



**SMARTFLEX HOLDINGS LIMITED**  
(Company Registration No: 201003501R)

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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*This announcement and its contents have been reviewed by the Company's sponsor, RHT Capital Pte Ltd ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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**SMARTFLEX HOLDINGS LIMITED**  
(Company Registration No: 201003501R)

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Group		
	Six months ended		Increase /
	30 Jun 2015	30 Jun 2014	(Decrease)
	US\$'000	US\$'000	%
Revenue	13,258	14,513	(8.6)
Cost of sales	(9,387)	(10,970)	(14.4)
<b>Gross profit</b>	<b>3,871</b>	<b>3,543</b>	<b>9.3</b>
Other income	367	103	256.3
Selling and distribution expenses	(42)	(45)	(6.7)
Administrative expenses	(2,287)	(2,400)	(4.7)
Finance costs	(27)	(21)	28.6
Share of results of joint venture	(286)	(177)	61.6
<b>Profit before tax</b>	<b>1,596</b>	<b>1,003</b>	<b>59.1</b>
Income tax expense	(316)	(259)	22.0
<b>Net profit</b>	<b>1,280</b>	<b>744</b>	<b>72.0</b>
<b>Other comprehensive income for the period, net of tax:</b>			
Total comprehensive income attributable to equity holders of the Company	<b>1,280</b>	<b>744</b>	<b>72.0</b>
Earnings per share (US cents)			
Basic	1.01	0.77	
Diluted	1.01	0.77	

**1(a)(ii) Notes to consolidated statement of comprehensive income**

The Group's profit before taxation is arrived at after (charging) / crediting:

	<b>Group</b>		<b>Increase / (Decrease)</b>	<b>Note</b>
	<b>30 Jun 2015</b>	<b>30 Jun 2014</b>		
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	
Depreciation on plant and equipment	(883)	(852)	3.6	
Interest income	139	48	189.6	(1)
Interest expense	(27)	(21)	28.6	(2)
Foreign exchange gain	123	42	192.9	(3)

**Notes:**

- (1) Higher interest income was mainly due to increase in advances to our joint venture and higher interest rate to related party.
- (2) Higher interest expense in 1H2015 was mainly due to additional term loans taken in 2H2014.
- (3) The higher foreign exchange gain in 1H2015 due to the weakening of the other operating currencies against United States Dollars on the payables and loans and borrowings as compared to 1H2014.

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

**STATEMENT OF FINANCIAL POSITION**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 15</b>	<b>31 Dec 14</b>	<b>30 Jun 15</b>	<b>31 Dec 14</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	6,669	6,357	-	-
Investment in subsidiary	-	-	7,197	7,197
Investment in joint venture	79	359	1,095	1,095
	<u>6,748</u>	<u>6,716</u>	<u>8,292</u>	<u>8,292</u>
<b>Current assets</b>				
Inventories	2,065	3,366	-	-
Trade and other receivables	3,376	3,144	-	-
Amount due from subsidiary	-	-	4,746	4,765
Amount due from joint venture	2,944	2,069	-	-
Amount due from related party	1,004	929	-	-
Prepayments	182	554	24	5
Cash and cash equivalents	7,875	6,560	11	11
	<u>17,446</u>	<u>16,622</u>	<u>4,781</u>	<u>4,781</u>
<b>Total assets</b>	<u>24,194</u>	<u>23,338</u>	<u>13,073</u>	<u>13,073</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	1,239	1,789	-	-
Other payables and accruals	971	1,018	59	73
Loans and borrowings	2,870	2,318	-	-
Tax payable	456	234	-	-
	<u>5,536</u>	<u>5,359</u>	<u>59</u>	<u>73</u>
<b>Net current assets</b>	<u>11,910</u>	<u>11,263</u>	<u>4,722</u>	<u>4,708</u>
<b>Non-current liabilities</b>				
Loans and borrowings	845	1,115	-	-
Deferred tax liabilities	844	840	-	-
Provision for reinstatement	252	252	-	-
	<u>1,941</u>	<u>2,207</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>7,476</u>	<u>7,566</u>	<u>59</u>	<u>73</u>
<b>NET ASSETS</b>	<u>16,717</u>	<u>15,772</u>	<u>13,014</u>	<u>13,000</u>
<b>EQUITY</b>				
Share capital	12,914	12,914	12,914	12,914
Revenue reserve	8,791	7,846	100	86
Merger reserve	(4,988)	(4,988)	-	-
<b>Total equity attributable to owners of the company</b>	<u>16,717</u>	<u>15,772</u>	<u>13,014</u>	<u>13,000</u>

**1 (b)(ii) Aggregate amount of Group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

<b>As at 30 Jun 2015</b>		<b>As at 31 Dec 2014</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,077	1,793	684	1,634

**Amount repayable after one year**

<b>As at 30 Jun 2015</b>		<b>As at 31 Dec 2014</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
845	-	1,115	-

**Note:**

The banking facilities of the Group are free of any guarantees or collaterals except that the term loans of an aggregate principal amount of US\$1.40 million (31 December 2014: US\$1.80 million) are secured by a pledge over certain equipment of Smartflex Technology Pte Ltd ("Smartflex Technology"), the subsidiary of the Group.

As at 30 June 2015, Smartflex Technology stood as guarantor for the provision of bank's equipment term loans aggregating approximately US\$0.99 million to Smartflex Innovation Pte Ltd ("Smartflex Innovation"), a joint venture with SanSystems SARL, France.

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

**STATEMENT OF CASH FLOWS**

	<b>Group</b>	
	<b>Six months ended</b>	
	<b>31 Jun 2015</b>	<b>30 Jun 2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	1,596	1,003
Adjustments for:-		
Depreciation of plant and equipment	883	852
Interest income	(139)	(48)
Interest expense	27	21
Share of results of joint venture	286	177
<b>Operating cash flows before working capital changes</b>	<b>2,653</b>	<b>2,005</b>
Increase in trade and other receivables	(238)	(615)
Decrease/(increase) in prepayments	372	(52)
Decrease/(increase) in inventories	1,301	(874)
(Decrease)/increase in trade and other payables	(597)	253
<b>Cash flows generated from operations</b>	<b>3,491</b>	<b>717</b>
Interest received	139	48
Interest paid	(27)	(21)
Income tax paid	(90)	(3)
<b>Net cash flows generated from operating activities</b>	<b>3,513</b>	<b>741</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(1,195)	(1,253)
Loan to joint venture	(875)	(516)
Loan to related party	(75)	(117)
<b>Net cash flows used in investing activities</b>	<b>(2,145)</b>	<b>(1,886)</b>
<b>Cash flows from financing activities</b>		
Net repayments of term loans	(399)	(99)
Net proceeds from trade finance facilities	681	1,219
Dividends paid	(335)	-
<b>Net cash flows generated (used in)/from financing activities</b>	<b>(53)</b>	<b>1,120</b>
Net increase/(decrease) in cash and cash equivalents	1,315	(25)
Cash and cash equivalents at beginning of the period	6,560	3,919
<b>Cash and cash equivalents at end of the period</b>	<b>7,875</b>	<b>3,894</b>

**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.**

	Share capital US\$'000	Revenue reserves US\$'000	Merger reserve US\$'000	Total US\$'000
<b><u>Group</u></b>				
Balance as at 1 January 2015	12,914	7,846	(4,988)	15,772
Total comprehensive income for the financial period	-	1,280	-	1,280
Dividends paid (Note 1)	-	(335)	-	(335)
<b>Balance as at 30 June 2015</b>	<b>12,914</b>	<b>8,791</b>	<b>(4,988)</b>	<b>16,717</b>
Balance as at 1 January 2014	10,236	7,023	(4,988)	12,271
Total comprehensive income for the financial period	-	744	-	744
<b>Balance as at 30 June 2014</b>	<b>10,236</b>	<b>7,767</b>	<b>(4,988)</b>	<b>13,015</b>
<b><u>Company</u></b>				
Balance as at 1 January 2015	12,914	86	-	13,000
Total comprehensive income for the financial period	-	349	-	349
Dividends paid (Note 1)	-	(335)	-	(335)
<b>Balance as at 30 June 2015</b>	<b>12,914</b>	<b>100</b>	<b>-</b>	<b>13,014</b>
Balance as at 1 January 2014	10,236	(488)	-	9,748
Total comprehensive income for the financial period	-	(99)	-	(99)
<b>Balance as at 30 June 2014</b>	<b>10,236</b>	<b>(587)</b>	<b>-</b>	<b>9,649</b>

**Note 1:**

Final tax exempt (one-tier) dividend of S\$0.0035 per ordinary share in respect of FY2014 was paid on 19 May 2015.

Save for the foregoing, there are no other (i) changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, 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. 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.**

The Company has no shares that may be issued on conversion of outstanding convertibles or treasury shares 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.

- 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.**

	<b>As at 30 Jun 2015</b>	<b>As at 31 Dec 2014</b>
Total number of issued shares	126,440,002	126,440,002
Treasury shares	Nil	Nil

- 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 the independent auditor.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 and the Company have applied the same accounting policies and methods of computation in the unaudited financial statements for the six months period ended 30 June 2015 as in the Group's most recent financial statements for the financial year ended 31 December 2014.

- 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.**

There are no changes in the accounting policies and methods of computation including any required by an accounting standard.



- 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.**

**Earnings Per Share (“EPS”)**

	<b>Group</b>	
	<b>30 Jun 2015</b>	<b>30 Jun 2014</b>
Earnings attributable to equity holders of the Company (US\$'000)	1,280	744
Basic EPS attributable to equity holders of the Company (US cents)	1.01	0.77
Fully diluted EPS (US cents)	1.01	0.77
Weighted average number of shares used in computation of basic and diluted EPS	126,440,002	96,440,002

Basic EPS is computed by dividing the earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding as at the end of the respective financial period.

Fully diluted EPS for 1H2015 and 1H2014 are the same as the basic EPS as the Company does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial periods.

- 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.**

**Net Asset Value (“NAV”)**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 Jun 2015</b>	<b>As at 31 Dec 2014</b>	<b>As at 30 Jun 2015</b>	<b>As at 31 Dec 2014</b>
NAV per ordinary share (US cents)	13.22	12.47	10.29	10.28
Number of shares used in computation of NAV per share	126,440,002	126,440,002	126,440,002	126,440,002

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, assets or liabilities of the group during the current financial period reported on.

#### **Revenue**

Revenue for the six months ended 30 June 2015 was US\$13.26 million, a drop of US\$1.26 million or 8.6% over the corresponding period in preceding year due to different product mix.

#### **Gross profit and Gross margin**

Gross profit increased by approximately US\$0.33 million or 9.3% from US\$3.54 million in 1H2014 to US\$3.87 million in 1H2015 mainly due to more favorable sales mix. As a result, gross margin improved 4.8 percentage points to 29.2% in 1H2015 from 24.4% in 1H2014.

#### **Other income**

Other income increased by approximately US\$0.26 million or 256.3% from US\$0.10 million in 1H2014 to US\$0.37 million in 1H2015. This was mainly due to higher interest income from the joint venture and related party, more favourable gain in forex difference as United States Dollar further appreciated against the other operating currencies on the payables, loans and borrowings as compared to 1H2014 and management income charged to the joint venture.

#### **Administrative expenses**

Administrative expenses decreased by approximately US\$0.11 million or 4.7% from US\$2.40 million in 1H2014 to US\$2.29 million in 1H2015. This was mainly due to impact of stronger United States Dollar on Singapore Dollar operating expenses and lower utilities rates, though these were partially offset by higher staff costs.

#### **Finance costs**

Finance expense increased by US\$6,000 or 28.6% from US\$21,000 in 1H2014 to US\$27,000 in 1H2015 due mainly to new loans taken in 2H2014.

#### **Income tax expense**

The high effective tax rate of 19.8% in 1H2015 was mainly due to share of loss of the joint venture. Excluding the results of the joint venture, the effective tax rate was 16.8%.

#### **Net profit**

For the reasons mentioned above, the Group's net profit increased US\$0.54 million or 72.0% US\$0.74 million in 1H2014 to US\$1.28 million in 1H2015.

### **REVIEW OF FINANCIAL POSITION**

#### **Non-current assets**

Plant and equipment increased by approximately US\$0.31 million or 4.9% from the preceding financial year end due mainly to additions of US\$1.20 million of plant and equipment to increase capacity and enhance production capabilities to support our business growth. This was partially offset by depreciation charge of US\$0.88 million.

#### **Current assets**

Current assets was US\$17.45 million as at 30 June 2015, an increase of US\$0.82 million from the preceding financial year end. This was mainly due from increase of US\$1.32 million in cash and cash

equivalents and increase of US\$0.88 million in advances to the joint venture for its operations, partially offset by decrease in inventories of US\$1.30 million due to better inventory control management.

### **Current liabilities**

Current liabilities was US\$5.54 million as at 30 June 2015, an increase of US\$0.18 million from the preceding financial year end. This was attributable mainly to the increase in borrowings for acquisition of plant and equipment and tax provision on 1H2015 profit. These were partially offset by decrease in trade payables which corresponded with lower inventories.

### **Non-current liabilities**

Non-current liabilities decreased by US\$0.27 million to US\$1.94 million as at 30 June 2015 due mainly to scheduled loan repayments.

## **REVIEW OF CASH FLOW STATEMENT**

Net cash of US\$3.51 million was generated from operating activities in 1H2015, compared to US\$0.74 million in the preceding year. This was attributable mainly to higher profit before tax and improvement in working capital.

Net cash used in investing activities was US\$2.14 million, compared to US\$1.89 million in the preceding year. This was primarily for purchases of plant and equipment and advances to the joint venture for its operations.

Net cash used in financing activities was US\$0.05 million, compared to net cash inflow of US\$1.12 million in the preceding year. This came from net proceeds from trade finance facilities of US\$0.68 million, offset by repayments of term loans of US\$0.40 million and dividend payment of US\$0.34 million.

Consequently, cash and cash equivalents was up by US\$1.32 million, bringing balance as at 31 December 2014 to US\$7.88 million as at 30 June 2015.

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

The results are in line with previous commentaries made.

### **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 business environment in which the Group operates in remains competitive and challenging, especially in the Telecom products segment. Declining demand and price erosion are expected to continue for Telecom products .

Market demand for Banking products is expected to continue to grow, along with the migration from magnetic stripe bank cards to secure chip cards from high market growth countries such as China, India, Indonesia and America. Going forward, the Group is committed in expanding orders of Secure Banking products and to capitalize on the migration trend and to increase its customer base.

Despite the cautious global outlook for 2015, the Group remains focused and will continue to monitor the market conditions to maximize earnings and manage operating costs accordingly.

**Dividend****(a) Current financial period reported on****Any dividend declared for the current financial period reported on?**

Yes.

Name of dividend	First interim dividend
Dividend type	Cash
Dividend amount per ordinary share	S\$0.0085
Tax rate	Tax-exempt (one-tier)

**(b) Corresponding period of the immediately preceding financial year****Any dividend declared for the corresponding period of the immediately preceding financial year?**

Yes.

Name of dividend	First interim dividend
Dividend type	Cash
Dividend amount per ordinary share	S\$0.005
Tax rate	Tax-exempt (one-tier)

**(c) Date payable**

8 September 2015.

**(d) Books closure date**

The Share Transfer Books and Register of Members the Company will be closed on 25 August 2015 for the purpose of determining the entitlements of the Company's shareholders ("Shareholders") to a first interim tax exempt (one-tier) dividend of 0.85 Singapore cents per ordinary share.

For the avoidance of doubt, in the case where the registered Shareholder is the Central Depository (Pte) Limited ("CDP"), the dividend warrants shall be issued to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of shares of the Company standing to the credit of each depositor's securities account with the CDP as at 5.00 pm (Singapore time) on 24 August 2015.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 24 August 2015 will be registered to determine entitlements to the said dividend.

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

Not applicable.

**13 If the group has obtained a general mandate from shareholders for Interested Person Transactions ("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 has not obtained a general mandate from shareholders for IPTs.

There were no IPTs in 1H2015.

**14        Negative confirmation pursuant to Rule 705(5) (Not required for announcement on full year results.)**

We, Tan Tong Guan and Ng Eng Seng, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial statements of the Group for the six-months financial period ended 30 June 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Tong Guan  
Executive Chairman

Ng Eng Seng  
Chief Executive Officer

**BY ORDER OF THE BOARD**

Tan Tong Guan  
Executive Chairman

13 August 2015