



Smartflex Holdings Ltd.

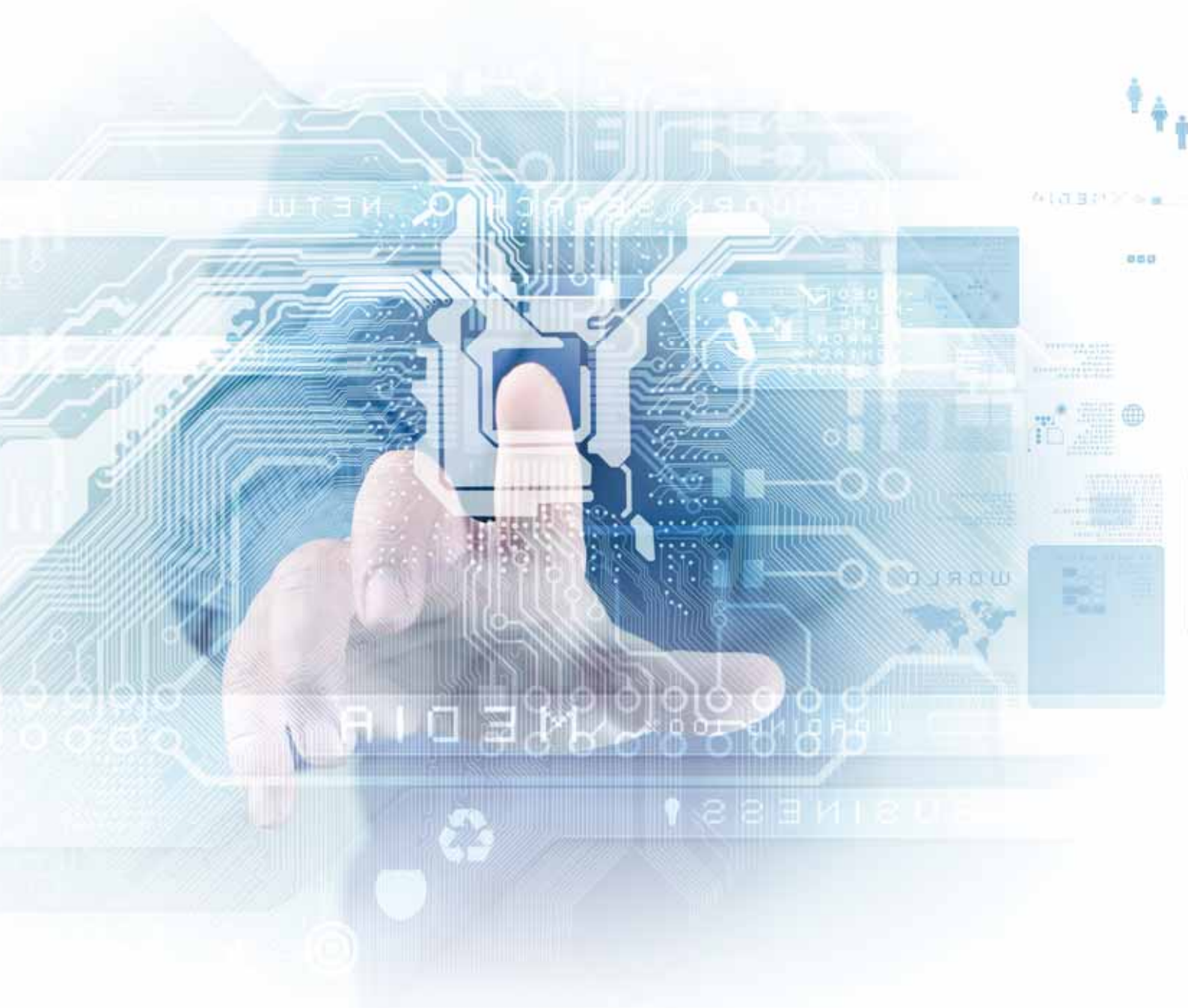
(Company Registration No. 201003501R)



ANNUAL REPORT 2012



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This Annual Report and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("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 Tony Toh, Senior Vice President, Corporate Finance, CIMB Bank Berhad, Singapore Branch, 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337-5115.

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Smartflex Vision

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

Smartflex 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 3,077.20 sq m, our 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 the United States.

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.



Financial Highlights



	2012 US\$ million	2011 US\$ million	2010 US\$ million
Revenue	25.1	25.3	26.8
Gross profit	4.6	5.5	6.3
Profit after tax	0.6	1.3	2.1
Shareholders' Funds	11.4	11.2	10.6

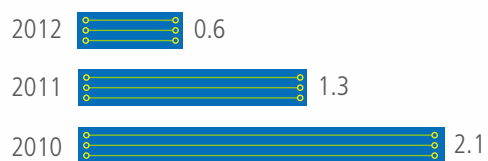
Revenue US\$ million



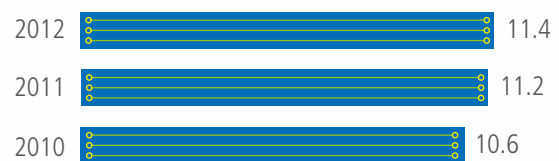
Gross profit US\$ million



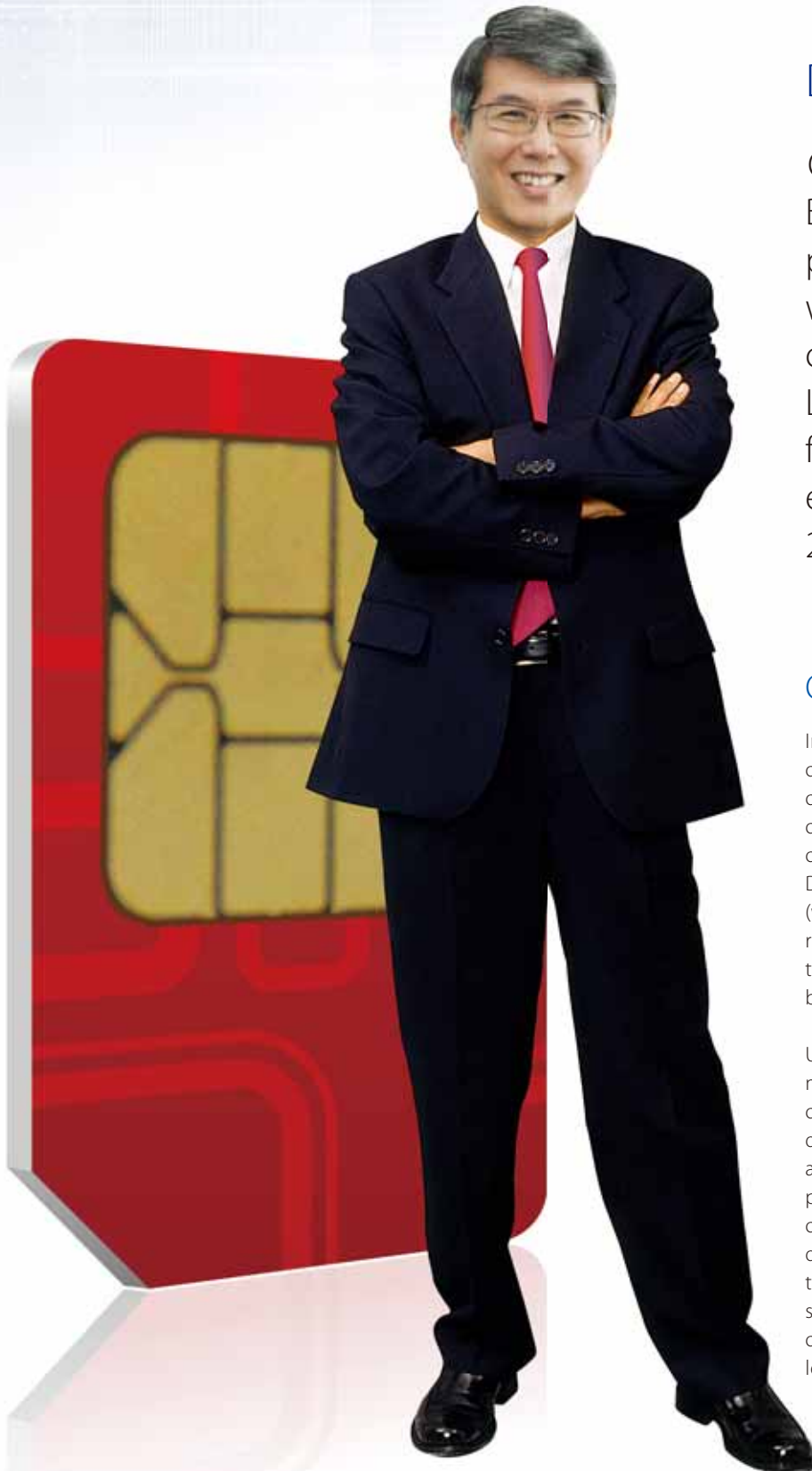
Profit after tax US\$ million



Shareholders' Funds US\$ million



Chairman's **Statement**



Dear Shareholders,

On the behalf of our Board of Directors, I am pleased to present you with the annual report of Smartflex Holdings Limited (“the Group”) for the financial year ended 31 December 2012 (FY2012).

Overview

In our last annual report, we mentioned our concerns about the uncertain state of the global economy while at the operational level, the strengthening of the Singapore Dollar against the US Dollar and the escalating price of gold (which constitute a key portion of our raw material costs) meant we expect to face pressure on both our top and bottom-line in 2012.

Unfortunately, our concerns materialized as going into 1H2012, our revenue was marginally lower due to the ongoing Eurozone crisis as well as aggressive short-term pricing by competitors. The drop in our revenue continued into 2H2012 as demand weakened from our mainstay telecommunications market. This situation was exacerbated by higher operating and raw material costs, leading to a slight loss in 2H2012.

On a full year basis, while we were profitable, net profit dropped by about US\$0.7 million from US\$1.3 million in FY2011 to US\$0.6 million in FY2012.

To increase our resilience against the volatile operating environment, we continue to emphasize on strengthening our cashflow and balance sheet. For FY2012, we generated US\$3.1 million in net operating cashflow (FY2011: US\$2.9 million). Our cash position increased to US\$4.3 million as at the end of 31 December 2012 compared to US\$3.3 million previously. We are in a net cash position of US\$0.9 million.

Overall, we continue to maintain close ties with our customers, which include MNCs such as Oberthur Technologies, Eastcom Peace Smart Card and STMicroelectronics, through provision of a full range of smart card module related testing and assembly services.

Outlook & Strategy

Eurosmart, the non-profit Smart Card industry body, expects global shipment of smart cards to continue to grow in 2013, forecasting an 8% year-on-year increase to 7.7 billion units¹. This will be driven by a few factors including strong growth in demand for dual cards in contact and contactless formats for retail banking, government and healthcare identification purposes, Near Field Communications-related applications² as well as the telecommunications sector of developing markets like South America.

For us, unfortunately we experienced weak demand from our key geographical markets of China and India in 2012 where we are mainly servicing telecommunication-related end customers. We expect that the weakening in these markets for our products will continue into 2013. In addition, with the expected strengthening of the Singapore Dollar against the US Dollar and the tightening of labour market, our gross margin is expected to continue to be thin.

As such, we are mindful of the urgency to overcome our challenges so as to improve our financial performance.

We will expedite the execution of our three-pronged strategy which comprise of firstly improving our operational efficiency to stay cost-effective, secondly diversification of our customer base beyond telecommunications and current geographical markets for earnings stability and lastly, introduction of new smart card-based products for differentiation and margin improvement.

In terms of new smart card-based products, Smartflex Innovation Pte Ltd, our joint venture company is expected to launch a key new product in 2013 to help diversify our product offerings.

Welcoming of New Independent Director

I would also like to take this opportunity to welcome Mr Teo

Yi-Dar, who has been appointed as our Independent Director with effect from 22 February 2013. With a wealth of investment and corporate experience, Mr Teo is currently the Investment Director of SEAVI Advent Private Equity and sits on the boards of several prominent listed companies, including Yangzijiang Shipbuilding (Holdings) Ltd, the largest S-Chip by market capitalization listed on the Singapore Exchange.

My fellow Directors and I look forward to his invaluable contributions and counsel in shaping Smartflex's future strategy.

Appreciation & Dividend

In closing, I would like to express my appreciation for the steadfast support of our customers, staff and business associates. In appreciation of our shareholders, the Board is pleased to recommend a first and final tax exempt dividend of 0.30 Singapore cents per ordinary share, subject to shareholder approval at the upcoming Annual General Meeting.

I look forward to meeting you at our Annual General Meeting on 26th April 2013.

Mr Tan Tong Guan

Co-founder & Executive Chairman
30 March 2013

¹ Eurosmart, <http://www.eurosmart.com/publications/market-overview.html>, 6th November 2012

² Near field communication (NFC) is a set of standards for smart devices (and unpowered NFC chips) to establish radio communication with each other by bringing them into close proximity. Present and anticipated applications include contactless transactions, data exchange, and simplified setup of Wi-Fi. (Source: NFC Forum)

Directors Profile

Tan Tong Guan

Co-founder and Executive Chairman

Tan Tong Guan, age 49, co-founder and Executive Chairman, was appointed to the Board on 17 February 2010. 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 is presently 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 non-practising member (FCPA) of the Institute of Certified Public Accountants of Singapore. Mr Tan is the brother of Ms Tan Geok Moey (our Non-Executive Director).

Eric Ng

Co-founder, CEO and Executive Director

Eric Ng, age 42, co-founder, CEO and Executive Director, was appointed to the Board on 17 February 2010. Dr Ng is responsible for managing the sales, business development and operations of the 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, age 52, Non-Executive Director, was appointed to the Board on 15 March 2010. 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, age 60, Independent Director, was appointed to the Board on 15 March 2010. He is also a chairman of the Audit Committee. He is currently the managing partner of Verity Partners, a public accounting practice. Mr Chan brings over 25 years of experience as a public accountant. Mr Chan holds various directorships and is an independent director and chairman of the Audit committee and a member of the Nominating and Remuneration committees of Sing Holdings Limited. Mr Chan holds a Bachelor of Accountancy from the University of Singapore and a Fellow Certified Public Accountant with the Institute of Certified Public Accountants in Singapore.

Teo Zee Vee

Non-Executive and Independent Director

Teo Zee Vee, age 45, Independent Director, was appointed to the Board on 15 March 2010. He is also chairman of both the Nominating and Remuneration Committee. Mr Teo brings with him over 15 years of experience in the smart card industry. Mr Teo holds a Bachelor of Engineering (Electrical) from the National University of Singapore, obtained in 1993.

Teo Yi-Dar

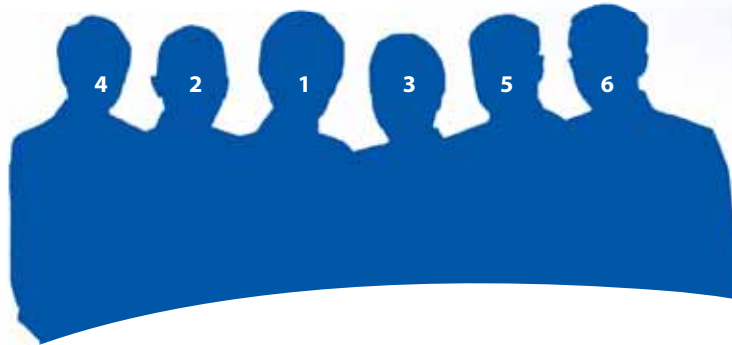
Non-Executive and Independent Director

Teo Yi-Dar, age 41, was appointed Independent Director of the Company on 22 February 2013. He is also an Independent Director of Yangzijiang Shipbuilding Ltd, China Yuanbang Property Ltd, Net Pacific Financial Holdings Ltd and Hainan Shuangcheng Pharmaceuticals 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 awarded the Chartered Financial Analyst by the CFA Institute in 2001.



- 1 Tan Tong Guan
- 2 Eric Ng
- 3 Tan Geok Moey
- 4 Chan Kum Kit
- 5 Teo Zee Vee
- 6 Teo Yi-Dar



Operating & Financial Review



Review of Income Statement

Revenue

Geographical Segment	FY2012 revenue (US\$'000)	As % of Group's revenue	FY2011 revenue (US\$'000)	As % of Group's revenue	Increase/ (Decrease) %
Europe	4,537	18	5,956	24	(23.8)
East Asia	5,725	23	3,350	13	70.9
South Asia	14,380	57	15,294	60	(5.5)
Others	427	2	733	3	(41.7)
Total	25,069	100	25,333	100	(1.0)

The Group's revenue decreased by approximately USD0.2 million or 1.0% from USD25.3 million in FY2011 to USD25.1 million in FY2012 due to a dip in demand for the Group's products as a result of slowdown in the telecommunication and banking industries.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased

by approximately USD0.9 million or 17.0% from USD5.5 million in FY2011 to USD4.6 million in FY2012 due to the decrease in sales volume. Gross profit margin declined from 21.8% in FY2011 to 18.4% in FY2012, mainly due to product price erosion and increase in costs of key direct materials.

Other Income

Other income in FY2012 comprised mainly of interest and rental income of

USD15K and USD56K respectively from the Group's joint venture, Smartflex Innovation Pte Ltd.

Finance Expenses

Finance expenses increased by USD0.03 million or 78.5% from USD0.04 million in FY2011 to USD0.07 million in FY2012 due mainly to the increased usage of trade finance facilities in FY2012. In FY2012, a small gain in foreign exchange of USD27K was recorded



as all foreign currency transactions were done at dates nearer to their requirement.

Taxation

The Group was able to utilize fully the tax benefits granted under the Productivity and Innovation Credit Scheme (PIC). As such, there was no tax expense for FY2012 compared with tax expense of USD0.15 million in FY2011.

Net Profit

For the reasons mentioned above, the Group's net profit attributable to owners of the Company decreased by approximately USD0.7 million or 55.8% from USD1.3 million in FY2011 to USD0.6 million in FY2012.

Review of Financial Position

Non-current Assets

The Group's plant and equipment net of depreciation decreased by approximately USD0.7 million or 8.4% as compared to 31 December 2011. Additions made in the year amounted to USD1.0 million. Depreciation charges increased by USD0.2 million from USD1.5 million in FY2011 to USD1.7 million in FY2012.

Current Assets

The Group's inventories as at 31 December 2012 increased by approximately USD0.9 million or 30.7% from the preceding year, mainly due to advanced purchase of certain direct materials.

The Group's trade and other receivables as at 31 December 2012 decreased by approximately USD0.8 million or 27.4% as compared to 31 December 2011. This is in line with the decrease in revenue in FY2012. Trade debt of approximately USD58K owed by a customer was written off in FY2012.

Current Liabilities

The Group's trade and other payables as at 31 December 2012 increased by approximately USD0.9 million or 29.7% as compared to 31 December 2011 mainly due to additional purchase of certain direct materials.

Banking Facilities

The Group's short term loans and borrowings increased by approximately USD0.9 million or 38.7% as compared to 31 December 2011 mainly due to the classification of additional equipment term loans totaling approximately USD768K as current liabilities. This is in accordance with Singapore Financial Reporting Standards (SFRS) 1, Presentation of Financial Statements which requires all borrowings that may be recalled by bank at short notice to be classified as short term borrowings. As a result, the Group has no long term loans and borrowings as of 31 December 2012.

Review of Cash Flow Statement

Operating Activities

The Group's operating cash flows before working capital requirement in FY2012 was USD2.3 million. The Group's net cash generated from operating activities in FY2012 was approximately USD3.1 million as compared with USD2.9 million in FY2011. The increase was derived from a decrease in trade receivables of approximately USD1.0 million and increase in trade payables of approximately USD1.1 million. This was offset by an increase in inventory of approximately USD0.9 million.

Investing Activities

The Group's net cash outflow from investing activities for FY2012 was approximately USD2.5 million as compared to USD1.6 million in FY2011, due to approximately USD1.0 million of investment in new factory equipment, capital contribution of USD0.9 million to a joint venture and loan of USD0.6 million to a joint venture.

Financing Activities

The Group's net cash inflow from financing activities was approximately USD0.4 million as compared to cash outflow of USD0.9 million in FY2011. This comprised proceeds from term loan and trade finance facilities of approximately USD0.8 million, which was offset by dividend payments of approximately USD0.4 million.

Key Management Profile

Yeo Choon Tat *Financial Controller*

Yeo Choon Tat, age 59, Financial Controller, is mainly responsible for the finance and administration matters of our Group which involves the overall management of our Group's financial reporting, internal control and accounting processes. Mr Yeo joined the Group in September 2008 and brings with him over 30 years of Finance, Accounting and Management experience in high technology industry. Mr Yeo holds a Bachelor of Accountancy from the University of Singapore and is a Fellow Member of The Institute of Certified Public Accountants of Singapore, CPA Australia (FCPA Australia) and the ACCA U.K. (FACCA).

Pang Sze Yong *Product Director*

Pang Sze Yong, age 41, Product Director, responsible for new products development and management. Mr Pang joined our Group in October 2005 and brings with him over 10 years of relevant experience in sales and business 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.

Vincent Sim *Human Resource Manager*

Vincent Sim, age 45, is the 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. Vincent 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.

Mok Wai Ping *Sales Director*

Mok Wai Ping, age 34, Sales Director, responsible for sales and business development of our Group. Ms Mok joined our Group in 2012 and has more than 8 years of relevant experience in sales and business development in the smartcard industry. Ms Mok holds a Diploma in Marketing Communications from Temasek Polytechnic and a Honours Degree in Management from the University of Manchester.

Thiam Kok Lee *QA Manager*

Thiam, age 47, is the QA Manager of our subsidiary, Smartflex Technology Pte Ltd. He joined in January 2013 and has more than 22 years of experience in Quality Engineering, including 12 years in managerial positions. He holds a Diploma (Mechanical Engineering) from Ngee Ann Polytechnic, and is a certified Six Sigma Black Belt since 2002.

All the key managers are employees of Smartflex Technology Pte Ltd and none of them is related to any director or substantial shareholder of the Company.

Corporate Information

Board of Directors

Tan Tong Guan	<i>Executive Chairman</i>
Eric Ng Eng Seng	<i>CEO and Executive Director</i>
Tan Geok Moey	<i>Non-Executive Director</i>
Teo Zee Vee	<i>Independent Director</i>
Chan Kum Kit	<i>Independent Director</i>
Teo Yi-Dar	<i>Independent Director</i>

(Appointed on 22.02.2013)

Audit Committee

Chan Kum Kit	<i>Chairman (Independent)</i>
Teo Zee Vee	<i>Member (Independent)</i>
Tan Geok Moey	<i>Member (Non-Executive)</i>
Teo Yi-Dar	<i>Member (Independent)</i>

Nominating Committee

Teo Zee Vee	<i>Chairman (Independent)</i>
Chan Kum Kit	<i>Member (Independent)</i>
Tan Geok Moey	<i>Member (Non-Executive)</i>
Teo Yi-Dar	<i>Member (Independent)</i>

Remuneration Committee

Teo Zee Vee	<i>Chairman (Independent)</i>
Chan Kum Kit	<i>Member (Independent)</i>
Tan Geok Moey	<i>Member (Non-Executive)</i>
Teo Yi-Dar	<i>Member (Independent)</i>

Company Secretaries

Chew Kok Liang, RHT
Nathaniel Chelvarajah Vanniasingham, RHT
Telephone: (65) 6381 6966
Fax: (65) 6381 6967

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Share Registrar

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Fax: (65) 6337 5335

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Yee Woon Yim
(Appointed from the financial year ended 31 December 2012)
Telephone: (65) 6535 7777
Fax: (65) 6532 7662

Principal Bankers

Australia and New Zealand Banking Group Limited (ANZ)
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited

Precision, Productivity & Purpose



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Report on Corporate Governance

Smarflex 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 2005 (the "**Code**").

The Company confirms there has been no deviation from the Code in the year under review.

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 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 corporate strategies 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;
- setting the Company's values and standards, and ensuring that obligations to shareholders and others are understood and met; and
- Reviewing the Group's financial performance, risk management processes and systems, human resource requirements and corporate governance practices.

To assist the Board in the discharge of its functions, the Audit Committee, the Nominating Committee and the Remuneration Committee 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.

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 videoconferencing 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.

Report on Corporate Governance

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.

The attendance of the Directors at meetings of the Board and Board Committees in 2012 are 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*	–	2*	–	2*
Eric Ng Eng Seng	2	2	–	2*	–	2*	–	2*
Tan Geok Moey	2	2	2	2	2	2	2	2
Teo Zee Vee	2	2	2	2	2	2	2	2
Chan Kum Kit	2	2	2	2	2	2	2	2
Teo Yi-Dar ⁽¹⁾	2	1 ⁽²⁾	2	1 ⁽²⁾	2	1 ⁽²⁾	2	1 ⁽²⁾

* Attended by invitation

(1) Appointed as director with effect from 22 February 2013

(2) By Invitation

Report on Corporate Governance

Principle 2: Board Composition and Balance

The Board currently comprises 2 Executive Directors, 1 Non-Executive Director and 3 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	CEO and Executive Director
Tan Geok Moey	Non-Executive Director
Teo Zee Vee	Non-Executive and Independent Director
Chan Kum Kit	Non-Executive and Independent Director
Teo Yi-Dar*	Non-Executive and Independent Director

* Note: Appointed as director with effect from 22 February 2013

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 Non-Executive and Independent Directors will assist to develop strategy and goals for the Group and regularly assess the performance of the management, and monitor the reporting of performance.

A brief profile of each Director is set out on pages 6 and 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.

Principle 3: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separate 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. 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 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 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 Zee Vee	Chairman (Non-Executive and Independent)
Chan Kum Kit	Member (Non-Executive and Independent)
Tan Geok Moey	Member (Non-Executive)
Teo Yi-Dar	Member (Non-Executive and Independent)

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 candidates 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.

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 will, subject to the approval of the Board, implement a process for evaluating the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board and set objective performance criteria for such evaluation.

Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for Board and Committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the Nominating Committee.

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

The Remuneration Committee performs the following functions:

- recommends to the Board a framework of remuneration for the Directors and Executive Officers, 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 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.

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 Executive Officers

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.

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 3 years. While our Executive Directors have entered into services agreements with our 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.

Report on Corporate Governance

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 from any subsidiary) of the Company's Directors and Executive Officers (who are not also directors) for the financial year ended 31 December 2012 are as follows:

Remuneration band and Name of Director/Executive Officers Below S\$250,000	Base/Fixed salary	Bonus	Directors' fees	Benefits-in-kind	Total
Directors					
Tan Tong Guan	93.08%	6.92%	–	–	100%
Eric Ng Eng Seng	94.16%	5.84%	–	–	100%
Tan Geok Moey	–	–	100%	–	100%
Teo Zee Vee	–	–	100%	–	100%
Chan Kum Kit	–	–	100%	–	100%
Executive Officers					
Yeo Choon Tat	98.73%	1.27%	–	–	100%
Pang Sze Yong	98.70%	1.30%	–	–	100%
Mok Wai Ping	99.03%	0.97%	–	–	100%
Vincent Sim Chee Hui	98.60%	1.40%	–	–	100%
Ng Kim Khoon	100.00%	N.A.	–	–	100%

There is no employee of the Group who is an immediate family member of any Director and whose remuneration exceeded S\$150,000 during the financial year ended 31 December 2012. "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.

Report on Corporate Governance

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.

Principle 11: Audit Committee

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

Chan Kum Kit	Chairman (Non-Executive and Independent)
Teo Zee Vee	Member (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 an employee 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.

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;

Report on Corporate Governance

- 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, operational and compliance controls, and 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 external 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 Audit Committee will review 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 12: Internal Controls

The Audit Committee will review the reports submitted by the internal auditors relating to the effectiveness of the Group's significant internal controls, including financial, operational and compliance controls, risk management, and risks of fraud and irregularities, as well as the financial reporting control findings reported by the external auditors in connection with their statutory audit. 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 and compliance controls and risk management to ensure that they are adequate to meet the needs of the Company in its current business environment.

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

The Board and the AC 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 external auditors and reviews performed by management, the Board with the concurrence of the Audit Committee is of the opinion that the Group's internal controls are adequate in addressing the financial, operational and compliance risks of the Group.

Report on Corporate Governance

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, Nexia TS Public Accounting Corporation, 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 of the internal audit function.

Principle 14 and 15: 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.

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 circulars or electronics mails to its Directors, Executive Officers and employees that they must not trade in the shares of the Company during the period commencing 1 month before the release of the half year and year-end results and ending on the date of such announcements. In addition, Directors and Executive Officers 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.

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.

Report on Corporate Governance

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 2012:

	2012 US\$'000	Group 2011 US\$'000
Audit fees	44	35
Non-audit fees:		
Tax service fee	14	8
Total audit and non-audit fees	58	43

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 2012.

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 2012.

Directors

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

Tan Tong Guan
 Ng Eng Seng Eric
 Chan Kum Kit
 Tan Geok Moey
 Teo Zee Vee
 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:

Name of director	Number of ordinary shares			
	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
The Company				
Tan Tong Guan	565,001	565,001	51,170,000	51,170,000
Ng Eng Seng Eric	3,480,001	3,480,001	–	–
Tan Geok Moey	–	–	51,170,000	51,170,000
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 2013.

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

Ng Eng Seng Eric

Director

Singapore
22 March 2013

Statement by Directors

We, Tan Tong Guan and Ng Eng Seng Eric, 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 2012 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

Ng Eng Seng Eric

Director

Singapore
22 March 2013

Independent Auditor's Report

To the Members of Smartflex Holdings Ltd

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 30 to 70, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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

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 2012 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 Certified Public Accountants

Singapore
22 March 2013

Balance Sheets

As at 31 December 2012

	Note	Group		Company	
		2012 US\$	2011 US\$	2012 US\$	2011 US\$
Non-current assets					
Property, plant and equipment	3	7,931,248	8,660,727	–	–
Investment in subsidiary	4	–	–	7,197,408	7,197,408
Investment in joint venture	4	947,893	–	1,094,512	–
		8,879,141	8,660,727	8,291,920	7,197,408
Current assets					
Inventories	5	4,030,639	3,083,600	–	–
Trade and other receivables	6	2,239,414	3,084,359	–	–
Amount due from subsidiary		–	–	634,013	1,907,010
Amounts due from joint venture	14	599,771	–	–	–
Prepayments		53,371	317,216	3,820	4,025
Cash and cash equivalents	7	4,276,870	3,281,227	8,147	7,647
		11,200,065	9,766,402	645,980	1,918,682
Total assets		20,079,206	18,427,129	8,937,900	9,116,090
Current liabilities					
Trade payables	8	3,425,798	2,246,241	–	–
Other payables and accruals	9	595,280	853,717	77,953	74,091
Loans and borrowings	10	3,340,658	2,408,218	–	–
Amount due to joint venture	14	6,062	–	6,062	–
Tax payable		–	327,729	–	–
		7,367,798	5,835,905	84,015	74,091
Net current assets		3,832,267	3,930,497	561,965	1,844,591
Non-current liabilities					
Deferred tax liability	11	(1,082,597)	(1,259,362)	–	–
Loans and borrowings	10	–	(91,564)	–	–
Provision for reinstatement	15	(227,025)	–	–	–
Net assets		11,401,786	11,240,298	8,853,885	9,041,999
Share capital	12	9,125,528	9,125,528	9,125,528	9,125,528
Revenue reserves		7,264,655	7,103,167	(271,643)	(83,529)
Merger reserve	13	(4,988,397)	(4,988,397)	–	–
Total equity		11,401,786	11,240,298	8,853,885	9,041,999
Total equity and liabilities		20,079,206	18,427,129	8,937,900	9,116,090

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 2012

	Note	2012 US\$	2011 US\$
Revenue	16	25,069,376	25,332,870
Cost of sales		(20,476,222)	(19,797,957)
Gross profit		4,593,154	5,534,913
Other income	17	73,736	4,668
Selling and distribution expenses		(61,660)	(57,624)
General and administrative expenses		(3,976,289)	(3,951,938)
Finance expense	18	(65,245)	(36,561)
Share of results of joint venture		(146,619)	–
Profit before taxation	19	417,077	1,493,458
Taxation	20	176,765	(149,070)
Profit net of tax		593,842	1,344,388
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income attributable to equity holders of the Company		593,842	1,344,388
Earnings per share (in US\$ cents)			
Basic and diluted	21	0.72	1.63

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 2012

Group	Share capital	Accumulated profits	Merger reserve	Total reserves	Total equity
	(Note 12)		(Note 13)		
	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2012	9,125,528	7,103,167	(4,988,397)	2,114,770	11,240,298
Profit for the year	–	593,842	–	593,842	593,842
Total comprehensive income for the year	–	593,842	–	593,842	593,842
Dividends on ordinary shares (Note 25)	–	(432,354)	–	(432,354)	(432,354)
Total contributions by and distributions to owners	–	(432,354)	–	(432,354)	(432,354)
Balance at 31 December 2012	9,125,528	7,264,655	(4,988,397)	2,276,258	11,401,786
Balance at 1 January 2011	9,125,528	6,429,230	(4,988,397)	1,440,833	10,566,361
Profit for the year	–	1,344,388	–	1,344,388	1,344,388
Total comprehensive income for the year	–	1,344,388	–	1,344,388	1,344,388
Dividends on ordinary shares (Note 25)	–	(670,451)	–	(670,451)	(670,451)
Total contributions by and distributions to owners	–	(670,451)	–	(670,451)	(670,451)
Balance at 31 December 2011	9,125,528	7,103,167	(4,988,397)	2,114,770	11,240,298

Company	Share capital	Accumulated losses	Total equity
	(Note 12)		
	US\$	US\$	US\$
Balance at 1 January 2012	9,125,528	(83,529)	9,041,999
Profit for the year	–	244,240	244,240
Total comprehensive income for the year	–	244,240	244,240
Dividends on ordinary shares (Note 25)	–	(432,354)	(432,354)
Total contributions by and distributions to owners	–	(432,354)	(432,354)
Balance as at 31 December 2012	9,125,528	(271,643)	8,853,885
Balance at 1 January 2011	9,125,528	(759,621)	8,365,907
Profit for the year	–	1,346,543	1,346,543
Total comprehensive income for the year	–	1,346,543	1,346,543
Dividends on ordinary shares (Note 25)	–	(670,451)	(670,451)
Total contributions by and distributions to owners	–	(670,451)	(670,451)
Balance at 31 December 2011	9,125,528	(83,529)	9,041,999

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 2012

	2012 US\$	2011 US\$
Cash flows from operating activities		
Profit before taxation	417,077	1,493,458
Adjustments for:		
Depreciation of property, plant and equipment	1,732,929	1,519,145
Property, plant and equipment written off	322	175,270
Bad debts written off	57,591	–
Interest income	(1,904)	–
Interest expense	65,245	36,561
Operating cash flows before working capital changes	2,271,260	3,224,434
Decrease in trade and other receivables and prepayments	1,051,199	552,066
Increase in inventories	(947,039)	(1,833,464)
Increase in trade and other payables	1,148,145	995,085
Cash generated from operations	3,523,565	2,938,121
Interest received	1,904	–
Interest paid	(65,245)	(36,561)
Income tax paid	(327,729)	–
Net cash flows generated from operating activities	3,132,495	2,901,560
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,003,772)	(1,617,274)
Investment in joint venture	(947,893)	–
Net loan to joint venture	(593,709)	–
Net cash flows used in investing activities	(2,545,374)	(1,617,274)
Cash flows from financing activities		
Proceeds from term loan	760,500	–
Repayment of loans and borrowings	(1,018,098)	(180,232)
Proceeds from trade finance facilities	1,098,474	–
Dividends paid	(432,354)	(670,451)
Net cash flows generated from/(used in) financing activities	408,522	(850,683)
Net increase in cash and cash equivalents	995,643	433,603
Cash and cash equivalents at beginning of the year (Note 7)	3,281,227	2,847,624
Cash and cash equivalents at end of the year (Note 7)	4,276,870	3,281,227

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

Notes to the Financial Statements

31 December 2012

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 are located at 27 Ubi Road 4, #04-04, 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 that are effective for annual periods beginning on or after 1 January 2012. 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 and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Amendments to FRS 107 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Improvements to FRSs 2012	1 January 2013
Amendment to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2013
Amendment to FRS 16 <i>Property, Plant and Equipment</i>	1 January 2013
Amendment to FRS 32 <i>Financial Instruments: Presentation</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

Notes to the Financial Statements

31 December 2012

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

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

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies equity method for its joint ventures and does not expect the adoption of FRS 111 to affect the Group's financial statement presentation.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

Notes to the Financial Statements

31 December 2012

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

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. However, 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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

(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 the end of each reporting period 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.

Notes to the Financial Statements

31 December 2012

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

2.4 Significant accounting estimates and judgements (cont'd)

(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 2012 was Nil (2011: US\$327,729), and US\$1,082,597 (2011: US\$1,259,362) respectively.

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 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 takes place. Comparatives are presented as if the entities had always been combined since the date the entities had common control.

Notes to the Financial Statements

31 December 2012

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

2.6 Foreign currency

The Group's consolidated 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 determined.

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.

(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.

Notes to the Financial Statements

31 December 2012

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is provided on all property, plant and equipment at the following rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life.

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 to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment, 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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

31 December 2012

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 to sell 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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 entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.10 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in the joint venture using the equity method.

Notes to the Financial Statements

31 December 2012

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

2.10 Joint venture (cont'd)

Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in other comprehensive income of the investor. The financial statements of the joint venture are prepared as of the same reporting date as the Company.

2.11 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.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 directly 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 marketplace concerned.

Notes to the Financial Statements

31 December 2012

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

2.12 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 assets 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 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 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 2012

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

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, 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.

2.14 Trade and other debtors

Trade and other debtors are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12.

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.

Notes to the Financial Statements

31 December 2012

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

2.16 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised 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 derecognition 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.

2.17 Trade and other payables

Liabilities for trade and other creditors, which are usually settled on 30-90 day terms are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements

31 December 2012

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

2.18 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.

2.19 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings 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 as well as through the amortisation process.

2.20 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.

Notes to the Financial Statements

31 December 2012

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

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

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.

2.22 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.

Notes to the Financial Statements

31 December 2012

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

2.23 Revenue recognition

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. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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.

2.24 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 investments in subsidiaries, associates and interests in joint ventures, 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 2012

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

2.24 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

31 December 2012

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

2.24 Taxes (cont'd)

(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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 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.

2.26 Share capital and share issue 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.

2.27 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

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

2.28 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

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3. Property, plant and equipment

Group	Computers	Office	Furniture	Renovation	Plant and	Factory	Total
	US\$	equipment	and fittings	US\$	machinery	equipment	US\$
		US\$	US\$		US\$	US\$	US\$
Cost							
At 1 January 2011	125,258	88,663	66,257	507,795	12,586,010	62,209	13,436,192
Additions	3,199	61,744	262,123	694,471	552,059	43,678	1,617,274
Written off	(3,905)	(11,005)	(7,973)	(432,446)	(240,373)	(182)	(695,884)
At 31 December 2011 and 1 January 2012	124,552	139,402	320,407	769,820	12,897,696	105,705	14,357,582
Additions	58,930	9,299	20,579	-	898,152	16,812	1,003,772
Written off	(104)	(129)	(250)	-	(1,377)	-	(1,860)
At 31 December 2012	183,378	148,572	340,736	769,820	13,794,471	122,517	15,359,494
Accumulated depreciation							
At 1 January 2011	95,331	82,160	35,967	321,933	4,117,897	45,036	4,698,324
Charge for the year	19,917	12,208	55,897	104,598	1,307,373	19,152	1,519,145
Written off	(2,479)	(10,369)	(3,741)	(344,125)	(159,718)	(182)	(520,614)
At 31 December 2011 and 1 January 2012	112,769	83,999	88,123	82,406	5,265,552	64,006	5,696,855
Charge for the year	11,406	23,077	99,976	162,619	1,414,204	21,647	1,732,929
Written off	(104)	(129)	(250)	-	(1,055)	-	(1,538)
At 31 December 2012	124,071	106,947	187,849	245,025	6,678,701	85,653	7,428,246
Net book value							
At 31 December 2012	59,307	41,625	152,887	524,795	7,115,770	36,864	7,931,248
At 31 December 2011	11,783	55,403	232,284	687,414	7,632,144	41,699	8,660,727

Assets pledged as security

The Group's plant and machinery with carrying amounts of approximately US\$1,626,500 (2011: US\$4,289,200) are subject to a fixed charge as security for bank facilities (Note 10).

Notes to the Financial Statements

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4. Investments in subsidiary and joint venture

a) Investment in subsidiary

	Company	
	2012 US\$	2011 US\$
Equity shares, at cost	7,197,408	7,197,408

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2012	2011
Smartflex Technology Pte Ltd	Singapore	Assembly and testing of Smartcard IC modules	100	100

b) Investment in joint venture

	Company	
	2012 US\$	2011 US\$
Equity shares, at cost	1,094,512	–

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2012	2011
Smartflex Innovation Pte Ltd	Singapore	Development, assembly and testing of smart card solution	70	–

Notes to the Financial Statements

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

b) Investment in joint venture (cont'd)

The summarized financial information of the jointly-controlled entity, not adjusted for the proportion of interest held by the Group, is as follows:

	2012 US\$	2011 US\$
Assets and liabilities:		
Current assets	407,576	–
Non-current assets	4,588,666	–
Total assets	4,996,242	–
Current liabilities, representing total liabilities	3,632,595	–
Income and expenses:		
Income	39,247	–
Expenses	(248,703)	–

5. Inventories

	Group	
	2012 US\$	2011 US\$
Balance sheet:		
At cost:		
Raw materials	3,570,319	2,904,966
Consumables	196,032	113,636
Spare parts	45,262	64,998
Finished goods	219,026	–
	4,030,639	3,083,600
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	(16,477,509)	(16,043,286)
Inclusive of writeback of allowance for inventory obsolescence	–	9,913

Notes to the Financial Statements

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6. Trade and other receivables

	2012	Group
	US\$	2011 US\$
Trade receivables	2,208,347	3,057,890
Deposits	31,067	26,469
Total trade and other receivables	2,239,414	3,084,359
Add: Amount due from joint venture	599,771	–
Add: Cash and bank balances	4,276,870	3,281,227
Total loans and receivables	7,116,055	6,365,586

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

	2012	Group
	US\$	2011 US\$
Singapore Dollar	68,305	4,534

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$991,411 (2011: US\$773,125) 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:

	2012	Group
	US\$	2011 US\$
Trade receivables past due:		
Less than 30 days	661,689	649,874
30 to 60 days	329,372	123,251
60-90 days	350	–
	991,411	773,125

Receivables that are impaired

The Group does not have any receivables that are impaired as at 31 December 2012 and 2011. During the year, bad debts of US\$57,591 were written off (2011: Nil).

Notes to the Financial Statements

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7. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	US\$	US\$	US\$	US\$
Cash at banks and in hand	4,276,870	3,281,227	8,147	7,647

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

	Group		Company	
	2012	2011	2012	2011
	US\$	US\$	US\$	US\$
Singapore Dollar	581,591	1,954,685	8,147	7,647
Euro	318,385	1,719	-	-

8. Trade payables

	Group	
	2012	2011
	US\$	US\$
Trade payables	3,425,798	2,246,241
Accruals, deposits received and other payables (Note 9)	595,280	853,717
Loans and borrowings (Note 10)	3,340,658	2,499,782
Total financial liabilities carried at amortised cost	7,361,736	5,599,740

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

	Group	
	2012	2011
	US\$	US\$
Singapore Dollar	213,353	342,465
Euro	947,762	199,105

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9. Other payables and accruals

	Group		Company	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
Accruals	485,417	798,267	77,953	74,091
Deposits received and other payables	109,863	55,450	–	–
	595,280	853,717	77,953	74,091

10. Loans and borrowings

	Group	
	2012 US\$	2011 US\$
Bank loans (current):		
– Euro loan	42,451	103,103
– USD loans ^(*)	725,725	831,107
– USD trust receipts	1,717,264	1,383,461
– Euro trust receipts	855,218	90,547
	3,340,658	2,408,218
Bank loans (non-current):		
– Euro loans	–	41,398
– USD loans	–	50,166
	–	91,564

Included in the USD denominated loans is a loan secured by a fixed charge over the plant and machinery.

The loans which are at floating rates bear interest ranging from 1.21% to 2.57% (2011: 1.19% to 2.85%) per annum.

In addition to the basic loan terms and specific clauses defining default events, the above bank loans also include an overriding repayment on demand clause 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 above bank loans to current liabilities.

(*) As at 31 December 2012, this balance comprised of a loan amounting to US\$663,017 (2011: Nil) with a maturity on 31 March 2016.

Notes to the Financial Statements

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11. Deferred tax liability

	Group	
	2012 US\$	2011 US\$
Deferred tax liability can be analysed as follows:		
Differences in depreciation for tax purposes	1,111,880	1,287,520
Others	(29,283)	(28,158)
	1,082,597	1,259,362

There are no income tax consequences (2011: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 25).

12. Share capital

	Group and Company			
	2012	2012	2011	2011
	No. of shares '000	US\$	No. of shares '000	US\$
At 1 January and 31 December	82,440	9,125,528	82,440	9,125,528

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.

13. 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.

14. Amounts due from/(to) 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.

Amount due to joint venture is non-trade, interest-free and repayable on demand.

Notes to the Financial Statements

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15. Provision for reinstatement

	Group	
	2012	2011
	US\$	US\$
Provision for reinstatement	227,025	–

16. Revenue

	Group	
	2012	2011
	US\$	US\$
Sale of goods	25,069,376	25,332,870

17. Other income

	Group	
	2012	2011
	US\$	US\$
Finance income	16,763	405
Rental income	55,880	–
Others	1,093	4,263
	73,736	4,668

18. Finance expense

	Group	
	2012	2011
	US\$	US\$
Interest expense on bank loans	(65,245)	(36,561)

Notes to the Financial Statements

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19. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Group	
	2012	2011
	US\$	US\$
Audit fees:		
– Auditors of the Company	(43,807)	(35,799)
Non-audit fees:		
– Auditors of the Company	–	(9,718)
– Other auditors	(15,791)	(14,563)
Total audit and non-audit fees	(59,598)	(60,080)
Depreciation of property, plant and equipment	(1,732,929)	(1,519,145)
Property, plant and equipment written off	(322)	(175,270)
Writeback of allowance for inventory obsolescence	–	9,913
Rental expense – operating lease	(409,531)	(455,277)
Foreign exchange differences, net	27,671	(51,739)
Bad debts written off	(57,591)	–
Personnel and related costs:		
– salaries and bonus	(3,151,592)	(3,030,220)
– directors' fees	(76,237)	(62,943)
– employer's contributions to Central Provident Fund	(198,381)	(229,580)

Notes to the Financial Statements

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20. Taxation

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

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

	Group	
	2012 US\$	2011 US\$
Current income tax:		
Current year	-	(327,729)
Overprovision in respect of previous year	-	326,473
	-	(1,256)
Deferred income tax:		
Origination and reversal of temporary differences	176,765	65,918
Under provision in respect of previous years	-	(213,732)
	176,765	(147,814)
Income tax benefit/(expense) recognised in the statement of comprehensive income	176,765	(149,070)

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

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

	Group	
	2012 US\$	2011 US\$
Accounting profit before income tax	417,077	1,493,458
Tax expense on profit before taxation at 17% (2011: 17%)	(70,903)	(253,888)
Income not subject to tax	1,057	684
Non-deductible expenses	(12,871)	(47,839)
Effect of partial tax exemption	26,842	39,232
Tax benefits from Productivity and Innovation Credit	223,969	-
Share of results of joint venture	(24,925)	
Net overprovision in respect of previous years	-	112,741
Others	33,596	-
Tax benefit/(expense)	176,765	(149,070)

Notes to the Financial Statements

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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	
	2012	2011
	US\$	US\$
Profit net of tax attributable to shareholders	593,842	1,344,388
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	82,440	82,440

Notes to the Financial Statements

31 December 2012

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 2012 and 2011 are as follows:

(a) Revenue

	2012		2011	
	US\$'000	%	US\$'000	%
Europe	4,537	18	5,956	24
East Asia	5,725	23	3,350	13
South Asia	14,380	57	15,294	60
Others	427	2	733	3
Total	25,069	100	25,333	100

(b) Non-current assets

Non-current assets of US\$8,879,141 (2011: US\$8,660,727) which consist of property, plant and equipment and investment in joint venture are located in South Asia for the year ended 31 December 2012.

(c) Information about major customers

Revenues from three customers of the Group's single segment represent approximately US\$12,775,880 (2011: US\$12,372,803) of the Group's total revenues. These customers are located in East Asia, South Asia and Europe.

Notes to the Financial Statements

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23. Related party transactions

	Group	
	2012	2011
	US\$	US\$
(a) Sales and purchases of goods and services		
With joint venture:		
Interest income	14,459	–
Rental income	55,880	–
Costs recharged	313	–
(b) Compensation of key management personnel		
Short-term employee benefits	440,707	379,772
Central Provident Fund contributions	20,142	19,662
	460,849	399,434
<i>Comprise amounts paid to:</i>		
Directors of the Company	460,849	399,434

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	
	2012	2011
	US\$	US\$
Not later than 1 year	478,962	360,865
Later than 1 year but not later than 5 years	1,370,414	1,412,925

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

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25. Dividends

	Group		Company	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
<i>Declared and paid during the financial year</i>				
Final exempt (one-tier) dividend for 2012 of S\$0.65 cents (2011: S\$1 cents) per ordinary share	432,354	670,451	432,354	670,451
<i>Proposed but not recognised as a liability as at 31 December:</i>				
<i>Dividends on ordinary shares, subject to shareholders approval at the AGM</i>				
Final exempt (one-tier) dividend for 2012 of S\$0.30 cents (2011: S\$0.65 cents) per ordinary share	202,108	427,290	202,108	427,290

26. 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, 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Notes to the Financial Statements

31 December 2012

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

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% (2011: 1%) change in SGD and EUR, with all other variables held constant, on the Group's profit after taxation.

		Group	
		2012	2011
		US\$	US\$
		Profit after tax	Profit after tax
Against USD			
SGD	Strengthened	1,490	11,900
	Weakened	(1,490)	(11,900)
EUR	Strengthened	(12,674)	(3,589)
	Weakened	12,674	3,589

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.

Notes to the Financial Statements

31 December 2012

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

Credit risk (cont'd)

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 at the end of the reporting period is as follows:

	2012		2011	
	US\$	% of total	US\$	% of total
By geographical segments:				
South Asia	1,328,676	60	2,353,350	77
East Asia	510,213	23	134,345	4
Europe	343,569	15	551,172	18
Others	39,150	2	13,832	1
Total	2,221,608	100	3,052,699	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

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26. 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 to 1% (2011: 1%) change in the interest rates lower/higher with all other variables held constant on the Group's profit after tax.

	2012	2011
	US\$	US\$
	Profit after tax	Profit after tax
Increase in 1% interest rate	450	160
Decrease in 1% interest rate	(450)	(160)

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, 100% (2011: 96%) of the Group's loans and borrowings (Note 10) will mature in less than one year based on the carrying amount reflected in the financial statements.

Notes to the Financial Statements

31 December 2012

26. 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.

Group	2012			2011		
	One year or less US\$	One to five years US\$	Over five years US\$	One year or less US\$	One to five years US\$	Over five years US\$
Financial assets:						
Trade and other receivables	2,839,185	-	-	3,084,359	-	-
Cash and cash equivalents	4,276,870	-	-	3,281,227	-	-
Total undiscounted financial assets	7,116,055	-	-	6,365,586	-	-
Financial liabilities:						
Trade payables	3,425,798	-	-	2,246,241	-	-
Other payables and accruals	595,280	-	-	853,717	-	-
Amount due from joint venture	6,062	-	-	-	-	-
Loans and borrowings	3,340,658	-	-	2,408,218	91,564	-
Total undiscounted financial liabilities	7,367,798	-	-	5,508,176	91,564	-
Total net undiscounted financial (liabilities)/assets	(251,743)	-	-	857,410	(91,564)	-
						765,846
						2,499,782
						5,599,740
						3,084,359
						3,281,227
						6,365,586
						2,246,241
						853,717
						6,062
						3,340,658
						7,367,798
						(251,743)
						857,410
						(91,564)
						765,846

Notes to the Financial Statements

31 December 2012

26. 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				
2012				
Financial assets:				
Cash and cash equivalents	8,147	–	–	8,147
Amounts due from subsidiary	634,013	–	–	634,013
Total undiscounted financial assets	642,160	–	–	642,160
Financial Liabilities:				
Other liabilities	77,953	–	–	77,953
Amount due to joint venture	6,062	–	–	6,062
Total undiscounted financial liabilities	84,015	–	–	84,015
Total net undiscounted financial assets	558,145	–	–	558,145
2011				
Financial assets:				
Cash and cash equivalents	7,647	–	–	7,647
Amounts owing from subsidiary	1,907,010	–	–	1,907,010
Total undiscounted financial assets	1,914,657	–	–	1,914,657

27. Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, and bank loans at floating rates, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Notes to the Financial Statements

31 December 2012

28. 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 2012 and 31 December 2011.

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% (2011: 150%) and net worth not less than SGD4,000,000 (2011: SGD4,000,000). 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.

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

	Group	
	2012	2011
	US\$	US\$
Total gross debt:		
Loans and borrowings	3,340,658	2,499,782
Shareholders' funds:		
Share capital	9,125,528	9,125,528
Revenue reserves	7,264,655	7,103,167
Merger reserve	(4,988,397)	(4,988,397)
	11,401,786	11,240,298
Gross debt equity ratio	0.29	0.22
Cash and cash equivalents	4,276,870	3,281,227
Less: Total gross debt	(3,340,658)	(2,499,782)
Net cash position	936,212	781,445

29. Authorisation of financial statements

The audited financial statements as at and for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of directors on 22 March 2013.

Shareholdings Statistics

As At 19 March 2013

Number of Shares	:	82,440,002*
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 19 March 2013)

Name of Substantial Shareholder	Direct Interest	No. of Shares		
		%	Deemed Interest	%
Tan Gee Beng Private Limited	51,170,000	62.07	–	–
Smartron Technology Pte Ltd	14,150,000	17.16	–	–
Tan Tong Guan	565,001	0.69	51,170,000*	62.07
Tan Geok Moey	–	–	51,170,000*	62.07
Tan Yoke Hong	–	–	51,170,000*	62.07
Ho Yuet Hoe Jenny @ Ho Yuet Heng	–	–	14,150,000**	17.16

Notes:

* 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").

** Ms Ho Yuet Hoe Jenny @ Ho Yuet Heng is deemed to have an interest in the shares held by Smartron Technology Pte Ltd by virtue of Section 7 of the Act.

SHAREHOLDINGS IN THE HANDS OF PUBLIC

Based on information available to the Company as at 19 March 2013, approximately 15.86% 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 Catalyst of the SGX-ST Listing Manual.

Shareholdings Statistics

As At 19 March 2013

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	0	0.0	0	0.00
1,000 – 10,000	339	73.22	1,213,000	1.47
10,001 – 1,000,000	121	26.13	12,427,001	15.07
1,000,001 and above	3	0.65	68,800,001	83.46
	463	100.00	82,440,002	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	TAN GEE BENG PRIVATE LIMITED	51,170,000	62.07
2.	SMARTRON TECHNOLOGY PTE LTD	14,150,000	17.16
3.	NG ENG SENG	3,480,001	4.22
4.	LIM BAN THOON	1,000,000	1.21
5.	TAN AH CHEW	845,000	1.02
6.	ANG AH NUI	772,000	0.94
7.	ANG SIN LIU	772,000	0.94
8.	CIMB SECURITIES (SINGAPORE) PTE LTD	685,000	0.83
9.	TAN TONG GUAN	565,001	0.69
10.	LIM KIAN HENG	500,000	0.61
11.	LIM SOO YONG	450,000	0.55
12.	TAN KOON HUA (CHEN KUNHUA)	305,000	0.37
13.	SIM AI LIAN	290,000	0.35
14.	LIM KIAT HUA	230,000	0.28
15.	MARCUS STEPHAN HAUER	230,000	0.28
16.	PHILLIP SECURITIES PTE LTD	222,000	0.27
17.	SIO SIT PO	220,000	0.27
18.	ANG CHIAN POH	200,000	0.24
19.	ONG BEE DEE	200,000	0.24
20.	WONG CHOY PENG	200,000	0.24
	Total:	76,486,002	92.78

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SMARTFLEX HOLDINGS LTD. (“the Company”) will be held at SGX Auditorium, 2 Shenton Way, #02-00 Podium, SGX Centre 1, Singapore 068804, on Friday, 26 April 2013 at 4.15 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 2012 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt (one-tier) dividend of 0.30 Singapore cents per ordinary share for the financial year ended 31 December 2012. (2011: 0.65 Singapore cents per ordinary share) **(Resolution 2)**
3. To re-elect Ms Tan Geok Moey, 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 97 of the Articles of Association of the Company.
[See Explanatory Note (ii)] **(Resolution 4)**
5. To note the retirement of Mr Teo Zee Vee pursuant to Article 91 of the Articles of Association of the Company at the conclusion of this Annual General Meeting. Mr Teo Zee Vee has decided not to seek for re-election.
[See Explanatory Note (iii)]
6. To approve the payment of Directors’ fees of S\$82,000 for the financial year ended 31 December 2012. (2011: S\$82,000) **(Resolution 5)**
7. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
8. 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:

9. 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 percentage 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 and 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 (iv)]

(Resolution 7)

By Order of the Board

Chew Kok Liang/Nathaniel C.V.
Secretaries

Singapore, 11 April 2013

Explanatory Notes:

- (i) Ms Tan Geok Moey will upon re-election as a Director of the Company remain as a member of the Remuneration; Nominating and Audit Committee and shall be considered as a Non-Executive director of the Company.
- (ii) Mr Teo Yi-Dar will upon re-election as a Director of the Company be the Chairman of the Remuneration Committee and Nominating Committee and a member of the Audit Committee. Mr Teo will be considered independent pursuant to Rule 704(7) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.
- (iii) With the retirement of Mr Teo Zee Vee as Director of the Company pursuant to Article 91 of the Articles of Association of the Company at the conclusion of the Annual General Meeting, Mr Teo Zee Vee will concurrently cease to be a member of the Audit Committee and the Chairman of the Nominating Committee and Remuneration Committee.
- (iv) 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 Annual General Meeting (the "Meeting") may appoint not more than two proxies 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 must be deposited at the Registered Office of the Company at 27 Ubi Road 4, #04-04, Singapore 408618, not later than forty-eight (48) hours before the time appointed for holding Annual General Meeting.
3. This notice and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("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 notice.

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

The contact person for the Sponsor is Mr Tony Toh, Senior Vice President, Corporate Finance, CIMB Bank Berhad, Singapore Branch, 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337-5115.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of **SMARTFLEX HOLDINGS LTD.** (the "Company") will be closed on 8 May 2013 for the purpose of determining the entitlements of the Company's shareholders ("Shareholders") to a first and final tax exempt (one-tier) dividend of 0.30 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 7 May 2013.

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 7 May 2013 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 26 April 2013 will be made on 27 May 2013.

By Order of the Board

Chew Kok Liang/Nathaniel C.V.
Secretaries

Singapore, 11 April 2013

SMARTFLEX HOLDINGS LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

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 SGX Auditorium, 2 Shenton Way, #02-00 Podium, SGX Centre 1, Singapore 068804, on Friday, 26 April 2013 at 4.15 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 2012		
2.	Payment of proposed first and final tax exempt (one-tier) dividend		
3.	Re-election of Ms Tan Geok Moey 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 _____ 2013

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

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

* 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 shall specify the proportion of his 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, #04-04, 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 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 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.

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Smartflex Holdings Ltd.
(Company Registration No. 201003501R)

Principal Place of Business:
27 Ubi Road 4, #04-04, Singapore 408618
Tel : + 65 6787 7133 Fax : + 65 6787 1741