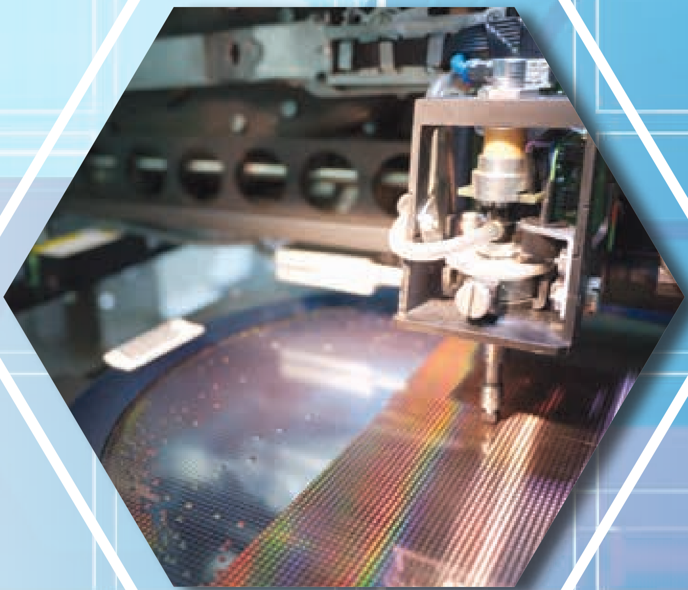
Smartflex Holdings Ltd.

(Company Registration No. 201003501R)

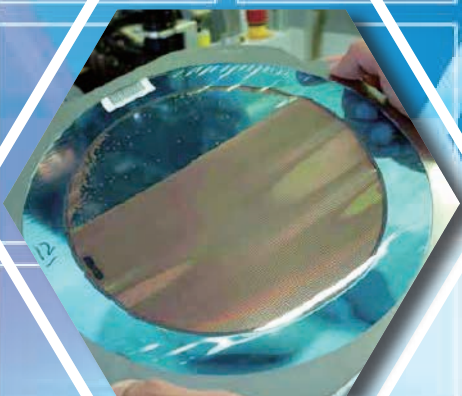
ANNUAL REPORT 2014

Contents



This Annual Report 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") this being the SGXST Listing Manual Section B: Rules of the Catalist ("Catalist Rules"). The Sponsor has not independently verified the contents of this Annual Report. This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr Chew Kok Liang, Registered Professional, RHT Capital Pte Ltd, Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381 6757.



Vision

To be a global leader in providing solutions for identity modules.

Mission

We are committed to technological innovation, building strategic alliances and increasing market share.

Corporate Profile

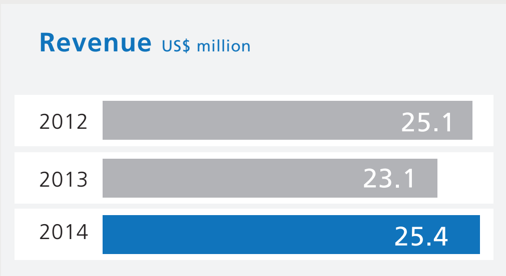
We are a comprehensive provider of IC module assembly and testing services for contact and dual interface smart cards, which are mainly used in the banking and finance, pay TV, telecommunications, and transportation industries. Value added services which we provide also include the loading of software or customer specific data into smart card IC modules.

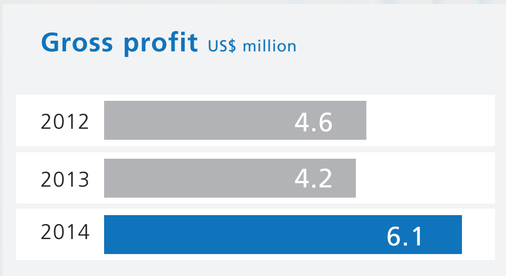
Encompassing an area of approximately 3,500 sq m, our office/manufacturing facility in Singapore houses equipment, with wafer mapping and dicing, die attach, wire bonding, encapsulation, and OS loading, and testing and inspection capabilities. With our full range of services, we are able to provide complete and innovative manufacturing solutions to our customers from Southeast Asia, Commonwealth of Independent States, Europe, India, PRC, South America and Korea.

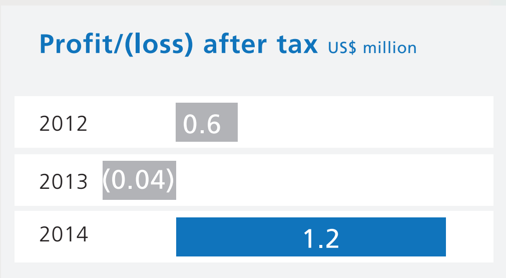
We are ISO 9001:2000 and ISO 14001:2004 certified. We were also awarded the CQM label certification from MasterCard International, as well as the Enterprise 50 Award, which is in recognition of the Group’s contributions to the economic development of Singapore. In February 2015, we also obtained the Common Criteria site certification of Evaluation Assurance Level Five Augmented under Agence Nationale de la Sécurité des Systèmes d’Information.

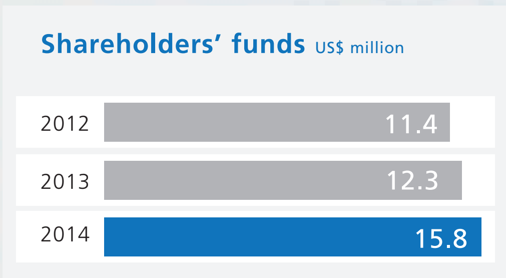
Financial Highlights

	2014	2013	2012
	US$ million	US$ million	US$ million
Revenue	**25.4**	23.1	25.1
Gross profit	**6.1**	4.2	4.6
Profit/(loss) after tax	**1.2**	(0.04)	0.6
Shareholders' funds	**15.8**	12.3	11.4









Chairman's Statement

Dear Shareholders,

“The Group is heartened to attain several achievements in FY2014. Driven by growth in customers' demand and higher orders for our banking products, we achieved a turnaround with a net profit of US$1.21 million from a loss of US$0.04 million in FY2013, on the back of a 10.2% jump in revenue to US$25.4 million, against a challenging backdrop.”

The improvement in our top-line and bottom-line validated our strategy in focusing on high-end secure banking products. With the increasingly stringent demands from the financial industry, uptake of these products are expected to be on an uptrend. In the recent years, we have been making inroads to boost our product portfolio to target the banking sector and the micro-payment market. Laying a stronger foundation to further penetrate the banking sector, we were recently awarded Common Criteria ("CC") site certification at Evaluation Assurance Level Five Augmented ("EAL5+"). This accreditation represents a momentous milestone for us, not only it signifies that we have progressed to a higher level of security assurance, it also broadens our customer base.

Separately, we marked our presence in the radio-frequency identification (RFID) industry by commencing mass production of RFID tags for a major European player. The vast applications of RFID in various industries, ranging from luxury and retail, hospital and healthcare to transportation and logistics, opens up diverse market potential and opportunities for our strategic growth.

On the telecommunications front, our innovative solution was granted patent in numerous markets, including Mexico and 14 European Union countries – Belgium, Czech Republic, France, Germany, Greece, Italy, Netherlands, Poland, Portugal, Romania, Spain, Switzerland, Turkey and United Kingdom. A declaration of ownership of the patent was also made in Myanmar. This patented technology, which is used in mobile devices to identify and authenticate subscribers in a mobile telephony network, offers a breakthrough process that simplifies and replaces the manufacturing of conventional SIM cards by reducing the number of manufacturing steps. Its eco-friendly smart card production offers a low cost solution to customers as it eliminates the use of precious metals and reduces material wastage at higher efficiency. This revolutionary technology is a quantum leap for us as it allows us to further tap into the global SIM card market, and strengthens our market share in high volume markets with high churn rate.

Another highlight was the completion of our share placement exercise during the year, which raised US$2.7 million in net proceeds. Proceeds will be used to fund our working capital, as we move ahead to strengthen our presence in the telecommunications and banking industries globally.

Looking ahead

Moving forward, we expect our business landscape to remain competitive and challenging, especially in the telecommunications industry which is severely constrained by price competition, in FY2015. We are nevertheless energised to expand into new markets and secure new customers.

We continue to strengthen and broaden our telecommunications market with our patented solution, by partnering global card manufacturers and leading national mobile operators who complement our strengths and have intimate knowledge in these identified overseas markets.

Another strategic focus is to continue strengthening our presence in the banking sector and to focus on higher margin secure devices. Continued momentum of card migration from magnetic strip cards to secure chip cards driving growth in all parts of the world, including the US and China as well as late adopters like India, Indonesia and other Asia regions with dense population, presents growth opportunities.

To sharpen our overall competitiveness, we will further accelerate our strategic transformation towards technological innovations, and remain committed to augment our process capability, security enhancement and technology development. We are focused on our core telecommunications and banking markets and are well positioned to benefit from any upturns in these markets, as well as emerging opportunities.

Dividend

In view of the good set of performance, the Board of Directors has recommended a final dividend of S$0.0035 per ordinary share. It will be paid on 19 May 2015, subject to shareholders' approval at the coming Annual General Meeting for FY2014. Including the interim dividend of S$0.005 per ordinary share, total dividend for FY2014 would amount to S$0.0085 per ordinary share, representing a dividend yield of 5% based on our share price as at 31 December 2014.

Words of appreciation

On behalf of the Board of Directors, I would like to thank our staff for their good performance, dedication and hard work. Special thanks to our business associates for their continued support. To our shareholders, thank you for your placing your trust in Smartflex. The road ahead of us is challenging, but yet exciting. As the Chairman of the Group, let me assure you that the team will continue with our best efforts to propel Smartflex forward.

Mr Tan Tong Guan
Co-founder & Executive Chairman

Directors Profile

Tan Tong Guan
Co-founder and Executive Chairman

Tan Tong Guan, aged 51, co-founder and Executive Chairman, was appointed to the Board on 17 February 2010 and was last reappointed on 25 April 2014. He is responsible for providing the corporate direction and business strategy for our Group. Mr Tan brings over 20 years of experience in business strategy, having been an executive director of our holding company and controlling shareholder, TGBPL, from February 1991 to the present. TGBPL was formed in 1967 by Mr Tan's family and has grown from a trading company to an investment holding company that has businesses, ranging from manufacturing, trading, property investments and investment holding. Mr Tan was previously the lead independent director and chairman of the audit committee of Sing Investments and Finance Limited. Mr Tan graduated from the National University of Singapore with a Bachelor Degree in Accountancy and is a Fellow Chartered Accountant of Singapore with Institute of Singapore Chartered Accountants (ISCA). Mr Tan is the brother of Ms Tan Geok Moey (our Non-Executive Director).

Eric Ng Eng Seng
Co-founder, CEO and Executive Director

Eric Ng, aged 44, co-founder, CEO and Executive Director, was appointed to the Board on 17 February 2010 and was last reappointed on 26 April 2012. Dr Ng is responsible for managing the sales, business development and operations of our Group. Dr Ng brings with him over 10 years of experience in the smart card and semiconductor industries. Dr Ng graduated from Glasgow University in Scotland with a First Class Honours Degree in Engineering and a Doctor of Philosophy (Ph.D.) in Mechanical Engineering.

Tan Geok Moey
Non-Executive Director

Tan Geok Moey, aged 54, Non-Executive Director, was appointed to the Board on 15 March 2010 and was last reappointed on 26 April 2013. Ms Tan is currently a director of TGBPL, the holding company and controlling shareholder of our Group, a position she held since June 1988, where she is responsible for the administration of TGBPL. She is also a director of TGB Properties Pte Ltd, Cosmos Investment Pte Ltd, Tan Gee Beng (Hong Kong) Limited and TGB Properties (NZ) Pte Ltd. Ms Tan holds a Bachelor of Accountancy from the National University of Singapore.

Chan Kum Kit
Non-Executive and Independent Director

Chan Kum Kit, aged 62, Independent Director, was appointed to the Board on 15 March 2010 and was last reappointed on 25 April 2014. He is also the chairman of the Audit Committee. He is a founding partner of Verity Partners, and has been a public accountant for more than 25 years. Mr. Chan is an Independent Director and chairman of the audit committee of Sing Holdings Limited, he is also a director of K K Chan Pte Ltd and F C Solution Pte Ltd. Mr Chan holds a Bachelor of Accountancy from the University of Singapore and is a Fellow Chartered Accountant of Singapore with ISCA. Mr Chan is not related to any of the directors, the Company or its 10% shareholders.

Teo Yi-Dar
Non-Executive and Independent Director

Teo Yi-Dar, aged 44, was appointed Independent Director of the Company on 22 February 2013 and was last reappointed on 26 April 2013. Mr Teo also sits on the boards of several SGX-listed companies. He is currently the lead independent director and both remuneration committee and nominating committee chairmen for Yangzijiang Shipbuilding (Holdings) Ltd, the lead independent director and audit committee chairman for China YuanBang Property Holdings Ltd, an independent director and both audit committee and nominating committee chairmen for Net Pacific Financial Holdings Ltd, and a non-executive director for HG Metal Manufacturing Ltd. Mr Teo was, in preceding three years, a non-executive director of SGX-listed Sin Heng Heavy Machinery Ltd, HKEx-listed Shengli Oil & Gas Pipe Holdings Limited and Shenzhen-listed Hainan Shuangcheng Pharmaceuticals Co Ltd.

Mr Teo is an Investment Partner with SEAVI Advent Corporation Ltd, the Asian affiliate of Boston-based Advent International private equity group. Mr Teo manages direct investments in Asia, and focuses on the electronics, chemical, engineering and technology segments. Prior to joining SEAVI Advent, he was with Keppel Corporation Ltd., conducting business development activities for Keppel's offshore and marine businesses. Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics.

Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

Chan Kum Kit, Eric Ng, Tan Tong Guan, Tan Geok Moey, Teo Yi-Dar

Operating & Financial Review

Review of Income Statement

Revenue

	2014		2013	
Geographical information	**US$'000**	**%**	US$'000	%
Europe	**7,252**	**29**	4,636	20
East Asia	**3,937**	**15**	4,184	18
South Asia	**13,901**	**55**	12,623	55
Others	**337**	**1**	1,637	7
Total	**25,427**	**100**	23,080	100

The Group's revenue in FY2014 was US$25.43 million, a growth of US$2.35 million or 10.2%. This was mainly due to growth in customers' demand and securing more orders in the Banking and Dual Interface segments.

Gross profit and Gross margin

Gross profit increased by approximately US$1.9 million or 44.7% from US$4.24 million in FY2013 to US$6.14 million in FY2014 mainly due to economies of scale and a more favorable sales mix. As a result, gross margin improved to 24.2% in FY2014 from 18.4% in FY2013.

Other income

Other income increased by approximately US$0.32 million or 211.2% from US$0.15 million in FY2013 to US$0.47 million in FY2014. This was mainly due to foreign exchange gain of US$0.25 million in FY2014 as compared to foreign exchange loss of US$0.08 million in FY2013 and higher interest income in FY2014.

Selling and distribution expenses and Administrative expenses ("Operating expenses")

Operating expenses increased by approximately US$0.18 million or 3.9% from US$4.51 million in FY2013 to US$4.69 million in FY2014. The higher expenses mainly came from increased staff costs and an inventories write-off.

Finance costs

Finance expense decreased by US$5,000 or 10.4% from US$48,000 in FY2013 to US$43,000 in FY2014 due mainly to lower interest rates in FY2014.

Income tax expense

The Group's income tax expense was US$0.32 million in FY2014 as compared to a tax credit of US$0.35 million in FY2013 arising from deferred tax adjustment on Productivity and Innovation Credit and overprovision for prior year tax. The FY2014 effective tax rate of 20.8% was higher than the statutory tax rate, mainly due to its share of loss of the joint venture. Excluding this item, the effective tax rate was 16.8%.

Net profit

For the reasons mentioned above, the Group achieved a net profit attributable to equity holders of the Company of US$1.21 million in FY2014 as compared with net loss of US$0.04 million in FY2013.

Review of Financial Position

Non-current assets

Plant and equipment decreased by approximately US$0.22 million or 3.3% against the preceding financial year end due mainly to depreciation charge of US$1.71 million, partially offset by additions of US$1.49 million of plant and equipment to increase capacity and enhance production capabilities to support business growth in Banking products.

Current assets

Current assets increased by US$3.89 million to US$16.62 million as at 31 December 2014. This increase was mainly attributable to net proceeds of US$2.68 million from issuance of 30 million new ordinary shares and higher operating cash inflow.

Prepayments also increased by US$0.46 million to US$0.55 million mainly due to deposits paid for acquisition of plant and equipment. These increases were partially offset by decrease in inventories and trade receivables due to lower sales towards year end of FY2014 as compared to the preceding year.

Current liabilities

Current liabilities decreased by US$1.38 million to US$5.36 million as at 31 December 2014. This decrease was mainly attributable mainly to lower trade payables due to lower purchases towards year end, in line with lower inventories stockholding as at 31 December 2014. This was partially offset by tax provision of US$0.23 million on current year profit as compared to a net loss in FY2013.

Non-current liabilities

Non-current liabilities increased by US$1.20 million to US$2.21 million as at 31 December 2014, mainly as a result of new term loans drawn down during the financial year for the acquisition of plant and equipment.

Review of Cash Flow Statement

Net cash of US$2.08 million was generated from operating activities in FY2014, up US$1.94 million from the preceding year. This was mainly attributable to pre-tax profit of US$1.53 million in FY2014 as compared to pre-tax loss of US$0.39 million recorded in FY2013.

Net cash used in investing activities was US$2.76 million, up US$2.28 million from the preceding year. These funds were employed towards US$1.49 million of capital expenditures and advances to Smartflex Innovation for its operations and a related party.

Net cash generated from financing activities was US$3.31 million as compared to net outflow of US$0.02 million in the preceding year. This came from funds raised through the issuance of new ordinary shares and proceeds from bank financing on purchase of plant and equipment.

Consequently, the resultant effect was an increase in cash and cash equivalents of US$2.64 million, bringing the balance to US$6.56 million as at 31 December 2014.

Key Management Profile

Pang Sze Yong
General Manager

Pang Sze Yong, age 43, General Manager, is responsible for the Group's daily business operations and general management, as well as improvement and optimization projects. Mr Pang joined our Group in October 2005 and brings with him over 10 years of relevant experience in sales, business development and products development in the smart card industry. Mr Pang holds a Diploma in Electronics and Communications from Singapore Polytechnic and a Bachelor Degree in Applied Science (Computer Engineering) from Nanyang Technological University and a Graduate Diploma in Marketing Management from Singapore Institute of Management.

Mok Wai Ping
Sales Director

Mok Wai Ping, age 36, Sales Director, is responsible for sales and business development of our Group. Ms Mok joined our Group in 2012 and has more than 9 years of relevant experience in sales and business development in the smart card industry. Ms Mok holds a Diploma in Marketing Communications from Temasek Polytechnic and a Honours Degree in Management from the University of Manchester.

Ang Wui Khoon
Financial Controller

Ang Wui Khoon, age 44, Financial Controller, is responsible for all the financial matters for the Group. He has close to 20 years of experience in finance and accounting. Prior to joining the Group, he has held various managerial positions, including Vice President (Finance) of Nestronics Limited (formerly known as Nera Electronics Limited), Group Financial Controller of ASJ Holdings Limited and Financial Controller of Avaplas Limited and Pteris Global Limited. Mr Ang holds a Bachelor of Accountancy Degree from Nanyang Technological University of Singapore and is a Chartered Accountant of Singapore with ISCA.

Andy Gong Shengjun
Senior Operations Manager

Andy Gong Shengjun, age 35, Senior Operations Manager, is responsible for all the manufacturing and logistics operations for the Company. He has approximately more than 10 years of dedicated experiences in manufacturing operations. Prior to joining the Company, he has held various managerial positions at multi-cultural and multi-national companies, including Plant Manager of Technic Asia Pacific Engineering Ltd (Thailand), Operations Manager of Technic Asia Pacific Pte Ltd (Singapore). Mr. Gong holds a Master of Business Administration Degree from Shanghai Jiaotong University.

Vincent Sim Chee Hui
Senior Human Resource Manager

Vincent Sim Chee Hui, age 47, is the Senior Human Resource Manager of our subsidiary, Smartflex Technology Pte. Ltd. He is responsible for human resource management and joined the company in May 2010, bringing with him over 20 years of human resource experience. Mr Sim holds a Bachelor of Business Administration from La Trobe University in Australia and a Diploma in Human Resource Management from the Singapore Human Resource Institute.

Corporate Information

Board of Directors

Tan Tong Guan	Executive Chairman
Eric Ng Eng Seng	CEO and Executive Director
Tan Geok Moey	Non-Executive Director
Chan Kum Kit	Independent Director
Teo Yi-Dar	Independent Director

Audit Committee

Chan Kum Kit	Chairman (Independent)
Tan Geok Moey	Member (Non-Executive)
Teo Yi-Dar	Member (Independent)

Nominating Committee

Teo Yi-Dar	Chairman (Independent)
Chan Kum Kit	Member (Independent)
Tan Geok Moey	Member (Non-Executive)

Remuneration Committee

Teo Yi-Dar	Chairman (Independent)
Chan Kum Kit	Member (Independent)
Tan Geok Moey	Member (Non-Executive)

Company Secretary

Nathaniel Chelvarajah Vanniasingham
(resigned on 15 August 2014)
Wong Chuen Shya
(appointed on 15 August 2014)

Registered Office

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Email: enquiry@smartflex.com.sg

Share Registrar

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Singapore 048623
Telephone: (65) 6536 5355
Fax: (65) 6536 1360

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Six Battery Road
#10-01
Singapore 049909
Telephone: (65) 6381 6757
Fax: (65) 6381 6758

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Telephone: (65) 6535 7777
Fax: (65) 6532 7662

Partner-in-charge: Simon Yeo
(Appointed from the financial year ended
31 December 2014)

Principal Bankers

Australia and New Zealand Banking Group Limited
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited
RHB Bank Berhad

Financial Contents

Report on Corporate Governance

Smartflex Holdings Ltd (the "***Company***") was admitted to the Official List of the SGX-Catalist on 19 July 2010.

The board of directors of the Company (the "***Board***") believes in having high standards of corporate governance and is committed to ensuring that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long term shareholder value.

As required by the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("***SGX-ST***"), the following report describes the Company's corporate governance practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "***Code***"), with an appropriate explanation for any deviation from the guidelines of the Code.

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board to lead and control the Company. The Board has the overall responsibility for corporate governance, strategic direction and investments of the Company. Each individual director ("***Director***") is obliged to act in good faith and exercise independent judgment in the best interests of shareholders of the Company at all times.

The Board's principal functions include:

- determining, reviewing and approving the strategic objectives and directions of the Group, annual budgets, major investments, divestments and funding proposals;
- overseeing the business and affairs of the Group, establishing with the management the strategies and financial objectives to be implemented by the management, and monitoring the performance of the management;
- establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
- reviewing management performance, the Group's financial performance, risk management processes and systems, human resource requirements and corporate governance practices; and
- identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

To assist the Board in the discharge of its functions, the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, "***Board Committees***") have been constituted with clear written terms of reference. Matters which are delegated to Board Committees for more detailed appraisals are reported to and monitored by the Board.

Report on Corporate Governance

The Board meets at least 2 times a year, and as warranted by particular circumstances, as deemed appropriate by the Board members. Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and video-conference meetings of the Board are allowed under the Company's Articles of Association. All Directors are provided with the agenda and a set of the Board papers prior to the Board meeting. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the Board meeting where necessary. The Company and the Board acknowledge that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities.

The Board has identified, without limitation, the following matters that require its approval:

- declaration of dividends and other returns to shareholders of the Company;
- major corporate policies on key areas of operation;
- major funding proposals or bank borrowings;
- corporate or financial restructuring and share issuances;
- mergers and acquisitions;
- material acquisitions and disposals;
- approval of transactions involving interested person transactions; and
- appointments of new Directors.

Upon appointment to the Board, each Director will be given appropriate briefings by the Management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices.

Directors will be updated regularly on accounting and regulatory changes, and are encouraged to attend workshops, seminars and training, to enhance their skills and knowledge, or on relevant new laws, regulations and changing commercial risks.

Report on Corporate Governance

The attendance of the Directors at meetings of the Board and Board Committees for the financial year ended 31 December 2014 is set out as follows:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended
Tan Tong Guan	2	2	–	2*	–	1 *	–	1 *
Eric Ng Eng Seng	2	2	–	2*	–	1 *	–	1 *
Tan Geok Moey	2	2	2	2	1	1	1	1
Chan Kum Kit	2	2	2	2	1	1	1	1
Teo Yi-Dar	2	2	2	2	1	1	1	1

* Attended by invitation

Principle 2: Board Composition and Guidance

The Board currently comprises 2 Executive Directors, 1 Non-Executive Director and 2 Non-Executive and Independent Directors.

The Board members as of the date of this report are:

Tan Tong Guan	Executive Chairman
Eric Ng Eng Seng	Chief Executive Officer and Executive Director
Tan Geok Moey	Non-Executive Director
Chan Kum Kit	Non-Executive and Independent Director
Teo Yi-Dar	Non-Executive and Independent Director

Report on Corporate Governance

The Board is of the view that its current size and composition are appropriate to facilitate effective decision making, and provide sufficient diversity of expertise to lead and govern the Company effectively, considering the scope and nature of its operations.

The Company has in place a Nominating Committee which determines the independence of each Director annually based on the definition of independence as set out in the Code. The Nominating Committee will periodically review the competencies of the directors to ensure it can govern the Group effectively. Business environment is dynamic, hence when there is a lack of certain expertise or experience, the Nominating Committee will recommend the Board to consider the appointment of new director(s) that has/have the skillset and knowledge.

The Non-Executive and Independent Directors will assist to develop proposals on strategy and goals for the Group and regularly assess the performance of the Management in meeting the agreed goals and objectives, and monitor the reporting of performance. The Non-Executive and Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management.

A brief profile of each Director is set out on pages 6-7 in the Annual Report. The Directors, as a group, provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge required for the Board to be effective. None of the Directors has served on the Board beyond nine years from the date of his/her appointment.

Principle 3: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Tan Tong Guan is the Executive Chairman of the Company and one of its co-founders. He leads the Board and is responsible for the management of the Board. The Executive Chairman is in charge of charting the business direction as well as corporate planning and strategic developments of the Group. When setting the agenda, he ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. The Executive Chairman encourages Board's interaction with the Management, facilitates effective contribution of Non-Executive Directors, encourages constructive relations among the Directors and promotes high standards of corporate governance. In addition, the Executive Chairman ensures that the Directors receive accurate, timely and clear information and there is effective communication with shareholders of the Company.

Eric Ng Eng Seng is the Chief Executive Officer and Executive Director of the Company. He is responsible for the overall business and strategic development, corporate planning, operations and management of the Group.

Report on Corporate Governance

Principle 4: Board Membership

The Nominating Committee's primary roles are to review board succession plans for directors, in particular, the Executive Chairman and the Chief Executive Officer, create a formal and transparent process for the appointments and re-nominations of members of the Board and to assess the effectiveness of the Board as a whole, its Board Committees and the contribution of individual Directors to the effectiveness of the Board as well as to affirm annually the independence of the Directors. There exist written terms of reference that describe the responsibilities of the members of the Nominating Committee.

The Nominating Committee is scheduled to meet at least once a year. The Nominating Committee comprises the following members, all of whom are non-executive and the majority including the Chairman, are independent:

Teo Yi-Dar	Chairman (Non-Executive and Independent)
Chan Kum Kit	Member (Non-Executive and Independent)
Tan Geok Moey	Member (Non-Executive)

For new appointments to the Board, the Nominating Committee will consider the Company's current Board size and its composition and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple Boards.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position.

All Directors submit themselves for re-nomination and re-election at regular intervals at least once every 3 years. One-third of the Directors will retire at the Company's annual general meeting each year. The Nominating Committee is charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

Annually, the Nominating Committee is required to determine the independence status of the Directors, bearing in mind the circumstances set forth in the Code and any other salient factors. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

The Nominating Committee is of the opinion that sufficient time and attention are given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and that there is no need to implement internal guidelines to address competing time commitments.

Report on Corporate Governance

Principle 5: Board Performance

The Board and the Nominating Committee strive to ensure that Directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

The Nominating Committee had carried out annual performance evaluation process to assess the effectiveness of the Board as a whole and its Board Committees. The purpose of the process is to increase the overall effectiveness of the Board and its Board Committees. Each Director completes an evaluation form to assess the overall effectiveness of the Board as a whole and its Board Committees. The appraisal process for the Board focused on the evaluation of factors such as the composition of the Board, the Board's accessibility to information, Board procedures and accountability, communication with key management personnel and Directors' standards of conduct. The appraisal process for the Board Committees, on the other hand, focused on the evaluation of the respective Board Committee structure, conduct of meetings, measurement and monitoring of Board Committees performance.

The Nominating Committee had decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for their re-nomination are the extent of their attendance, participation and contribution in the proceedings of the meetings.

The results of these evaluations are reviewed and used constructively by the Nominating Committee to identify areas of improvements and recommending appropriate course of action to the Board.

Principle 6: Access to Information

The Board is provided with complete, accurate, and adequate information in a timely manner, prior to board meetings and on an on-going basis, to enable it to fulfill its responsibilities. Such information include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Such information is provided to the Directors to enable them to keep abreast of the Group's operational and financial performance and position and to facilitate better-informed decision-making. Board members also have separate and independent access to the key management personnel and the company secretary at all times. Board members may, at the Company's expense, also obtain independent professional advice as and when necessary in furtherance of their duties.

The company secretary will attend all Board meetings to ensure that Board procedures are followed and that applicable rules and regulations, including the requirements of the Companies Act (Chapter 50) of Singapore and the Rules of Catalist are complied with. Under the direction of the Chairman, the company secretary's other responsibilities include ensuring good information flows within the Board and its Committees and between key management personnel and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the company secretary is a matter for the Board as a whole.

Report on Corporate Governance

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises the following members, all of whom are non-executive and the majority, including the Chairman, are independent:

Teo Yi-Dar	Chairman (Non-Executive and Independent)
Chan Kum Kit	Member (Non-Executive and Independent)
Tan Geok Moey	Member (Non-Executive)

The Remuneration Committee performs the following functions:

- recommends to the Board a general framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Executive Director, and the recommendations of the Remuneration Committee are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind will be covered by the Remuneration Committee; and

- performs an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. It will also review and approve any bonuses, pay increases and/or promotions for these employees.

Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package or that of employees related to him.

The Remuneration Committee has not sought external advice nor appointed remuneration consultants in considering the remuneration of all Directors.

The Remuneration Committee will review the Company's obligations under the service agreements entered into with the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The Remuneration Committee aims to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

As part of its review, the Remuneration Committee ensures that remuneration packages are comparable within the industry and with similar companies. The Remuneration Committee considers the Group's relative performance and the contributions and responsibilities of the individual Directors.

Policy in respect of Executive Directors' and other key management personnel's remuneration

The Group advocates a performance-based remuneration system that is flexible and responsive to the market, the Group's and the individual employee's performance. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Group's and the individual employee's performance.

Report on Corporate Governance

Executive Directors do not receive Directors' fees. Executive Directors are paid pursuant to their respective service agreements, each of which is for an appointment period of three (3) years. While the Executive Directors have entered into services agreements with the Company, after the initial term of three (3) years, their employment with the Company may be terminated at any time by either party giving to the other party three (3) months' notice in writing or in lieu of the said three months' notice, an amount equivalent to three (3) months' salary based on the Executive Director's last drawn salary.

The Remuneration Committee may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

Policy in respect of Non-Executive Directors' remuneration

Non-Executive Directors do not have service agreements with the Company. They are compensated based on fixed Directors' fees, which are determined by the Board based on their contribution, taking into consideration factors such as effort, time spent and responsibilities of the Non-Executive Directors. The Chairman of each Board Committee is paid an additional fee, the Chairman of Audit Committee is paid a higher fee than Chairman of the other Board Committees in view of the higher responsibility carried by that office. The Directors' fees are subject to approval by the shareholders at the Annual General Meeting. Non-Executive Directors do not receive any other remuneration from the Company.

Principle 9: Disclosure on Remuneration

The level and mix of remuneration (including remuneration at any of the Company's subsidiary) of the Company's Directors and key management personnel (who are not also directors) for the financial year ended 31 December 2014 are as follows:

Remuneration band and Name of Director	Base/Fixed salary (%)	Bonus (%)	Directors' fees (%)	Benefits-in-kind (%)	Total (%)
Directors					
S$250,000 to below S$500,000					
Eric Ng Eng Seng	84	16	–	–	100
Below S$250,000					
Tan Tong Guan	83	17	–	–	100
Tan Geok Moey	–	–	100	–	100
Teo Yi-Dar	–	–	100	–	100
Chan Kum Kit	–	–	100	–	100

Report on Corporate Governance

Remuneration band and Name of Key Management Personnel	Base/Fixed salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below S$250,000				
Key Management Personnel				
Pang Sze Yong	78	22	–	100
Mok Wai Ping	77	23	–	100
Ang Wui Khoon	80	20	–	100
Andy Gong Shengjun	73	27	–	100
Vincent Sim Chee Hui	88	12	–	100

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the Chief Executive Officer) for the financial year ended 31 December 2014 is approximately S$829,182.

Due to the very competitive nature of the industry the Group operates in, the Board believes it is unwise to disclose the breakdown of the remuneration of the Directors and key management personnel.

There is no employee of the Group who is an immediate family member of any Director and whose remuneration exceeded S$50,000 during the financial year ended 31 December 2014. "Immediate family member" means the Director's spouse, child, adopted child, stepchild, brother, sister and parent.

The Company currently does not have an employee share option scheme in place.

None of the Directors (including the Chief Executive Officer) and the top five key management personnel (who are not directors or the Chief Executive Officer) of the Company has received any termination, retirement, post-employment benefits for the financial year ended 31 December 2014.

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to SGX-ST and press releases. The Group makes announcement of its financial results on a six monthly basis. Management provides the Board with management accounts on a monthly basis. Such reports keep the Board informed of, on a balanced and understandable basis, the Group's performance, position and prospects and enable the Board to discharge its duties effectively and efficiently.

Report on Corporate Governance

Principle 11: Risk Management and Internal Controls

The Audit Committee will review the reports submitted by the independent and internal auditors relating to the effectiveness of the Group's significant internal controls, including financial, operational, compliance and information technology controls, risk management, and risks of fraud and irregularities. The Audit Committee will also review the effectiveness of the actions taken by the Management on the recommendations made by the independent and internal auditors in this respect.

The Board will review the effectiveness of the internal controls, including financial, operational, compliance and information technology controls and risk management to ensure that they are adequate to meet the needs of the Company in its current business environment.

For FY2014, the Board has received assurance from the Chief Executive Officer and financial controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are sufficiently adequate and effective.

The Board and the Audit Committee have reviewed the Group's risk management system and the adequacy of its internal controls to address the Group's financial, operational, compliance and information technology risks. Based on the review conducted, the Board and the Audit Committee are of the opinion that the system of internal controls and risk management systems in place are adequate and effective in meeting the current scope of the Group's business operations.

The Board and the Audit Committee note that all internal control systems contain inherent limitation and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and independent auditors, reviews performed by Management and assurance received from the Chief Executive Officer and financial controller, the Board with the concurrence of the Audit Committee is of the opinion that the Group's internal controls are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

Principle 12: Audit Committee

The Audit Committee currently comprises the following members, all of whom are non-executive and the majority, including the Chairman, is independent:

Chan Kum Kit	Chairman (Non-Executive and Independent)
Tan Geok Moey	Member (Non-Executive)
Teo Yi-Dar	Member (Non-Executive and Independent)

All members of the Audit Committee have accounting and related financial management expertise and experience.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the management, full discretion to invite any person including a Director or executive officer of the Group to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Audit Committee will assist the Board in discharging its responsibility to safeguard the assets of the Company, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The Audit Committee will provide a channel of communication between the Board, the Management and the independent auditor on matters relating to audit.

Report on Corporate Governance

The Audit Committee meets periodically to perform, *inter alia*, the following functions:

- Review the scope and results of the audit and its cost effectiveness;
- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Make recommendations to the Board on the appointment, re-appointment and removal of the independent auditor, and approving the remuneration and terms of engagement of the independent auditor;
- Review with the independent auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and the Management's response;
- Review the half yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;
- Review annually the adequacy of the Company's internal controls including financial, operational, compliance and information technology controls, as well as risk management policies and systems established by the management. The Audit Committee will also ensure co-ordination between the independent auditor and the Management, and review the assistance given by the Management to the independent auditor, and discuss problems and concerns, if any, arising from audits, and any matters which the independent auditor may wish to discuss (in the absence of the management, where necessary);
- Review and discuss with the independent auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which have or are likely to have a material impact on the Group's operating results or financial position, and the management's response;
- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;
- Review potential conflicts of interest (if any);
- Review with the internal auditors the internal audit plans and their evaluation of the adequacy of the internal control and accounting system before submission of the results of such review to the Board for approval;
- Review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;
- Review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual report or, where the findings are material, announced immediately via SGXNET;
- Review the Group's compliance with relevant government regulations and licensing requirements;
- Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- Generally, undertake such other functions and duties as may be required by statute or by the Rules of Catalist, or by such amendments as may be made thereto from time to time.

Report on Corporate Governance

The Audit Committee will meet with the independent auditors and with internal auditors, at least annually, without the presence of Management. The Audit Committee will review the independence and objectivity of independent auditors annually. The Audit Committee shall also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Company has put in place a whistle-blowing policy, whereby anyone may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Chan Kum Kit, Chairman of the Audit Committee.

The Audit Committee will review the policy and arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Audit Committee will be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions.

In appointing the auditing firms for the Company and its subsidiary company, the Company has complied with Listing Rules 712 and 715.

Principle 13: Internal Audit

The role of internal auditor is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls. The Company has appointed an external professional consulting firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, as the internal auditor to review the adequacy and integrity of the Group internal control system so as to ensure that the internal audit function is adequately resourced and has appropriate standing with the Company. The internal auditor is required to meet the standard required for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor reports directly to the Audit Committee. The Audit Committee will approve the internal audit plan and ensure sufficiency of internal audit resources to perform its tasks. The Audit Committee will, at least annually, review the adequacy and effectiveness of the internal audit function.

Principle 14 and 15: Shareholder Rights and Communication with Shareholders

The Board believes in regular, timely and effective communication with shareholders. Shareholders are kept informed of all important developments concerning the Group through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary. The Company also maintains a website at http://www.smartflex.com.sg at which shareholders can access information about the Group.

Report on Corporate Governance

Principle 16: Conduct of Shareholder Meetings

The shareholders are encouraged to attend the Company's general meetings of shareholders to participate effectively in and vote at general meetings of shareholders to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans and establish and maintain regular dialogue between the Company and shareholders, to gather views and inputs, and address shareholders' concerns. The chairpersons and/or members of the Board, Audit Committee, Remuneration Committee and Nominating Committee and the external auditors are normally available at the shareholders' meetings to address any shareholders' queries, including those relating to the conduct of audit and the preparation and content of the auditors' report.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's Memorandum and Articles of Association currently do not allow a member to appoint more than two proxies to attend and vote at the same general meetings. However, shareholders who hold shares through nominees such as The Central Depository (Pte) Ltd and custodian banks are allowed to attend general meetings as observers.

Each item of special business included in the notice of the general meetings will be accompanied by full explanation effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company understand that the Company should put all resolutions to vote by poll. In the event a poll is conducted, the Company will make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages.

The Company does not have a policy on payment of dividends. The issue of payment of dividend is deliberated by the Board annually having regard to various factors.

Dealings in Securities

The Company observes closely the best practices on dealings in securities ("***Securities Dealings Best Practices***") in compliance with Rule 1204(19) of the Rules of Catalist. The Securities Dealings Best Practices provide guidance to the Directors and employees of the Group with regard to dealing in the Company's securities.

The Company issues memorandums or electronic emails to all of its officers that they must not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements. In addition, Directors and key management personnel are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are discouraged from dealing in the Company's shares on short term considerations.

Report on Corporate Governance

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and shall not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned takes no part in discussions nor exercises any influences over other members of the Board.

During the year under review, there have been no interested person transactions requiring disclosure.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries companies involving the interest of any Director or controlling shareholders of the Company.

Fees Paid to Independent Auditors

Ernst & Young LLP, the independent auditors, rendered the following services (and charged the fees) set out below for the financial year ended 31 December 2014:

	Group	
	2014 US$'000	2013 US$'000
Audit fees – current year	**37**	48
– over-provision in prior year	**(11)**	–
Non-audit fees:		
Tax returns compliance service – current year	**10**	9
– under provision in prior year	**5**	–
Total audit and non-audit fees	**41**	57

The Audit Committee has reviewed all non-audit services (described above) provided by Ernst & Young LLP and are of the view that they did not affect the independence of Ernst & Young LLP, as the independent auditors.

Non-Sponsorship fees

No fees relating to non-sponsoring activities or services were paid to the Company's sponsor for the financial year ended 31 December 2014.

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Smartflex Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

The directors of the Company in office at the date of this report are:

Tan Tong Guan
Eric Ng Eng Seng
Chan Kum Kit
Tan Geok Moey
Teo Yi-Dar

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations as stated below:

	Number of ordinary shares			
	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
Tan Tong Guan	565,001	565,001	51,170,000	57,139,331
Eric Ng Eng Seng	3,480,001	3,480,001	–	–
Tan Geok Moey	–	–	51,170,000	57,139,331
Ultimate holding company				
Tan Gee Beng Pte Ltd				
Tan Tong Guan	16,975	16,975	7,333	7,333
Tan Geok Moey	11,120	11,120	–	–
Subsidiary company				
Smartflex Technology Pte Ltd				
Tan Tong Guan	–	–	34,720,000	34,720,000
Tan Geok Moey	–	–	34,720,000	34,720,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Directors' Report

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Audit committee

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of external auditors. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Tan Tong Guan
Director

Eric Ng Eng Seng
Director

Singapore
20 March 2015

Statement by Directors

We, Tan Tong Guan and Eric Ng Eng Seng, being two of the directors of Smartflex Holdings Ltd., do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Tan Tong Guan
Director

Eric Ng Eng Seng
Director

Singapore
20 March 2015

Independent Auditor's Report

To the Members of Smartflex Holdings Ltd.

For the financial year ended 31 December 2014

Report on the Financial Statements

We have audited the accompanying financial statements of Smartflex Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") set out on pages 33 to 74, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2014

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by its subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore
20 March 2015

Balance Sheets

As at 31 December 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**US$**	US$	**US$**	US$
Non-current assets					
Property, plant and equipment	3	**6,356,973**	6,574,765	**–**	–
Investment in subsidiary	4	**–**	–	**7,197,408**	7,197,408
Investment in joint venture	4	**358,690**	718,109	**1,094,512**	1,094,512
		6,715,663	7,292,874	**8,291,920**	8,291,920
Current assets					
Inventories	5	**3,366,286**	3,649,358	**–**	–
Trade and other receivables	6	**3,143,694**	3,480,575	**–**	–
Amount due from subsidiary		**–**	–	**4,765,220**	1,534,257
Amounts due from joint venture	7	**2,069,042**	924,306	**–**	–
Amounts due from related party	8	**929,418**	662,836	**–**	–
Prepayments		**553,374**	95,971	**4,608**	3,292
Cash and cash equivalents	9	**6,559,807**	3,918,730	**11,263**	13,788
		16,621,621	12,731,776	**4,781,091**	1,551,337
Total assets		**23,337,284**	20,024,650	**13,073,011**	9,843,257
Current liabilities					
Trade payables	10	**1,788,690**	3,401,815	**–**	–
Other payables and accruals	11	**1,018,362**	928,725	**72,558**	94,756
Loans and borrowings	12	**2,318,282**	2,412,056	**–**	–
Tax payable		**233,668**	–	**–**	–
		5,359,002	6,742,596	**72,558**	94,756
Net current assets		**11,262,619**	5,989,180	**4,708,533**	1,456,581
Non-current liabilities					
Loans and borrowings	12	**1,114,787**	–	**–**	–
Deferred tax liability	13	**839,709**	759,145	**–**	–
Provision for reinstatement	14	**251,825**	251,825	**–**	–
		2,206,321	1,010,970	**–**	–
Total liabilities		**7,565,323**	7,753,566	**72,558**	94,756
Net assets		**15,771,961**	12,271,084	**13,000,453**	9,748,501
Share capital	15	**12,913,670**	10,236,190	**12,913,670**	10,236,190
Revenue reserves		**7,846,688**	7,023,291	**86,783**	(487,689)
Merger reserve	16	**(4,988,397)**	(4,988,397)	**–**	–
Total equity		**15,771,961**	12,271,084	**13,000,453**	9,748,501
Total equity and liabilities		**23,337,284**	20,024,650	**13,073,011**	9,843,257

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

	Note	**2014** **US$**	2013 US$
Revenue		**25,426,733**	23,080,092
Cost of sales		**(19,283,880)**	(18,836,052)
Gross profit		**6,142,853**	4,244,040
Other income	17	**473,225**	152,078
Selling and distribution expenses		**(76,643)**	(127,133)
Administrative expenses		**(4,610,784)**	(4,383,465)
Finance costs	18	**(42,670)**	(47,957)
Share of results of joint venture		**(359,419)**	(229,784)
Profit/(loss) before tax	19	**1,526,562**	(392,221)
Income tax (expense)/credit	20	**(316,650)**	351,290
Profit/(loss) net of tax		**1,209,912**	(40,931)
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income attributable to owners of the Company		**1,209,912**	(40,931)
Earnings per share (in US cents)			
Basic and diluted	21	**1.20**	(0.05)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2014

Group	Share capital (Note 15) US$	Revenue reserves US$	Merger reserve (Note 16) US$	Total equity US$
Opening balance at 1 January 2014	**10,236,190**	**7,023,291**	**(4,988,397)**	**12,271,084**
Profit for the year, representing total comprehensive income for the year	**–**	**1,209,912**	**–**	**1,209,912**
Contributions by and distributions to owners				
Issuance of new ordinary shares	**2,808,004**	**–**	**–**	**2,808,004**
Share issuance expenses	**(130,524)**	**–**	**–**	**(130,524)**
Dividends on ordinary shares (Note 26)	**–**	**(386,515)**	**–**	**(386,515)**
Total transactions with owners in their capacity as owners	**2,677,480**	**(386,515)**	**–**	**2,290,965**
Closing balance at 31 December 2014	**12,913,670**	**7,846,688**	**(4,988,397)**	**15,771,961**
Opening balance at 1 January 2013	9,125,528	7,264,655	(4,988,397)	11,401,786
Profit for the year, representing total comprehensive income for the year	–	(40,931)	–	(40,931)
Contributions by and distributions to owners				
Issuance of new ordinary shares	1,110,662	–	–	1,110,662
Dividends on ordinary shares (Note 26)	–	(200,433)	–	(200,433)
Total transactions with owners in their capacity as owners	1,110,662	(200,433)	–	910,229
Closing balance at 31 December 2013	10,236,190	7,023,291	(4,988,397)	12,271,084

Company	Share capital (Note 15) US$	Revenue reserves US$	Total equity US$
Opening balance at 1 January 2014	**10,236,190**	**(487,689)**	**9,748,501**
Profit for the year, representing total comprehensive income for the year	**–**	**960,987**	**960,987**
Contributions by and distributions to owners			
Issuance of new ordinary shares	**2,808,004**	**–**	**2,808,004**
Share issuance expenses	**(130,524)**	**–**	**(130,524)**
Dividends on ordinary shares (Note 26)	**–**	**(386,515)**	**(386,515)**
Total transactions with owners in their capacity as owners	**–**	**(386,515)**	**(386,515)**
Closing balance as at 31 December 2014	**12,913,670**	**86,783**	**13,000,453**
Opening balance at 1 January 2013	9,125,528	(271,643)	8,853,885
Profit for the year, representing total comprehensive income for the year	–	(15,613)	(15,613)
Contributions by and distributions to owners			
Issuance of new ordinary shares	1,110,662	–	1,110,662
Dividends on ordinary shares (Note 26)	–	(200,433)	(200,433)
Total transactions with owners in their capacity as owners	1,110,662	(200,433)	910,229
Closing balance at 31 December 2013	10,236,190	(487,689)	9,748,501

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2014

	2014 US$	2013 US$
Cash flows from operating activities		
Profit/(loss) before tax	1,526,562	(392,221)
Adjustments for:		
Depreciation of property, plant and equipment	1,711,699	1,723,207
Property, plant and equipment written off	72	4,513
Bad debts written back	–	(48,591)
Inventories written off	50,787	–
Interest income	(152,881)	(68,492)
Interest expense	42,670	47,957
Share of results of joint venture	359,419	229,784
Operating cash flows before working capital changes	3,538,328	1,496,157
Decrease/(increase) in trade and other receivables	336,881	(2,009,695)
Increase in prepayments	(457,403)	(42,600)
Decrease in inventories	232,285	381,281
(Decrease)/increase in trade and other payables	(1,649,943)	327,739
Cash generated from operations	2,000,148	152,882
Interest received	819	794
Interest paid	(40,928)	(41,434)
Income tax (paid)/refund	(2,418)	27,838
Net cash flows generated from operating activities	1,957,621	140,080
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,493,979)	(371,237)
Loan to joint venture	(1,058,699)	(108,610)
Loan to related party	(202,110)	–
Net cash flows used in investing activities	(2,754,788)	(479,847)
Cash flows from financing activities		
Net proceeds from issuance of shares	2,677,480	1,110,662
Proceeds from loans and borrowings	1,809,926	–
Repayment of loans and borrowings	(349,058)	(304,043)
Repayment of trade finance facilities	(313,589)	(624,559)
Dividends paid	(386,515)	(200,433)
Net cash flows generated from/(used in) financing activities	3,438,244	(18,373)
Net increase/(decrease) in cash and cash equivalents	2,641,077	(358,140)
Cash and cash equivalents at beginning of the year (Note 9)	3,918,730	4,276,870
Cash and cash equivalents at end of the year (Note 9)	6,559,807	3,918,730

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2014

1. Corporate information

Smartflex Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The ultimate holding company is Tan Gee Beng Pte Ltd, also incorporated in Singapore.

The registered office and principal place of business of the Company is located at 27 Ubi Road 4, #04-01, Singapore 408618. The principal activity of the Company is that of investment holding. The principal activities of the subsidiary are disclosed in Note 4 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis and are presented in United States Dollars ("USD" or "US$").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 Share Based Payment	1 July 2014
(b) Amendments to FRS 103 Business Combinations	1 July 2014
(c) Amendments to FRS 108 Operating Segments	1 July 2014
(d) Amendments to FRS 113 Fair Value Measurement	1 July 2014
(e) Amendments to FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets	1 July 2014
(f) Amendments to FRS 24 Related Party Disclosures	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 Business Combinations	1 July 2014
(b) Amendments to FRS 113 Fair Value Measurement	1 July 2014
(c) Amendments to FRS 40 Investment Property	1 July 2014

Notes to the Financial Statements
31 December 2014

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 Interim Financial Reporting	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(i) Useful lives of property, plant and equipment

The cost of property, plant and equipment for the fabrication and packaging of smart card chips modules is depreciated on a straight-line basis over the equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the relevant industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the property, plant and equipment at the end of each reporting period are disclosed in Note 3 to the financial statements.

(ii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period are disclosed in Note 6 to the financial statements.

(b) Critical judgement made in applying accounting policies

The following is the judgement made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2014 was US$233,668 (2013: Nil), and US$839,709 (2013: US$759,145) respectively.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary company used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividend are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the controlling holding company. No adjustments are made to reflect the fair values, or recognize any new assets or liabilities. No goodwill is recognized as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within the equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are restated to reflect the combination as if it had occurred from the beginning if the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.6 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be USD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in USD.

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated lives of the assets as follows:

Computers	–	3 years
Office equipment	–	3 years
Furniture and fittings	–	3 years
Renovation	–	5 years
Plant and machinery	–	5 – 10 years
Factory equipment	–	3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

2.10 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.10 Joint arrangements (cont'd)

a) Joint operations

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2.11 Joint ventures

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.11 Joint ventures (cont'd)

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits that are highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Leases

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements
31 December 2014

2. Summary of significant accounting policies (cont'd)

2.20 Employees benefits

(a) Defined contribution plan

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.22 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Government grants related to income

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.23 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period, in the country where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investment in subsidiary and interest in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

Notes to the Financial Statements

31 December 2014

2. Summary of significant accounting policies (cont'd)

2.27 Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements

31 December 2014

3. Property, plant and equipment

	Computers US$	Office equipment US$	Furniture and fittings US$	Renovation US$	Plant and machinery US$	Factory equipment US$	Total US$
Group							
Cost							
At 1 January 2013	183,378	148,572	340,736	769,820	13,794,471	122,517	15,359,494
Additions	12,074	12,918	5,094	24,800	231,907	84,444	371,237
Written off	–	–	(9,557)	–	–	–	(9,557)
At 31 December 2013 and 1 January 2014	195,452	161,490	336,273	794,620	14,026,378	206,961	15,721,174
Additions	4,018	3,963	4,108	–	1,443,772	38,118	1,493,979
Written off	(2,873)	(41)	(11,392)	–	(209,415)	–	(223,721)
At 31 December 2014	196,597	165,412	328,989	794,620	15,260,735	245,079	16,991,432
Accumulated depreciation							
At 1 January 2013	124,071	106,947	187,849	245,025	6,678,701	85,653	7,428,246
Charge for the year	24,567	25,186	96,895	157,668	1,389,839	29,052	1,723,207
Written off	–	–	(5,044)	–	–	–	(5,044)
At 31 December 2013 and 1 January 2014	148,638	132,133	279,700	402,693	8,068,540	114,705	9,146,409
Charge for the year	24,180	21,844	52,059	152,509	1,410,783	50,324	1,711,699
Written off	(2,873)	(41)	(11,392)	–	(209,343)	–	(223,649)
At 31 December 2014	169,945	153,936	320,367	555,202	9,269,980	165,029	10,634,459
Net book value							
At 31 December 2014	26,652	11,476	8,622	239,418	5,990,755	80,050	6,356,973
At 31 December 2013	46,814	29,357	56,573	391,927	5,957,838	92,256	6,574,765

Assets pledged as security

The Group's plant and machinery with carrying amounts of approximately US$2,340,000 (2013: US$697,000) are subject to a fixed charge as security for bank facilities (Note 12).

Notes to the Financial Statements
31 December 2014

4. Investments in subsidiary and joint venture

(a) Investment in subsidiary

	Company	
	2014	2013
	US$	US$
Equity shares, at cost	**7,197,408**	7,197,408

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2014	2013
Smartflex Technology Pte Ltd*	Singapore	Assembly and testing of smart card IC modules	**100**	100

* Audited by Ernst & Young LLP, Singapore

(b) Investment in joint venture

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2014	2013
Smartflex Innovation Pte Ltd*	Singapore	Development, assembly and testing of smart card solution	**70**	70

* Audited by Ernst & Young LLP, Singapore

	Group	
	2014	2013
	US$	US$
Equity shares, at cost	**1,094,512**	1,094,512
Share of equity of joint venture	**(735,822)**	(376,403)
	358,690	718,109

The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Notes to the Financial Statements

31 December 2014

4. Investments in subsidiary and joint venture (cont'd)

(b) Investment in joint venture (cont'd)

Summarised financial information in respect of Smartflex Innovation Pte Ltd based on its FRS financial statements is as follows:

Summarised balance sheet	**Group**	
	2014	2013
	US$	US$
Cash and cash equivalents	**211,267**	181,735
Trade receivables and other receivables	**251,542**	272,576
Prepaid operating expenses	**27,389**	15,784
Inventories	**90,738**	84,428
Current assets	**580,936**	554,523
Non-current assets	**5,320,621**	5,283,552
Total assets	**5,901,557**	5,838,075
Current liabilities	**2,932,893**	2,059,392
Non-current liabilities	**2,456,250**	2,752,813
Total liabilities	**5,389,143**	4,812,205
Net assets	**512,414**	1,025,870
Proportion of the Group's ownership	**70%**	70%
Carrying amount of the investment	**358,690**	718,109

Summarised statement of comprehensive income	**Group**	
	2014	2013
	US$	US$
Revenue	**6,064**	–
Cost of sales	**(63,894)**	–
Gross loss	**(57,830)**	–
Other income	**19,363**	30,802
Operating expenses	**(341,811)**	(287,043)
Finance costs	**(112,416)**	(72,021)
Other expense	**(20,750)**	–
Loss before tax	**(513,444)**	(328,262)
Income tax expense	**(11)**	–
Loss after tax	**(513,455)**	(328,262)
Total comprehensive income	**(513,455)**	(328,262)

Notes to the Financial Statements
31 December 2014

5. Inventories

	Group 2014 US$	2013 US$
Balance sheet:		
At cost:		
Raw materials	**2,892,811**	3,218,981
Consumables	**326,648**	165,892
Finished goods	**63,365**	42,704
Work-in-progress	**83,462**	221,781
	3,366,286	3,649,358
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**(14,784,313)**	(14,943,962)
Inventories written off	**50,787**	–

6. Trade and other receivables

	Group 2014 US$	2013 US$
Trade receivables	**3,063,251**	3,402,063
Deposits	**77,074**	78,512
Other receivables	**3,369**	–
Total trade and other receivables	**3,143,694**	3,480,575
Add: Amounts due from joint venture	**2,069,042**	924,306
Add: Amounts due from related party	**929,418**	662,836
Add: Cash and cash equivalents (Note 9)	**6,559,807**	3,918,730
Total loans and receivables	**12,701,961**	8,986,447

Included in the trade and other receivables at 31 December are the following foreign currency denominated balances:

	Group 2014 US$	2013 US$
Singapore Dollar	**672**	59,911

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 70 days' terms. They are recognised at their original amounts which represent their fair values on recognition.

Notes to the Financial Statements

31 December 2014

6. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$502,723 (2013: US$1,105,085) that are past due date at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2014	2013
	US$	US$
Trade receivables past due:		
Less than 30 days	**494,333**	823,474
30 to 60 days	**614**	216,631
More than 60 days	**7,776**	64,980
	502,723	1,105,085

Receivables that are impaired

The Group does not have any receivables that are impaired as at 31 December 2014 and 2013. During the year, there was nil (2013: US$48,591) bad debts recovered.

7. Amounts due from joint venture

Amounts due from joint venture are non-trade, interest-bearing at 4.25% per annum when denominated in Euro, at 4.75% per annum when denominated in USD and 7.25% per annum when denominated in Singapore Dollar. There is no fixed term of repayment.

8. Amounts due from related party

These amounts due from a shareholder of the joint venture, are non-trade in nature, secured by 600,000 ordinary shares held in Smartflex Innovation Pte Ltd by the related party and interest-bearing at 8% per annum. There is no fixed term of repayment.

Notes to the Financial Statements

31 December 2014

9. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	US$	US$	**US$**	US$
Cash at banks and in hand	**5,046,011**	3,918,730	**11,263**	13,788
Fixed deposits with banks	**1,513,796**	–	**–**	–
	6,559,807	3,918,730	**11,263**	13,788

Included in cash and cash equivalents at 31 December are the following foreign currency denominated balances:

	Group		Company	
	2014	2013	**2014**	2013
	US$	US$	**US$**	US$
Singapore Dollar	**1,999,383**	668,541	**11,263**	13,788
Euro	**39,266**	176,925	**–**	–

10. Trade payables

	Group	
	2014	2013
	US$	US$
Trade payables	**1,788,690**	3,401,815
Other payables and accruals (Note 11)	**1,018,362**	928,725
Loans and borrowings (Note 12)	**2,318,282**	2,412,056
Total financial liabilities carried at amortised cost	**5,125,334**	6,742,596

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group	
	2014	2013
	US$	US$
Singapore Dollar	**124,665**	221,536
Euro	**491,962**	878,187
Great British Pound	**–**	11,305

Notes to the Financial Statements

31 December 2014

11. Other payables and accruals

	Group		Company	
	2014	2013	**2014**	2013
	US$	US$	**US$**	US$
Accruals	**920,199**	804,889	**72,558**	94,756
Deposits received and other payables	**98,163**	123,836	**–**	–
	1,018,362	928,725	**72,558**	94,756

12. Loans and borrowings

	Maturity	Group	
		2014	2013
		US$	US$
Bank loans (current):			
– Euro loans	2015	**338,205**	–
– USD loans	On demand/2016	**345,743**	464,133
– USD trade finance facilities	2015	**1,047,119**	1,162,327
– Euro trade finance facilities	2015	**587,215**	785,596
		2,318,282	2,412,056
Bank loans (non current):			
– Euro loans	2018	**901,880**	–
– USD loan	2018	**212,907**	–
		1,114,787	–

The loans are secured by a fixed charge over the plant and machinery.

The loans and trade finance facilities, which are at floating rates, bear interest ranging from 1.16% to 1.75% (2013: 1.15% to 1.85%) and 1.04% to 1.52% (2013: 1.15% to 1.55%) per annum respectively.

In addition to the basic loan terms and specific clauses defining default events, the USD loans include a loan amounting to US$265,903 (2013: US$464,133) that has an overriding repayment on demand clause for a loan which gives the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. Accordingly, the Company has classified the bank loan to current liabilities.

Notes to the Financial Statements
31 December 2014

13. Deferred tax liability

	Group	
	2014	2013
	US$	US$
Deferred tax liability can be analysed as follows:		
Differences in depreciation for tax purposes	**870,436**	804,391
Others	**(30,727)**	(45,246)
	839,709	759,145

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26).

14. Provision for reinstatement

	Group	
	2014	2013
	US$	US$
At 1 January	**251,825**	227,025
Provision made during the year	**–**	24,800
At 31 December	**251,825**	251,825

Provision for reinstatement refers to the estimated cost of dismantling, removing and restoring the rented property at the end of the lease term.

15. Share capital

	Group and Company			
	2014	**2014**	2013	2013
	No. of shares		No. of shares	
	'000	**US$**	'000	US$
At 1 January	**96,440**	**10,236,190**	82,440	9,125,528
Issuance of new ordinary shares	**30,000**	**2,808,004**	14,000	1,110,662
Share issuance expense	**–**	**(130,524)**	–	–
At 31 December	**126,440**	**12,913,670**	96,440	10,236,190

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

As at 31 December 2014, a total amount of US$1,811,052 of the net proceeds from the issuance of new ordinary shares have been used in repayments of invoice financing borrowing and payments to suppliers to meet the working capital requirements of the Group. The use of proceeds is in accordance with the stated use of the placement in the Company's announcement on 10 October 2014.

Notes to the Financial Statements
31 December 2014

16. Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the paid-in capital of the acquisition of Smartflex Technology Pte Ltd which was accounted for under the pooling of interest method of accounting.

17. Other income

	Group	
	2014	2013
	US$	US$
Interest income from:		
– joint venture	**86,037**	48,036
– related party	**64,472**	19,946
– bank	**2,372**	510
Bad debts written back	**–**	48,591
Foreign exchange gain	**249,939**	–
Government grants	**36,434**	–
Rental income from joint venture	**26,068**	24,746
Others	**7,903**	10,249
	473,225	152,078

18. Finance costs

	Group	
	2014	2013
	US$	US$
Interest expense on:		
– trade finance facilities	**28,521**	37,405
– term loans	**14,133**	10,397
– bank overdraft	**16**	155
	42,670	47,957

Notes to the Financial Statements
31 December 2014

19. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2014	2013
	US$	US$
Audit fees:		
– Auditors of the Company	**37,459**	48,214
– Overprovision of audit fees in prior year	**(11,313)**	–
Non-audit fees:		
– Auditors of the Company	**14,751**	9,202
Total audit and non-audit fees	**40,897**	57,416
Depreciation of property, plant and equipment	**1,711,699**	1,723,207
Property, plant and equipment written off	**72**	4,513
Inventories recognised as an expense in cost of sales (Note 5)	**14,784,313**	14,943,962
Inventories written off (Note 5)	**50,787**	–
Rental expense – operating lease	**507,495**	503,145
Foreign exchange (gain)/loss	**(249,939)**	78,454
Bad debts written back	**–**	48,591
Personnel and related costs:		
– salaries and bonus	**4,670,233**	3,891,099
– directors' fees	**62,407**	69,448
– employer's contributions to Central Provident Fund	**364,945**	285,477

Notes to the Financial Statements

31 December 2014

20. Income tax expense/(credit)

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December are:

	Group	
	2014	2013
	US$	US$
Current income tax:		
Current income taxation	**175,758**	–
Under/(over) provision in respect of previous year	**60,328**	(27,838)
	236,086	(27,838)
Deferred income tax:		
Origination and reversal of temporary differences	**80,944**	(303,184)
Overprovision of deferred tax liability in respect of previous years	**(380)**	(20,268)
	80,564	(323,452)
Income tax expense/(credit) recognised in the statement of comprehensive income	**316,650**	(351,290)

(b) Relationship between tax expense/(credit) and accounting profit

A reconciliation between the tax expense/(credit) and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December are as follows:

	Group	
	2014	2013
	US$	US$
Accounting profit/(loss) before income tax	**1,526,562**	(392,221)
Tax expense/(credit) on profit before tax at 17% (2013: 17%)	**259,516**	(66,678)
Income not subject to tax	**(32,954)**	(885)
Non-deductible expenses	**16,322**	56,443
Effect of partial tax exemption and tax rebate	**(44,055)**	–
Tax benefits from Productivity and Innovation Credit	**(10,251)**	(312,555)
Share of results of joint venture	**61,101**	39,063
Under/(over) provision in respect of previous years	**59,948**	(48,106)
Others	**7,023**	(18,572)
Tax expense/(credit)	**316,650**	(351,290)

Notes to the Financial Statements

31 December 2014

21. Earnings per share

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit for the year, net of tax, attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2014	2013
	US$	US$
Profit/(loss) net of tax attributable to shareholders	**1,209,912**	(40,931)
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**100,550**	89,574

Notes to the Financial Statements

31 December 2014

22. Segment information

For management purposes, the Group is organised as a single operating segment entity as it is principally engaged in the fabrication and packaging of smart card chip modules. The management of the Group regularly reviews the segment result in order to allocate resource and assess the segment performance.

Geographical Information

Revenue based on geographical locations of customers for the years ended 31 December 2014 and 2013 are as follows:

(a) Revenue

	Group			
	2014		2013	
	US$'000	**%**	US$'000	%
Europe	**7,252**	**29**	4,636	20
East Asia	**3,937**	**15**	4,184	18
South Asia*	**13,901**	**55**	12,623	55
Others	**337**	**1**	1,637	7
Total	**25,427**	**100**	23,080	100

* This includes revenue from Singapore of US$13,326,274 (2013: US$11,306,897).

(b) Non-current assets

Non-current assets of US$6,715,663 (2013: US$7,292,874) which consist of property, plant and equipment and investment in joint venture, are located in Singapore for the year ended 31 December 2014.

(c) Information about major customers

Revenues from top ten customers of the Group's single segment represent approximately 93.0% (2013: 90.9%) of the Group's total revenues. These customers are located in East Asia, South Asia, Europe and Eastern Africa.

Notes to the Financial Statements

31 December 2014

23. Related party transactions

		Group	
		2014	2013
		US$	US$
(a)	**Sales and purchases of goods and services**		
	With joint venture:		
	Purchases	**6,064**	–
	Interest income	**86,037**	48,036
	Rental income	**26,068**	24,746
	Utilities charges	**2,932**	1,330
	With related party:		
	Interest income	**64,472**	19,946
(b)	**Compensation of key management personnel**		
	Short-term employee benefits	**1,143,922**	922,983
	Central Provident Fund contributions	**68,736**	48,606
		1,212,658	971,589
	Comprise amounts paid to:		
	Directors of the Company	**488,521**	449,615

24. Commitments

Operating lease commitments

At the end of the reporting period, the Group has outstanding rental commitments for premises under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	US$	US$
Not later than 1 year	**498,387**	471,648
Later than 1 year but not later than 5 years	**868,322**	1,387,898
	1,366,709	1,859,546

The leases typically run for an initial tenure of between one to five years. Certain leases include options to renew the leases after the expiry of the initial leases. The leases contain escalation clauses but there are no restrictions placed upon the Group by entering into these leases.

Notes to the Financial Statements

31 December 2014

25. Contingent liabilities

	Group	
	2014	2013
	US$	US$
Bankers' guarantees	**200,772**	209,268
Corporate guarantees	**1,259,402**	1,789,358

Guarantees

The Group has provided guarantees at the end of the reporting period:

– At the end of the financial year ended 31 December 2014, the Group had approximately US$200,772 (2013: US$209,268) bankers' guarantees issued in lieu of rental deposits to landlords for office and manufacturing facility.

– It has guaranteed its interest in its share of the joint venture's loan of US$1,259,402 (2013: US$1,789,358).

The outstanding bankers' guarantees were in respect of certain performance bonds in the ordinary course of business as at 31 December 2014.

26. Dividends

	Group and Company	
	2014	2013
	US$	US$
Declared and paid during the financial year		
First interim exempt (one-tier) dividend for 2014 of S$0.005 (2013: NIL cents) per ordinary share	**386,515**	–
Final exempt (one-tier) dividend for 2014 of NIL cents (2013: S$0.0030) per ordinary share	**–**	200,433
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders approval at the AGM		
Final exempt (one-tier) dividend for 2014 of S$0.0035 (2013: NIL cents) per ordinary share#	**334,958**	–

For the purpose of this disclosure, the proposed final exempt (one-tier) dividend is translated at exchange rate of US$1: S$1.32118 as at 31 December 2014.

Notes to the Financial Statements

31 December 2014

27. Financial risk management objectives and policies

The Group's principal financial instruments comprise bankers' guarantees, bank loans, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions with banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. As at 31 December 2014, the Group does not hold any foreign exchange forward contracts for trading or speculative purposes.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The management reviews and agrees policies and procedures for managing each of these risks.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Foreign currency risk

The Group's exposure to foreign exchange risk mainly arises from cash flows from anticipated transactions denominated in foreign currencies. The Group's policy is to use appropriate financial instruments to hedge foreign currency risk with the objective of limiting the effects of changes in foreign currency fluctuations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% (2013: 1%) change in SGD and EUR, with all other variables held constant, on the Group's profit after tax.

		Group	
		2014	2013
		US$	US$
		Increase/(Decrease) in profit after tax	
Against USD			
SGD	Strengthened	**13,709**	(2,256)
	Weakened	**(13,709)**	2,256
EUR	Strengthened	**(18,415)**	(11,219)
	Weakened	**18,415**	11,219

Notes to the Financial Statements
31 December 2014

27. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In the aspect of credit risk arising from the inability of customers of the Company to make payments when their receivables fall due, it is the Group's policy to provide credit terms to creditworthy and reputable customers. These receivables are continually monitored on an ongoing basis to ensure that issues arising from non-collectibility are minimised. Therefore, the Group does not expect material credit losses on its debts with customers.

Exposure to credit risk

The Group's maximum exposure to credit risk, in the event that the counter-parties to the transactions with the Group fail to perform their obligations as of the end of the reporting period in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet, and is generally limited to the amounts, if any, by which the counter-parties' obligations exceed the obligations of the Group.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country segments profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2014		2013	
	US$	**% of total**	US$	% of total
By geographical segments:				
South Asia	**1,511,176**	**49**	1,620,009	47
East Asia	**448,592**	**15**	637,183	18
Europe	**1,078,681**	**35**	1,203,286	35
Others	**24,802**	**1**	2,835	–
Total	**3,063,251**	**100**	3,463,313	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into a reputable financial institution with a high credit rating and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 6.

Notes to the Financial Statements
31 December 2014

27. Financial risk management objectives and policies (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their interest-bearing loans and bank deposits.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of interest rates by 100 (2013: 100) basis points lower/higher with all other variables held constant on the Group's profit after tax as a result of change in interest rates on floating rate bank balances and loans and borrowings.

	2014	2013
	US$	US$
	Increase/(Decrease) in profit after tax	
Increase by 100 basis points	**(3,239)**	(18,436)
Decrease by 100 basis points	**3,239**	18,436

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains sufficient cash and availability of funding through committed credit facilities and continued financial support from shareholders to meet its liquidity requirements.

At the end of the reporting period, 67.5% (2013: 100%) of the Group's loans and borrowings (Note 12) will mature in less than one year based on the carrying amount reflected in the financial statements.

Notes to the Financial Statements

31 December 2014

27. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayments obligations.

	One year or less US$	One to five years US$	Over five years US$	Total US$
Group				
2014				
Financial assets:				
Trade and other receivables	**3,143,694**	**–**	**–**	**3,143,694**
Amounts due from joint venture	**2,069,042**	**–**	**–**	**2,069,042**
Amounts due from related party	**929,418**	**–**	**–**	**929,418**
Cash and cash equivalents	**6,559,807**	**–**	**–**	**6,559,807**
Total undiscounted financial assets	**12,701,961**	**–**	**–**	**12,701,961**
Financial liabilities:				
Trade payables	**1,788,690**	**–**	**–**	**1,788,690**
Other payables and accruals	**1,018,362**	**–**	**–**	**1,018,362**
Loans and borrowings	**2,328,147**	**1,127,931**	**–**	**3,456,078**
Total undiscounted financial liabilities	**5,135,199**	**1,127,931**	**–**	**6,263,130**
Total net undiscounted financial assets	**7,566,762**	**(1,127,931)**	**–**	**6,438,831**
Group				
2013				
Financial assets:				
Trade and other receivables	3,480,575	–	–	3,480,575
Amounts due from joint venture	924,306	–	–	924,306
Amounts due from related party	662,836	–	–	662,836
Cash and cash equivalents	3,918,730	–	–	3,918,730
Total undiscounted financial assets	8,986,447	–	–	8,986,447
Financial liabilities:				
Trade payables	3,401,815	–	–	3,401,815
Other payables and accruals	928,725	–	–	928,725
Loans and borrowings	2,430,954	–	–	2,430,954
Total undiscounted financial liabilities	6,761,494	–	–	6,761,494
Total net undiscounted financial assets	2,224,953	–	–	2,224,953

Notes to the Financial Statements

31 December 2014

27. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	One year or less US$	One to five years US$	Over five years US$	Total US$
Company				
2014				
Financial assets:				
Cash and cash equivalents	**11,263**	**–**	**–**	**11,263**
Amount due from subsidiary	**4,765,220**	**–**	**–**	**4,765,220**
Total undiscounted financial assets	**4,776,483**	**–**	**–**	**4,776,483**
Financial liabilities:				
Other payables and accruals	**72,558**	**–**	**–**	**72,558**
Total undiscounted financial liabilities	**72,558**	**–**	**–**	**72,558**
Total net undiscounted financial assets	**4,703,925**	**–**	**–**	**4,703,925**
2013				
Financial assets:				
Cash and cash equivalents	13,788	–	–	13,788
Amount due from subsidiary	1,534,257	–	–	1,534,257
Total undiscounted financial assets	1,548,045	–	–	1,548,045
Financial liabilities:				
Other payables and accruals	94,756	–	–	94,756
Total undiscounted financial liabilities	94,756	–	–	94,756
Total net undiscounted financial assets	1,453,289	–	–	1,453,289

Notes to the Financial Statements

31 December 2014

28. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 6), cash and bank balances (Note 9), trade payables (Note 10), other payables and accruals (Note 11), current loans and borrowings and non-current loans and borrowings at floating rates (Note 12)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is gross debt divided by total shareholder's funds. The Group is required to comply with the financial covenants imposed by its bankers which require the subsidiary company to have a gearing ratio not exceeding 150% (2013: 150%) and net worth not less than SGD4,500,000 (2013: SGD4,500,000). The Group includes within net debt, loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

Notes to the Financial Statements

31 December 2014

29. Capital management (cont'd)

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	2014	2013
	US$	US$
Total gross debt:		
Loans and borrowings	**3,433,069**	2,412,056
Shareholders' funds:		
Share capital	**12,913,670**	10,236,190
Revenue reserves	**7,846,688**	7,023,291
Merger reserve	**(4,988,397)**	(4,988,397)
	15,771,961	12,271,084
Gross debt equity ratio	**0.22**	0.20
Cash and cash equivalents	**6,559,807**	3,918,730
Less: Total gross debt	**(3,433,069)**	(2,412,056)
Net cash position	**3,126,738**	1,506,674

30. Authorisation of financial statements

The audited financial statements as at and for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of directors on 20 March 2015.

Shareholdings Statistics

As at 16 March 2015

Number of Shares	:	126,440,002#
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

The Company does not have any treasury shares

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2015)

	No. of Shares			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Tan Gee Beng Private Limited	57,139,331	45.19	–	–
Tan Ah Chew	8,845,000	7.00	290,000*	0.23
Tan Tong Guan	565,001	0.45	57,139,331**	45.19
Tan Geok Moey	–	–	57,139,331**	45.19
Tan Yoke Hong	–	–	57,139,331**	45.19
Goh Hun Keng	5,567,093	4.40	5,168,178***	4.09
Ho Yuet Hoe Jenny @ Ho Yuet Heng	5,168,178	4.09	5,567,093***	4.40

Notes:

* Mr Tan Ah Chew is deemed to have an interest in the 290,000 shares held by his spouse.

** Mr Tan Tong Guan, Ms Tan Geok Moey and Ms Tan Yoke Hong are deemed to have an interest in the shares held by Tan Gee Beng Private Limited by virtue of Section 7 of the Companies Act, Cap. 50 (the "Act").

*** Mr. Goh Hun Keng is deemed to have an interest in the shares held by his spouse Ms Ho Yuet Hoe Jenny @ Ho Yuet Heng, and vice versa.

SHAREHOLDINGS IN THE HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2015, approximately 35.89% of the issued ordinary shares of the Company are held by the public and therefore, the Company is in compliance with Rule 723 of Section B: Rules of Catalist of the SGX-ST Listing Manual.

Shareholdings Statistics

As at 16 March 2015

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	156	35.06	155,727	0.12
1,001 – 10,000	138	31.01	863,000	0.68
10,001 – 1,000,000	138	31.01	22,214,372	17.57
1,000,001 AND ABOVE	13	2.92	103,206,903	81.63
TOTAL	**445**	**100.00**	**126,440,002**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TAN GEE BENG PRIVATE LTD	57,139,331	45.19
2	UOB KAY HIAN PRIVATE LIMITED	8,981,500	7.10
3	TAN AH CHEW	8,845,000	7.00
4	GOH HUN KENG	5,567,093	4.40
5	HO YUET HOE JENNY @ HO YUET HENG	5,168,178	4.09
6	NG ENG SENG	3,480,001	2.75
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,437,000	2.72
8	FOO TIANG ANN	2,900,000	2.29
9	LOW SEE CHING (LIU SHIJIN)	2,500,000	1.98
10	TAN BOON KIAT VINCENT (CHEN WENJIE VINCENT)	1,991,000	1.57
11	TAN HIOK JU JULIA	1,180,000	0.93
12	OCBC SECURITIES PRIVATE LIMITED	1,009,000	0.80
13	FOO SEK LOCK	1,008,800	0.80
14	LIM BAN THOON	1,000,000	0.79
15	TAN WAN LING (CHEN WANREN)	1,000,000	0.79
16	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	794,000	0.63
17	ANG AH NUI	772,000	0.61
18	ANG SIN LIU	772,000	0.61
19	HO KOK FI JOHN	750,000	0.59
20	JUSTINA ONG	750,000	0.59
	TOTAL	**109,044,903**	**86.23**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SMARTFLEX HOLDINGS LTD. (the "Company") will be held at HDB Hub Convention Centre, Punggol Room, B1, 480, Toa Payoh Lorong 6, Singapore 310480, on Friday, 24 April 2015 at 3.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 0.35 Singapore cents per ordinary share for the financial year ended 31 December 2014 (2013: Nil). **(Resolution 2)**

3. To re-elect Dr Ng Eng Seng Eric, a Director who is retiring pursuant to Article 91 of the Articles of Association of the Company.

   [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Teo Yi-Dar, a Director who is retiring pursuant to Article 91 of the Articles of Association of the Company.

   [See Explanatory Note (ii)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$82,000 for the financial year ended 31 December 2014. (2013: S$86,000) **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual - Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual - Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

Notice of Annual General Meeting

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual - Section B: Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Wong Chuen Shya (Huang Chunxia)
Company Secretary

Singapore, 9 April 2015

Explanatory Notes:

(i) Dr Ng Eng Seng Eric will upon re-election as a Director of the Company remain as the Chief Executive Officer of the Company.

(ii) Mr Teo Yi-Dar will upon re-election as a Director of the Company remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Mr Teo Yi-Dar is considered independent pursuant to Rule 704(7) of the Listing Manual - Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

(iii) Resolution 7, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notice of Annual General Meeting

Notes:

1. A Member entitled to attend and vote at the AGM may appoint more than one proxy to attend and vote in his/her stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 27 Ubi Road 4, #04-01, Singapore 408618, not later than forty-eight (48) hours before the time appointed for holding AGM.

3. 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") this being the SGX-ST Listing Manual Section B: Rules of the Catalist ("Catalist Rules"). The Sponsor has not independently verified the contents of this announcement.

   This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

   The contact person for the Sponsor is Mr Chew Kok Liang, Registered Professional, RHT Capital Pte Ltd, Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381-6757.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of SMARTFLEX HOLDINGS LTD. (the "Company") will be closed on 6 May 2015 for the purpose of determining the entitlements of the Company's shareholders ("Shareholders") to a final tax exempt (one-tier) dividend of 0.35 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 5 May 2015.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place Singapore Land Tower #32-01 Singapore 048623 up to 5.00 p.m. on 5 May 2015 will be registered to determine entitlements to the said dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 24 April 2015 will be made on 19 May 2015.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)
(Incorporated In the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Smartflex Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____________________

of ____________________

being a member/members of Smartflex Holdings Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("Meeting") of the Company to be held at HDB Hub Convention Centre, Punggol Room, B1, 480, Toa Payoh Lorong 6, Singapore 310480, on Friday, 24 April 2015 at 3.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2.	Payment of proposed final tax exempt (one-tier) dividend		
3.	Re-election of Dr Ng Eng Seng Eric as a Director of the Company		
4.	Re-election of Mr Teo Yi-Dar as a Director of the Company		
5.	Approval of Directors' fees		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
7.	Authority to issue additional shares pursuant to Section 161 of the Companies Act Cap. 50		

Dated this __________ day of __________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* *Delete where inapplicable*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any other named proxy as alternate(s) to the first named.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 27 Ubi Road 4, #04-01, Singapore 408618 not later than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2015.

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