

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 , Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

	Note	Group		
		Three months ended 30 Jun		
		2014 HK\$'000	2013 HK\$'000	Change %
Revenue	(i)	200,094	178,765	11.9
Cost of sales		(167,528)	(142,111)	17.9
Gross Profit	(i)	32,566	36,654	(11.2)
Other income (including interest income)	(ii)	2,111	779	171.0
Distribution costs		(2,443)	(2,639)	(7.4)
Administrative expenses		(26,534)	(27,439)	(3.3)
Finance costs	(iii)	(3,593)	(4,620)	(22.2)
Profit before income tax		2,107	2,735	(23.0)
Income tax charge		(575)	(642)	(10.4)
Profit attributable to the owners of the Company		1,532	2,093	(26.8)
Other comprehensive income (loss) for the period				
Exchange difference arising from translation of foreign operations		103	(1,362)	NM
Total comprehensive income for the period attributable to the owners of the Company		1,635	731	123.7

Profit attributable to the owners of the Company is arrived after charging (crediting) the following:-

		Group		
		Three months ended 30 Jun		
		2014 HK\$'000	2013 HK\$'000	Change %
Interest on borrowings	(iii)	3,593	4,620	(22.2)
Amortisation of prepaid lease payment		43	41	4.9
Depreciation of property, plant and equipment	(iv)	2,311	2,830	(18.3)
Provision for doubtful debt		527	-	-
Net (gain) loss on disposal of property, plant and equipment	(ii)	(2,021)	1	NM
Foreign exchange loss	(v)	176	2,059	(91.5)
Interest income		(1)	(4)	(75.0)

*NM - Not Meaningful

Notes

- (i) The increase in revenue was mainly due to higher demand for industrial controls product . Gross margin for the three months ended 30 June 2014 decreased to 16.3% from 20.5% in the corresponding period last year due to lower proportion of consignment business and higher assembly costs.
- (ii) The higher "other income" for the three months ended 30 June 2014 was mainly due to the gain on disposal of plant and equipment.
- (iii) The decrease in finance costs was mainly due to lower outstanding balance of borrowing as at 30 June 2014.
- (iv) The lower depreciation charge was due to the lower value of property, plant and equipment .
- (v) The foreign exchange loss was mainly due to the appreciation of the Renminbi against HKD.

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

1(b)(i) Statements of Financial Position (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

Statements of Financial Position

	<i>Note</i>	Group			Company		
		30-Jun-14	31-Mar-14	Change	30-Jun-14	31-Mar-14	Change
		HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
ASSETS							
Current assets:							
Cash and cash equivalents	(i)	9,878	8,971	10.1	54	54	-
Trade receivables	(ii)	74,717	62,546	19.5	-	-	-
Other receivables and prepayments		3,443	3,363	2.4	5,470	5,860	(6.7)
Prepaid lease payments		171	171	-	-	-	-
Inventories	(ii)	55,738	42,348	31.6	-	-	-
Total current assets		143,947	117,399	22.6	5,524	5,914	(6.6)
Non-current assets:							
Property, plant and equipment		120,800	129,897	(7.0)	-	-	-
Prepaid lease payments		6,055	6,104	(0.8)	-	-	-
Investment in subsidiaries		-	-	-	-	-	-
Total non-current assets		126,855	136,001	(6.7)	-	-	-
Total assets		270,802	253,400	6.9	5,524	5,914	(6.6)
LIABILITIES AND EQUITY							
Current liabilities:							
Trade payables	(ii)	133,021	110,694	20.2	-	-	-
Other payables		41,078	38,148	7.7	789	928	(15.0)
Borrowings - due within one year		158,539	167,854	(5.5)	-	-	-
Income tax payable		390	565	(31.0)	-	-	-
Total current liabilities		333,028	317,261	5.0	789	928	(15.0)
Capital and reserves:							
Share capital		37,104	37,104	-	37,104	37,104	-
Share premium		3,481	3,481	-	3,481	3,481	-
Currency translation reserve		18,505	18,402	0.6	-	-	-
Accumulated losses		(121,316)	(122,848)	(1.2)	(35,850)	(35,599)	0.7
Net (capital deficiency) equity		(62,226)	(63,861)	(2.6)	4,735	4,986	(5.0)
Total liabilities and equity, net of capital deficiency		270,802	253,400	6.9	5,524	5,914	(6.6)

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

Notes

- (i) The increase in cash and cash equivalents was mainly from net cash generated from operating activities.
- (ii) The increase in trade receivables, inventories and trade payables were mainly due to higher revenue.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
91,656	66,883	100,971	66,883

Amount repayable after one year

As at 30 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	-	-	-

Details of any collateral

At 30 June 2014 and 31 March 2014, the secured borrowings were secured by certain properties of the Group and Scheme Subsidiaries.

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Cash Flows

	Group	
	Three months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Operating activities:		
Profit before income tax	2,107	2,735
Adjustments for:		
Amortisation of prepaid lease payments	43	41
Depreciation expense	2,311	2,830
Finance costs	3,593	4,620
(Gain) loss on disposal of property, plant and equipment	(2,021)	1
Interest income	(1)	(4)
Allowance for doubtful debt	527	-
Operating cash flows before movements in working capital	6,559	10,223
Bills receivables	-	2,395
Trade receivables	(12,698)	3,055
Other receivables and prepayments	(80)	(1,124)
Inventories	(13,380)	(1,746)
Trade payables	22,332	(7,860)
Other payables	886	2,434
Cash generated from operations	3,619	7,377
Income tax paid	(565)	(816)
Interest paid	(1,542)	(4,797)
Interest received	1	4
Net cash from operating activities	1,513	1,768
Investing activities:		
Purchase of property, plant and equipment	(1,032)	(191)
Proceeds from disposal of property, plant and equipment	9,699	2,469
Net cash from investing activities	8,667	2,278
Financing activities:		
Proceeds from borrowings	-	268,320
Repayment of borrowings	(9,270)	(267,008)
Decrease in discounted bills with recourse	-	(2,395)
Net cash used in financing activities	(9,270)	(1,083)
Net increase in cash and cash equivalents	910	2,963
Cash and cash equivalents at beginning of period	8,971	12,087
Net effect of exchange rate changes in consolidating subsidiaries	(3)	80
Cash and cash equivalents at end of period	9,878	15,130

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of changes in equity

	<u>Share capital</u> HK\$'000	<u>Share premium</u> HK\$'000	<u>Contributed surplus</u> HK\$'000	<u>Other non-distributable reserves</u> HK\$'000	<u>Currency translation reserve</u> HK\$'000	<u>Accumulated losses</u> HK\$'000	<u>Total</u> HK\$'000
<u>GROUP</u>							
Balance at 1 April 2013	35,504	-	-	-	20,128	(129,413)	(73,781)
Total comprehensive income (loss) for the period	-	-	-	-	(1,362)	2,093	731
Balance at 30 June 2013	35,504	-	-	-	18,766	(127,320)	(73,050)
Shares issued	1,600	3,857	-	-	-	-	5,457
Share issuance expenses	-	(376)	-	-	-	-	(376)
Total comprehensive (loss) income for the period	-	-	-	-	(364)	4,472	4,108
Balance at 31 March 2014	37,104	3,481	-	-	18,402	(122,848)	(63,861)
Total comprehensive income for the period	-	-	-	-	103	1,532	1,635
Balance at 30 June 2014	37,104	3,481	-	-	18,505	(121,316)	(62,226)
<u>COMPANY</u>							
Balance at 1 April 2013	35,504	-	-	-	-	(38,731)	(3,227)
Total comprehensive loss for the period	-	-	-	-	-	(1,192)	(1,192)
Balance at 30 June 2013	35,504	-	-	-	-	(39,923)	(4,419)
Share issued	1,600	3,857	-	-	-	-	5,457
Share issuance expenses	-	(376)	-	-	-	-	(376)
Total comprehensive income for the period	-	-	-	-	-	4,324	4,324
Balance at 31 March 2014	37,104	3,481	-	-	-	(35,599)	4,986
Total comprehensive loss for the period	-	-	-	-	-	(251)	(251)
Balance at 30 June 2014	37,104	3,481	-	-	-	(35,850)	4,735

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issues, bonus issue, share buy-backs, exercise of share options or warrant, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

During the three months ended 30 June 2014, there was no change in the Company's issued share capital.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

At 30 June 2014 and 31 March 2014, the Company had no outstanding share options. The Company does not have any treasury shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2014, the total number of issued shares was 185,522,331 (31 March 2014: 185,522,331).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3. Where the figure have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

In this current financial period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 April 2014. The adoption of these new/revised IFRSs and IFRIC does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	Three months ended 30 June			
	2014		2013	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	1,532	1,532	2,093	2,093
	No. of shares ('000)		No. of shares ('000)	
Weighted average number of ordinary shares **	185,522	185,522	177,522	177,522
Adjustment for potentially dilutive ordinary shares	-	-	-	-
Weighted average number of ordinary shares used to compute earnings per share	185,522	185,522	177,522	177,522
Profit per share (HK cents)	0.83	0.83	1.18	1.18

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Jun 2014 HK\$	31 Mar 2014 HK\$	30 Jun 2014 HK\$	31 Mar 2014 HK\$
Net asset value per ordinary share based on the total number of issued shares at the end of the financial period	(0.34)	(0.34)	0.03	0.03

* Based upon the total number of issued shares as at 30 June 2014 of 185,522,331 ordinary shares (31 March 2014: 185,522,331).

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED**First Quarter Financial Statement and Dividend Announcement (cont'd)**

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, asset or liabilities of the group during the financial period reported on.

The Group's revenue for the three months ended 30 June 2014 was HK\$200.1 million (\$\$32.0 million) as compared to HK\$178.8 million (\$\$28.6 million) in the corresponding period of the previous financial year. Profit attributable to shareholders was HK\$1.5 million (\$\$0.24 million) as compared to HK\$2.1 million (\$\$0.34 million) previously. Profit per share for the quarter was 0.83 HK cents (0.13 Singapore cents) as compared to 1.18 HK cents (0.19 Singapore cents) for the corresponding quarter last year. Net asset value per share as at 30 June 2014 was a negative HK\$0.34 (\$\$0.054), same as that as at 31 March 2014.

The increase in revenue was mainly due to higher demand for industrial control products. Gross margin for the three months ended 30 June 2014 decreased to 16.3% from 20.5% in the corresponding period last year due to lower proportion of consignment business and higher assembly costs. Depreciation charge and finance costs for the quarter were lower than the same period last year due mainly to lower carrying value of property, plant and equipment and outstanding balance of borrowing respectively. The net margin for the quarter was 0.77% as compared to 1.17% for the same quarter last year.

In terms of product mix, revenue contribution was as follows:-

	Q1FY2015	Q1FY2014
Industrial controls	95%	90%
Digital audio video	-	2%
Other consumer products	5%	8%

Revenue contribution by customers' country of origin was as follows:-

	Q1FY2015	Q1FY2014
Japan	8%	8%
Korea	1%	0%
Europe & US	89%	87%
Other Asian countries	2%	5%

Capital investment for the three months ended 30 June 2014 was HK\$1.0 million (\$\$0.16 million) mainly for production equipment and enhancement.

Footnote: The exchange rate used above is S\$1.00 = HK\$6.246

9. Where a forecast, or a prospect statement, has been previously disclosed to the shareholders, any variance between it and the actual results.

The current announced results are in line with the Q4 FY2014 results announcement made on 23 May 2014.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The IMF has just trimmed down the global GDP growth forecast for 2014 from 3.7% to 3.4%. The US economic performance remains weak and China may not meet the GDP growth target. The rest of the BRICS are struggling with Russia and Brazil facing much slower growth. The European economy is stable with UK and Germany reporting better performance. However, the world geopolitical risks are increasing with deepening conflicts in Eastern Europe and the Middle East. Extreme caution remains.

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months. (cont'd)**

SMT's business outlook is stable with European based customers continue to increase in forecast and orders. Our performance in Q1 FY2015 was positive and our target for FY2015 is to be profitable for the whole year. However, challenges remain with operational costs increasing mainly due to higher wages. We have initiated a new workers retention program with direct recruitment of student graduates from the schools in other provinces. The program also includes implementation of a higher standard of amenities and training for the workers. So far the result of our human capital development program has been encouraging.

- 11. Dividend**

Current Financial Period Reported on

Any dividend declared for the current financial period reported on? No

(a)	Name of Dividend:	Interim	Final
	Dividend Type:	Not applicable	Not applicable
(b)	Dividend Amount:	-	-
	Par value of shares:	-	-
(c)	Tax Rate:	-	-

Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

	Name of Dividend:	Interim	Final
	Dividend Type:	Not applicable	Not applicable
	Dividend Amount:	-	-
	Par value of shares:	-	-
	Tax Rate:	-	-
(d)	Date payable:		
	Not applicable		
(e)	Books closure date:		
	Not applicable		

- 12. If no dividend has been declared/ recommended, a statement to that effect**

No dividend was declared for the three months ended 30 June 2014.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have any general mandate from shareholders for interested person transactions pursuant to Rule 920.

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED
First Quarter Financial Statement and Dividend Announcement (cont'd)

14. Negative assurance confirmation on interim financial results under Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company, which may render the financial results for the quarter ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors,
Prof. Chan Kei Biu, Chairman & Senior Managing Director
Mr. Liu Chuanwen, Executive Director

BY ORDER OF THE BOARD

Pan Mi Keay
Company Secretary
29 July 2014