

SURFACE MOUNT TECHNOLOGY (HOLDINGS) LIMITED

Surface Mount Technology reports operating profit in Q1 FY2015

Singapore - 29 July 2014 - The Group's revenue for the three months ended 30 June 2014 was HK\$200.1 million (S\$32.0 million) as compared to HK\$178.8 million (S\$28.6 million) in the corresponding period of the previous financial year. Profit attributable to shareholders was HK\$1.5 million (S\$0.24 million) as compared to HK\$2.1 million (S\$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 (S\$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.

Revenue contribution by product was as follows:-

	Q1FY15	Q1FY14
Industrial controls	95%	90%
Digital audio video	-	2%
Other consumer products	5%	8%

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

	Q1FY15	Q1FY14
Japan	8%	8%
Korea	1%	-
Europe & US	89%	87%
Other Asian countries	2%	5%

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

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.

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

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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.

"Our customer orders are improving steadily. However, the global economy is showing signs of weakness and the geopolitical risks have increased. We are keeping our vigilance and exercising caution as we move forward!" said Professor Chan Kei Bui, Chairman and Senior Managing Director.

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