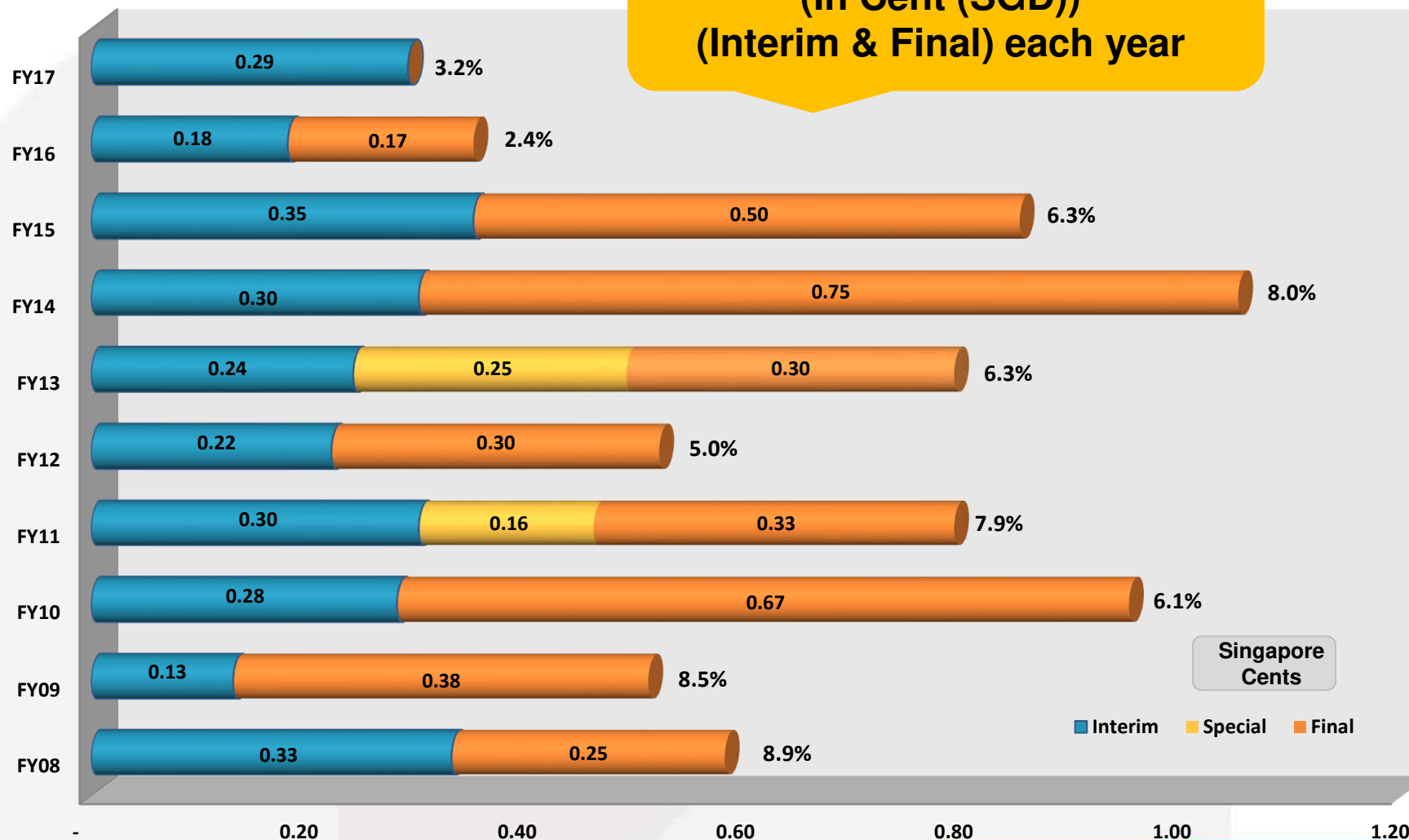
FINANCIAL POSITION

Cash Conversion Cycle (days)



DIVIDEND YIELD

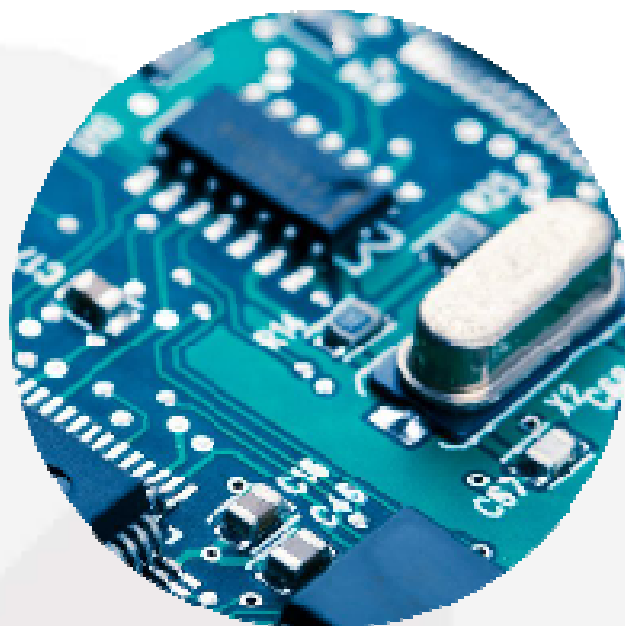
**Total Dividend Payout
(In Cent (SGD))
(Interim & Final) each year**



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK



According to a report by Gartner, the semiconductor industry is projected to reach US\$411.1 billion in global sales this year, with projections for 2018 rising to US\$427.4 billion. This growth will be driven mainly by memory products. The Group stands to benefit from its close ties with chip suppliers and electronics manufacturers, as well as buoyant regional demand, and will monitor competition in the markets where it operates.

GROUP OUTLOOK

- The Group will 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 proposed listing will enable the SMHK group to independently raise funds for growth in Greater China, where there is increasing demand for electronics.
 - The SMHK group’s customers are primarily China and Hong Kong-based manufacturers of smartphones, household appliances, consumer electronics, automotives and industrial products.
- The Group will continue to streamline its consumer products distribution business by reducing exposure to non-performing markets and low-margin products, as well as exploring promising investment opportunities.

OUR THREE-PRONGED STRATEGY

Objectives:

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

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.

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Thank You

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