

OFFER DOCUMENT DATED 7 JULY 2010

(Registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 7 July 2010)



Smartflex Holdings Ltd.

(Incorporated in the Republic of Singapore on 17 February 2010)
(Company Registration No. 201003501R)

Invitation in respect of 13,000,000 New Shares as follows:

- (a) 1,500,000 Offer Shares at S\$0.22 for each Offer Share by way of public offer; and**
- (b) 11,500,000 Placement Shares at S\$0.22 for each Placement Share by way of placement, payable in full on application.**

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

CIMB Bank Berhad, Singapore Branch (the "Sponsor") has made an application to the Exchange for permission for all the ordinary shares (the "Shares") in the capital of Smartflex Holdings Ltd. (the "Company") already issued, and the new shares (the "New Shares") to be listed for quotation on Catalist. The dealing and quotation of the Shares will be in Singapore dollars.

Acceptance of applications will be conditional upon issue of the New Shares and upon listing and quotation of all the existing issued Shares and New Shares of the Smartflex Holdings Ltd.. Monies paid in respect of any application accepted will be returned if the admission and listing do not proceed.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the Exchange has examined or approved the contents of this document. Neither the Authority nor the Exchange assumes any responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Exchange does not normally review the application for admission but relies on the sponsor confirming that the listing applicant is suitable to be listed and complies with the rules. Neither the Authority nor the Exchange has in any way considered the merits of the shares or units of shares being offered for investment.

We have not lodged this Offer Document in any other jurisdiction.

Investing in our Shares involves risks which are described in the section entitled "RISK FACTORS" of this Offer Document.

After the expiration of 6 months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this Offer Document and no officer or equivalent person or promoter of the entity or proposed entity will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this Offer Document.

Sponsor



CIMB BANK BERHAD (13491-P)
Singapore Branch
(Incorporated in Malaysia)

Underwriter and Placement Agent



CIMB SECURITIES (SINGAPORE) PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 198701621D)

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 1,245 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.



COMPETITIVE STRENGTHS

- **COMPREHENSIVE MANUFACTURING SOLUTIONS**
 - Our full range of services for assembly and testing of smart card IC modules allows us to provide complete manufacturing solutions to customers worldwide
- **APPLICATION OF ENGINEERING EXPERTISE**
 - Our engineering and software capabilities have enabled our customers to work with us to develop manufacturing process for their new products
- **CUSTOMER ORIENTED SERVICES**
 - Our understanding of our customers' business, the responsiveness of our customer support services and the commitment given by our management, are key factors that differentiate us from our competitors
- **EXPERIENCED MANAGEMENT TEAM**
 - Our key management have an aggregate of more than 35 years of experience in the smart card and semiconductor industries
- **WELL DIVERSIFIED & STRONG CUSTOMER BASE**
 - Our customers are strategically diversified amongst a wide range of multinational corporations

PRODUCTS & SERVICES

We provide IC assembly and testing services for contact smart cards and dual interface smart cards. Besides IC assembly services, we also provide value added services to help our customers to load their OS software and customer specific data. With these services, our customers who are smart card manufacturers will be able to shorten their own production time and deliver the finished smart card to their customers faster.

6-CONTACT SMART CARD IC MODULES



Front view



Back view

8-CONTACT SMART CARD IC MODULES



Front view



Back view

DUAL INTERFACE SMART CARD IC MODULES



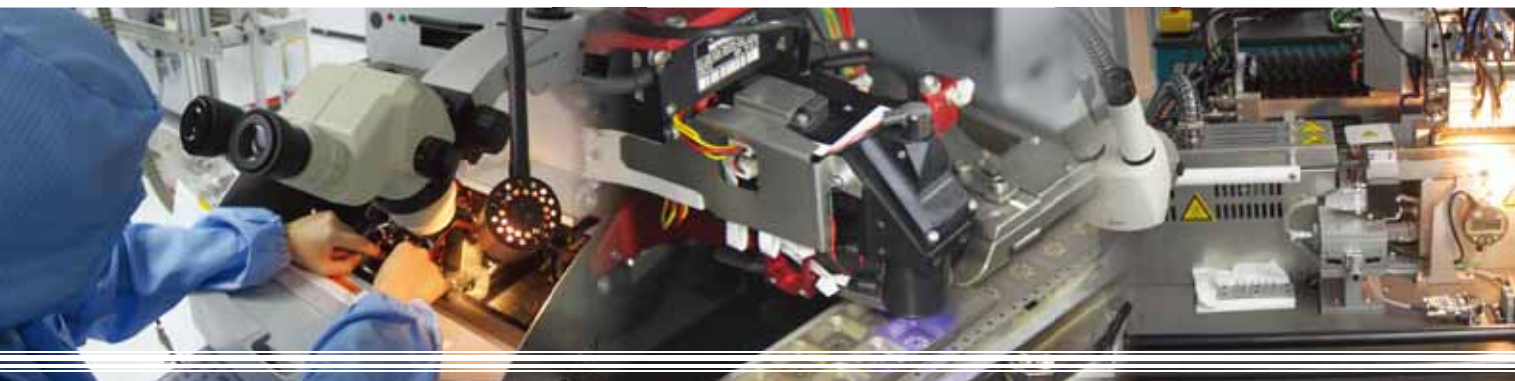
Front view



Back view

APPLICATION

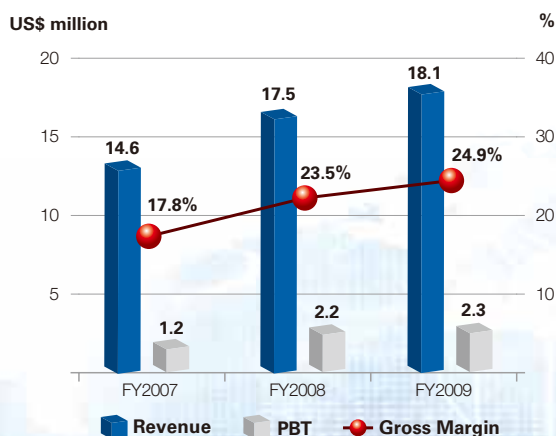
- SIM cards (used in GSM phones)
- RUIM cards (used in CDMA phones)
- Banking cards for secured payment and identification
- Pay TV cards



FINANCIAL HIGHLIGHTS

REVENUE & PROFIT BEFORE TAX

(Year ended 31 Dec)



MAJOR CUSTOMERS

Top 5 Customers	% of Group Revenue FY2009	% of Group Revenue FY2008
Oberthur Technologies	22.2%	22.8%
Eastcom Peace Smart Card	19.6%	13.7%
Giesecke & Devrient Asia	16.3%	13.8%
STMicroelectronics	10.2%	16.2%
Yosun Singapore	8.8%	1.5%

PROSPECTS

• GSM SIM SMART CARD MARKET

- Our Directors are of the view that growing demand for mobile telecommunications products and services are the result of:
 - ✓ potential for economic and per capita GDP growth in Asia
 - ✓ consumers' increasing sophistication and technological familiarity
 - ✓ greater affordability of mobile phones
 - ✓ expansion of mobile telecommunications network coverage
- Based on projections by Eurosmart, smartcard shipment for telecommunications industry is expected to grow by approximately 9.1% in 2010 as compared to 2009

• HIGH SECURITY SMART CARD MARKET

- Our Directors believe that greater demand for high security smart cards are driven by:
 - ✓ increasing number of unauthorised payments, identity thefts and other electronic crimes as well as the proliferation of counterfeit products
 - ✓ continued adoption of EMV standards
- Our Directors have observed:
 - ✓ a growing trend in governments implementing digital identification cards and travel documents
 - ✓ the increase in offering of electronic payment applications
- It is anticipated by Eurosmart that in 2010 there will be an increased number of high security smart card shipments with total shipments of at least 1 billion units, representing approximately a corresponding 12.0% growth to the 2009 forecast



BUSINESS STRATEGY & PLANS

• BROADEN RANGE OF SERVICES

- Collaborate with customers to develop manufacturing solutions for higher end products, such as dual interface, contactless and RFID smart cards

• EXPAND OVERSEAS MARKETS

- Market more aggressively to existing and prospective customers worldwide
- Intensify our sales, marketing and business development activities in new markets

• UPGRADE PROCESS CAPABILITIES

- Acquire machinery for another production line to meet current demand
- Invest in additional security features to provide our manufacturing facilities with greater security protection

• EXPLORE BUSINESS OPPORTUNITIES

- Enter into strategic investments, alliances and/or acquisitions where opportunities arise

CONTENTS

	Page
CORPORATE INFORMATION	4
DEFINITIONS	6
GLOSSARY OF TECHNICAL TERMS	10
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	14
SELLING RESTRICTIONS	16
DETAILS OF THE INVITATION	17
LISTING ON CATALIST	17
INDICATIVE TIMETABLE FOR LISTING	20
PLAN OF DISTRIBUTION	21
OFFER DOCUMENT SUMMARY	23
THE INVITATION	26
EXCHANGE RATES	27
RISK FACTORS	28
INVITATION STATISTICS	39
USE OF PROCEEDS AND LISTING EXPENSES	41
DIVIDEND POLICY	42
SHARE CAPITAL	43
SHAREHOLDERS	45
OWNERSHIP STRUCTURE	45
MORATORIUM	46
DILUTION	47
RESTRUCTURING EXERCISE	48
GROUP STRUCTURE	50
SELECTED COMBINED FINANCIAL INFORMATION	51

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS	53
OVERVIEW	53
REVIEW OF RESULTS OF OPERATIONS	57
REVIEW OF FINANCIAL POSITION	60
LIQUIDITY AND CAPITAL RESOURCES	62
CAPITAL EXPENDITURES, DIVESTMENTS AND COMMITMENTS	64
FOREIGN EXCHANGE MANAGEMENT	65
CHANGE IN SIGNIFICANT ACCOUNTING POLICIES	66
CAPITALISATION AND INDEBTEDNESS	66
GENERAL INFORMATION ON OUR GROUP	68
HISTORY	68
BUSINESS OVERVIEW	69
OUR MANUFACTURING PROCESSES	71
PRODUCTION FACILITY AND UTILISATION RATE	73
QUALITY ASSURANCE	73
AWARDS AND CERTIFICATIONS	74
MAJOR CUSTOMERS	75
CREDIT POLICY AND MANAGEMENT	76
MAJOR SUPPLIERS	77
INVENTORY MANAGEMENT	78
MARKETING AND DISTRIBUTION	79
INSURANCE COVERAGE	79
PROPERTIES AND FIXED ASSETS	80
INTELLECTUAL PROPERTY	80
LICENCES AND PERMITS	81
COMPETITION	81
COMPETITIVE STRENGTHS	82
PROSPECTS AND TRENDS	83
BUSINESS STRATEGIES AND FUTURE PLANS	86

	Page
INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS	87
INTERESTED PERSON TRANSACTIONS	87
REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS	90
POTENTIAL CONFLICTS OF INTERESTS	91
DIRECTORS, MANAGEMENT AND STAFF	92
DIRECTORS	92
EXECUTIVE OFFICERS	95
MANAGEMENT REPORTING STRUCTURE	98
DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION	98
SERVICE AGREEMENTS	99
EMPLOYEES	100
STAFF TRAINING	101
CORPORATE GOVERNANCE	102
DESCRIPTION OF ORDINARY SHARES	105
EXCHANGE CONTROLS	110
TAXATION	111
CLEARANCE AND SETTLEMENT	114
GENERAL AND STATUTORY INFORMATION	115
APPENDIX I	
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE AUDITED COMBINED FINANCIAL STATEMENTS OF SMARTFLEX HOLDINGS LTD. AND ITS SUBSIDIARY COMPANY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009	I-1
APPENDIX II	
SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY	II-1
APPENDIX III	
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE.	III-1

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Tan Tong Guan (Executive Chairman) Eric Ng (CEO and Executive Director) Tan Geok Moey (Non-executive Director) Chan Kum Kit (Independent Director) Teo Zee Vee (Independent Director)
COMPANY SECRETARY	:	Lee Seng Suan, FCPA, ACIS Koh Ee Koon, ACIS
REGISTERED OFFICE	:	20 Tampines Street 92 Singapore 528875
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
SPONSOR	:	CIMB Bank Berhad, Singapore Branch 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623
UNDERWRITER AND PLACEMENT AGENT	:	CIMB Securities (Singapore) Pte. Ltd. 50 Raffles Place #19-00 Singapore Land Tower Singapore 048623
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young LLP Public Accountants and Certified Public Accountants One Raffles Quay North Tower, Level 18 Singapore 048583 Partner-in-charge: Tan Chian Khong
SOLICITORS TO THE INVITATION	:	KhattarWong 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624
PRINCIPAL BANKERS	:	DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809 Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513 Standard Chartered Bank 6 Battery Road Singapore 049909

United Overseas Bank Limited

80 Raffles Place
UOB Plaza
Singapore 048624

RECEIVING BANKER

: **CIMB Bank Berhad, Singapore Branch**

50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

DEFINITIONS

In this Offer Document and the accompanying Application Forms, the following definitions apply where the context so admits:

Companies

<i>“Company”</i>	:	Smartflex Holdings Ltd.. The terms “we”, “our”, “our Company” or “us” have correlative meanings
<i>“Group”</i>	:	Our Company and our Subsidiary
<i>“Subsidiary” or “Smartflex”</i>	:	Smartflex Technology Pte Ltd

Other Corporations and Agencies

<i>“Authority” or “MAS”</i>	:	The Monetary Authority of Singapore
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CIMB” or “Sponsor”</i>	:	CIMB Bank Berhad, Singapore Branch
<i>“CPF”</i>	:	The Central Provident Fund
<i>“DBS”</i>	:	DBS Bank Ltd
<i>“OCBC”</i>	:	Oversea-Chinese Banking Corporation Limited
<i>“CIMB Securities” or “Underwriter and Placement Agent”</i>	:	CIMB Securities (Singapore) Pte. Ltd.
<i>“Participating Banks”</i>	:	UOB and its subsidiary, Far Eastern Bank Limited (the “UOB Group”); DBS (including POSB) and OCBC
<i>“Receiving Bank”</i>	:	CIMB Bank Berhad, Singapore Branch
<i>“SCB”</i>	:	Standard Chartered Bank
<i>“SCCS”</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>“SGX-ST” or “Exchange”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	:	Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Smartron”</i>	:	Smartron Technology Pte Ltd
<i>“TGBPL”</i>	:	Tan Gee Beng Private Limited
<i>“UOB”</i>	:	United Overseas Bank Limited

Names of Key Personnel

<i>“Tan Tong Guan”</i>	:	Our Executive Chairman, Mr Tan Tong Guan
<i>“Eric Ng”</i>	:	Our CEO and Executive Director, Dr Ng Eng Seng
<i>“Chan Kum Kit”</i>	:	Our Independent Director, Mr Chan Kum Kit
<i>“Pang Sze Yong”</i>	:	Our Sales director, Mr Pang Sze Yong
<i>“Tan Geok Moey”</i>	:	Our Non-executive Director, Ms Tan Geok Moey
<i>“Teo Zee Vee”</i>	:	Our Independent Director, Mr Teo Zee Vee
<i>“Yeo Choon Tat”</i>	:	Our Financial Controller, Mr Yeo Choon Tat

General

- “ATM”* : Automated teller machine of a Participating Bank
- “Application Forms”* : The printed application forms to be used for the purpose of the Invitation and which form part of this Offer Document
- “Application List”* : The list of applications for subscription of the New Shares
- “Articles of Association” or “Articles”* : Articles of Association of the Company
- “Associate”* : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more of the aggregate of the total votes attached to all the voting shares;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”* : In relation to a corporation, means:
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the total votes attached to all the voting shares; or
 - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
- “Audit Committee”* : The audit committee of our Company for the time being
- “Board” or “Board of Directors”* : The Board of Directors of our Company as at the date of this Offer Document, unless otherwise stated
- “Catalist”* : The sponsor-supervised listing platform of the SGX-ST
- “CEO”* : Chief Executive Officer
- “CIS”* : The Commonwealth of Independent States
- “Companies Act”* : The Companies Act (Chapter 50) of Singapore

<i>“Controlling Shareholder”</i>	:	In relation to a corporation, (a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or (b) a person who has an interest of 15% or more of the aggregate of the total votes attached to all the voting shares in a corporation, unless he does not exercise control over the corporation
<i>“Directors”</i>	:	The Directors of our Company as at the LPD
<i>“Electronic Applications”</i>	:	Applications for the Offer Shares made through an ATM or through IB websites of one of the Participating Banks in accordance with the terms and conditions of this Offer Document
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the LPD
<i>“FY”</i>	:	Financial year ended 31 December
<i>“IB”</i>	:	Internet Banking
<i>“Invitation”</i>	:	Our invitation to the public in Singapore to subscribe for the New Shares at the Issue Price, subject to and on the terms and conditions of this Offer Document
<i>“Issue Price”</i>	:	S\$0.22 for each New Share
<i>“Listing Manual”</i>	:	The Listing Manual of the SGX-ST, Section B: Rules of Catalyst
<i>“LPD”</i>	:	28 April 2010, being the latest practicable date for the purposes of lodgement of this Offer Document
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net Asset Value
<i>“NTA”</i>	:	Net tangible assets
<i>“New Shares”</i>	:	The 13,000,000 New Shares for which we invite applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Offer Document
<i>“Offer”</i>	:	The offer by our Company of the Offer Shares to the public in Singapore for subscription at the Issue Price, upon the terms and conditions of this Offer Document
<i>“Offer Document”</i>	:	This Offer Document dated 7 July 2010 issued by our Company in respect of the Invitation
<i>“Offer Shares”</i>	:	The 1,500,000 New Shares which are the subject of the Offer
<i>“PBT”</i>	:	Profit before tax
<i>“PER”</i>	:	Price earnings ratio
<i>“Placement”</i>	:	The placement of the New Shares by the Placement Agent on behalf of our Company for subscription at the Issue Price subject to and on the terms and conditions of this Offer Document

“Placement Shares”	:	The 11,500,000 New Shares which are the subject of the Placement
“PRC” or “China”	:	People’s Republic of China, excluding Macau and Hong Kong for the purposes of this Offer Document and for geographical reference only
“Restructuring Exercise”	:	The corporate restructuring exercise undertaken in connection with the Invitation as described in the section entitled “Restructuring Exercise” of this Offer Document
“Securities & Futures Act” or “SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore
“Securities Account”	:	The securities account maintained by a depositor with CDP
“Shares”	:	Ordinary shares in the capital of our Company
“Shareholder(s)”	:	Shareholders of our Company
“Substantial Shareholders”	:	A person who has an interest or interests in one or more voting shares in our Company, and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares of our Company
“USA” or “United States”	:	United States of America

Currencies, Units and Others

“Euro”	:	The Euro, the lawful currency of the European Union
“S\$ and S\$ cents”	:	Singapore dollar, the lawful currency of the Republic of Singapore
“US\$ and US cents”	:	United States dollars, the lawful currency of the United States
“%” or “per cent.”	:	Per centum

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document, the Application Forms and Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Offer Document, the Application Forms and Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Offer Document, the Application Forms and Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that Applicant.

Any reference to a time of day in this Offer Document shall be a reference to Singapore time unless otherwise stated.

References in this Offer Document to “the Group”, “we”, “our”, and “us” refer to our Group.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

GLOSSARY OF TECHNICAL TERMS

The glossary contains explanations of certain technical terms and abbreviations used in this Offer Document in connection with our Group and our business. The terms and abbreviations and the assigned meanings may not correspond to standard industry meanings and usage of these terms.

<i>"2G"</i>	:	This refers to second generation technology. In the context of the mobile telecommunications industry, second generation technology refers to the application of systems using digital radio technology with advanced messaging and data capabilities to increase data transmission rates and new packet based technology to increase the system efficiency for data users
<i>"2.5G"</i>	:	This refers to second and a half generation technology. In the context of mobile telecommunications industry, second and a half generation technology provides higher speed data transfer than 2G
<i>"3G"</i>	:	This refers to third generation technology. In the context of the mobile telecommunications industry, 3G technology refers to the third generation of mobile telecommunications systems such as WCDMA and CDMA2000 which use wideband digital radio technology. 3G mobile services provide better quality voice and multimedia services as well as higher speed data services than 2.5G
<i>"Answer-To-Reset response"</i>	:	Answer-To-Reset is the sequence of bytes output by a smart card after the smart card reader has electrically reset the card. The Answer-To-Reset tells the reader the communication capabilities of smart cards. The format of the Answer-To-Reset is defined in ISO/IEC 7816-3
<i>"bond line thickness"</i>	:	The thickness measurement of the glue used to hold the die onto the flex tape
<i>"CDMA"</i>	:	An abbreviation for Code Division Multiple Access. It is a "spread spectrum" technology, which means that it has the capability to disseminate the information contained in a particular signal of interest over a much greater bandwidth than the original signal
<i>"CDMA 2000"</i>	:	A form of 3G digital wireless telecommunications technology
<i>"chip bond pad"</i>	:	A pad structure located on the die for wire interconnection to the flex tape
<i>"contactless"</i>	:	Abbreviated designation for a type of smart card for which energy and data are transferred using electromagnetic fields without any contact with the card
<i>"die"</i>	:	See "IC". Die is singular, dice is plural

<i>“die attach”</i>	:	The process of attaching the silicon chip to the die pad or die cavity of the support structure (e.g., the leadframe)
<i>“dual interface”</i>	:	Smart Card with two interfaces, contact based, according ISO/IEC 7816 and contact-less, according ISO/IEC 14443 or ISO/IEC 15693 or ISO/IEC 18000. Monolithic Dual Interface means one IC in the card body; hybrid means two ICs in the smart card
<i>“EMV”</i>	:	An abbreviation for the three major global credit card payment associations, Europay International, Mastercard International and Visa International
<i>“ERP system”</i>	:	Enterprise resource planning system
<i>“fabless company”</i>	:	Semiconductor companies that design and market their proprietary brands of semiconductors without owning any manufacturing facilities
<i>“GSM”</i>	:	An abbreviation for Global System for Mobile Communications, which is a technology used for 2G wireless communication
<i>“IC”</i>	:	Integrated Circuit. An integrated circuit, sometimes called a chip or die, is a semiconductor device fabricated on a wafer, which is a large and thin circular base material usually made of silicon. An IC comprises thousands or millions of tiny resistors, capacitors, and transistors that are combined as a system to function as an amplifier, oscillator, timer, counter, computer memory, microprocessor, or various other semiconductor functions
<i>“ID”</i>	:	Identification Card. Card identifying its holder and issuer which may carry data required as input for the intended use of the card and for transactions based thereon
<i>“IDM”</i>	:	Integrated Device Manufacturers. IDMs are semiconductor manufacturers that design, manufacture and market their proprietary brand of semiconductors
<i>“ISO/IEC”</i>	:	Standards adopted by the International Organization for Standardization and/or International Electrotechnical Commission
<i>“memory IC”</i>	:	A type of semiconductor IC that stores data, which is an important component in every computing or electronic system
<i>“microcontroller IC”</i>	:	A type of semiconductor IC designed to provide functions similar to central processing units by processing and executing instructions

- “near field communication”* : A short-range wireless communication technology which enables the exchange of data between devices over a short distance (approximately 10cm). The technology is based on RFID, which makes it compatible with the existing contactless infrastructure already in use for public transportation and payment. Near field communication is primarily aimed at usage in mobile phones for mobile payment and ticketing applications, but also for advertising purposes
- “OS”* : A software that resides in a microprocessor that transfers data in and out of the microprocessor, controls the execution of commands from the mobile equipment or network, manages files and manages and executes cryptographic algorithms
- “Pay TV card”* : This refers to a smart card used to gain access to a subscription-based television network
- “personalisation”* : This refers to the process of loading customised data or applications onto a smart card. This also refers to the physical customisation of smart card bodies through printing and embossing of the smart card bodies
- “RF”* : Radio Frequency. A range of broadcast transmission frequencies above audible range and visible light, or between 30 kilohertz and 300 gigahertz. RF semiconductors are key components in wireless communications equipment
- “RFID”* : Radio Frequency Identification. An automatic identification and data capture system comprising one or more readers and one or more tags or contactless objects in which data transfer is achieved by means of suitable modulated inductive or radiating electromagnetic carriers
- “RUIM”* : An abbreviation for Removable User Identity Modules. It is a type of smart card that is specially designed for CDMA2000 mobile networks. It identifies the subscriber according to its mobile network and stores data that is specific to the mobile network operator and the subscriber
- “semiconductor”* : The basic building block of an electronic device. A semiconductor is made from material that is neither conductive nor insulative, such as silicon, gallium arsenide, and germanium. Such materials possess selective conductivity characteristics which makes them useful as electronics material
- “SIM”* : A SIM (Subscriber Identity Module) card is a type of smart card that is specially designed for GSM mobile networks. It identifies the subscriber according to its mobile network and stores data that is specific to the mobile network operator and the subscriber
- “smart card”* : A smart card is a plastic card embedded with an IC which has components for transmitting, storing and processing data. In the context of this Offer Document, SIM cards, RUIM cards and EMV cards are examples of such smart cards

- “wafer foundry”* : Semiconductor wafer fabrication companies that provide independent wafer processing services for IDMs and fabless companies
- “wire bonding”* : The method that attaches very fine wire, usually gold or aluminium, to provide electrical continuity between the IC and the terminals of the leadframe or interconnecting flex tape
- “WCDMA”* : An abbreviation for Wireband Code Division Multiple Access which is a technology used for 3G wireless communication

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expects”, “believes”, “plans”, “intends”, “estimates”, “anticipates”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends;
- (d) anticipated expansion plans; and
- (e) other matters discussed in this Offer Document regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- (a) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct business;
- (b) changes in currency exchange rates;
- (c) our anticipated growth strategies and expected internal growth;
- (d) changes in the availability and prices of raw materials and goods which we require to operate our business;
- (e) changes in customer preferences;
- (f) changes in competitive conditions and our ability to compete under such conditions;
- (g) changes in our future capital needs and the availability of financing and capital to fund such needs; and
- (h) other factors beyond our control.

Some of these risk factors are discussed in more detail under the section entitled “Risk Factors” of this Offer Document.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer Document. Neither our Company, the Sponsor, the Underwriter and Placement Agent, nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Sponsor, the Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the SFA and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after the Offer Document is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in the Offer Document; (b) an omission from the Offer Document of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by Section 243 of the SFA to be included in the Offer Document, if it had arisen before the Offer Document was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority.

SELLING RESTRICTIONS

Singapore

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal regulatory requirements of any jurisdiction, except for the filing and/or registration of this Offer Document in Singapore in order to permit a public offering of the New Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by the Company, the Sponsor, the Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.

DETAILS OF THE INVITATION

LISTING ON CATALIST

We have applied to the SGX-ST for permission to deal in and for quotation of, all our Shares already issued and the New Shares. Such permission will be granted when our Company has been admitted to the Catalist. Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in, and for quotation of, all our existing issued Shares and the New Shares. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the said permission is not granted and you will not have any claims whatsoever against us, the Sponsor and the Underwriter or Placement Agent. No Shares will be allotted on the basis of this Offer Document later than six months after the date of registration of the Offer Document by the SGX-ST acting as agent on behalf of the Authority.

The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Offer Document. Admission to the Catalist is not to be taken as an indication of the merits of the Invitation, our Company, our Subsidiary, our existing Shares or the New Shares.

A copy of this Offer Document has been lodged and registered with the SGX-ST acting as agent on behalf of the Authority. The Authority and the SGX-ST assume no responsibility for the contents of this Offer Document. Registration of this Offer Document by SGX-ST acting as agent on behalf of the Authority does not imply that the SFA, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our existing Shares or the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Offer Document in any other jurisdiction.

We are subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, if after this Offer Document is registered but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority which would have been required by Section 243 of the SFA to be included in the Offer Document if it had arisen before this Offer Document was lodged,

that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority pursuant to Section 241 of the SFA.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the New Shares and:

- (a) where the New Shares have not been issued to the applicants, our Company shall, within seven days from the date of lodgement of the supplementary or replacement offer document, either:
 - (i) give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or

- (ii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company shall return all monies paid in respect of any application, without interest or a share of revenue or benefit arising therefrom; or
- (b) where the New Shares have been issued to the applicants, our Company shall, within seven days from the date of lodgement of the supplementary or replacement offer document, either:
 - (i) give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to our Company the New Shares, which they do not wish to retain title in; or
 - (ii) treat the issue of the New Shares as void, in which case the issue shall be deemed void and our Company shall return all monies paid in respect of any application, without interest or a share of revenue or benefit arising therefrom.

An applicant who wishes to exercise his option under paragraph (a)(i) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this, whereupon our Company shall, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those New Shares without interest or a share of revenue or benefit arising therefrom, at the applicant's risk.

This Offer Document has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Offer Document are fair and accurate in all material respects as at the date of this Offer Document and that there are no material facts the omission of which would make any statements in the Offer Document misleading, and that this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group.

Neither our Company, the Sponsor, the Underwriter and Placement Agent nor any other party involved in the Invitation is making any representation to any person regarding the legality of an investment by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Sponsor or the Underwriter and Placement Agent. Neither the delivery of this Offer Document and the Application Forms nor any documents relating to the Invitation, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we may make an announcement of the same to the SGX-ST and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies of our Company or our Subsidiary. The New Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the New Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation of the New Shares in any jurisdiction in which such offer, or solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability during office hours, from:

**CIMB Securities (Singapore) Pte. Ltd.
CIMB Investment Centre
50 Raffles Place#01-01
Singapore Land Tower
Singapore 048623**

and members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Offer Document is also available on the SGX-ST website <http://www.sgx.com>.

The Invitation will be open from 7 July 2010 to 15 July 2010 (12.00 noon).

Application List will open immediately upon the registration of the Offer Document by the SGX-ST acting as agent on behalf of the Authority and will remain open until 12.00 noon on 15 July 2010 or for such further period or periods as our Directors may, in consultation with the Sponsor and the Underwriter and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary offer document or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for application of the New Shares are set out in **Appendix III** of this Offer Document.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out for reference of applicants:

Indicative date/time	Event
15 July 2010 at 12.00 noon	Close of Application List
16 July 2010	Balloting of applications or otherwise as may be approved by the SGX-ST, if necessary (in the event of over subscription for the Offer Shares)
19 July 2010 at 9.00 a.m.	Commence trading on a “ready” basis
21 July 2010	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 15 July 2010, the date of admission of our Company to the Catalist is 19 July 2010, the SGX-ST’s shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 19 July 2010.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit commencement of trading on a “ready” basis and the commencement date of such trading.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

- (a) through SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in local newspaper(s).

We will provide the details of the results of the Invitation, as soon as it is practicable after the close of the Application List through channels in (a) and (b) above.

Investors should consult the SGX-ST’s announcement on “ready” trading date on the Internet (at SGX-ST website <http://www.sgx.com>) or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

PLAN OF DISTRIBUTION

The Invitation

The Invitation is for 13,000,000 New Shares offered in Singapore by way of public offer and placement comprising 1,500,000 Offer Shares and 11,500,000 Placement Shares managed by CIMB and underwritten by CIMB Securities.

Prior to the Invitation, there has been no public market for our Shares. The Issue Price is determined by our Company in consultation with CIMB and CIMB Securities, taking into consideration, *inter alia*, the prevailing market conditions and estimated market demand for our Shares. The Issue Price is the same for each New Share and is payable in full on application.

CIMB was appointed as the Sponsor and to manage the Invitation pursuant to the management and sponsorship agreement entered into between our Company and CIMB dated 7 July 2010 (the “**Management and Sponsorship Agreement**”). CIMB will receive a fee from our Company for its services as the Sponsor in connection with the Invitation. CIMB Securities was appointed as the underwriter and placement agent pursuant to the underwriting and placement agreement entered in between our Company and CIMB Securities dated 7 July 2010 (the “**Underwriting and Placement Agreement**”).

Offer Shares

The Offer Shares are made available to the members of the public in Singapore for subscription at the Issue Price. The terms, conditions and procedures for application and acceptance are set out in **Appendix III** to this Offer Document entitled “Terms, Conditions and Procedures for Application and Acceptance”.

An applicant who has made an application for Offer Shares by way of an Application Form may not make another separate application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.

Pursuant to the terms and conditions contained in the Underwriting and Placement Agreement, CIMB Securities has agreed to underwrite our offer of the Offer Shares for a commission of 3.50% of the Issue Price for each Offer Share (“**Underwriting Commission**”), payable by our Company pursuant to the Invitation. CIMB Securities may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Brokerage will be paid by our Company to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or IB websites at the rate of 0.25% of the Issue Price for each Offer Share or in the case of DBS Bank, 0.50% of the Issue Price for each Offer Share. This brokerage has already been included in the Underwriting Commission state above. In addition, DBS Bank will levy a minimum brokerage fee of S\$10,000.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed at the close of the Application List, the

successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Sponsor and the Placement Agent and approved by the SGX-ST.

Placement Shares

The Placement Shares are reserved for placement to members of the public and institutional investors in Singapore.

Application for the Placement Shares may only be made by way of the Application Forms. The terms, conditions and procedures for application and acceptance are set out in **Appendix III** of this Offer Document entitled “Terms, Conditions and Procedures for Application and Acceptance”.

Pursuant to the terms and conditions contained in the Underwriting and Placement Agreement, CIMB Securities has agreed to subscribe and/or procure subscribers for the Placement Shares for a placement commission of 3.50% of the Issue Price for each Placement Share, payable by our Company. CIMB Securities may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers of the Placement Shares may be required to pay a brokerage of up to 1.00% of the Issue Price to the Underwriter and Placement Agent (and the prevailing GST thereon, if applicable).

The Underwriting and Placement Agreement is conditional upon the Management and Sponsorship not having been terminated or rescinded pursuant to the provisions of the Management and Sponsorship Agreement.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscription of New Shares

None of our Directors or Substantial Shareholder intends to subscribe for the New Shares in the Invitation.

None of our Independent Directors, members of our management or employees intends to subscribe for more than 5% of the New Shares in the Invitation.

To the best of our knowledge and belief, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for more than 5% of the New Shares. However, in assessing the market demand for our Shares, there may be persons who may indicate an interest to subscribe for the New Shares amounting to more than 5% of the New Shares. If such person(s) were to make an application for Shares amounting to more than 5% of the New Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be made in accordance with the shareholding spread and distribution guidelines as set out in the Listing Manual.

No Shares shall be allotted on the basis of this Offer Document later than six months after the date of registration of this Offer Document.

OFFER DOCUMENT SUMMARY

The following summary highlights certain information found in greater detail elsewhere in this Offer Document. Terms defined elsewhere in this Offer Document have the same meaning when used herein. In addition to this summary, we urge you to read the entire Offer Document carefully, especially the section entitled "Risk Factors" of this Offer Document, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Group

On 17 February 2010, our Company was incorporated as a private company limited by shares under the laws of Singapore under the name "Smartflex Holdings Pte. Ltd.". Our Company is the holding company of our Group comprising our Company and our subsidiary, Smartflex, which our Company had acquired on 13 April 2010 pursuant to the Restructuring Exercise.

Our Business

We are principally engaged in the business of the assembly and testing of smart card IC modules, which will include the loading of customer specific data or software into the smart card IC modules.

We provide IC assembly and testing services for contact smart cards and dual interface smart cards. We perform IC assembly for both 6-contact and 8-contact smart cards which are mainly used in the telecommunications industry and industries requiring higher security smart cards such as the banking and financial services and the pay TV industries. Therefore, the smart card IC modules we assemble are mainly being used by our customers in the PRC, India, CIS, Europe, and Southeast Asia as SIM cards (used in GSM phones to identify a subscriber on a GSM mobile phone network), RUIM cards (used in CDMA phones to identify a subscriber on a CDMA mobile phone network), banking cards for secured payment and identification purposes, Pay TV cards and for various other applications.

Besides IC assembly services, we also provide value added services to help our customers to load their OS software into the smart card IC modules and to load the smart card IC modules with customer specific data. With this service, our customers who are the smart card manufacturers will be able to shorten their own production time and deliver the finished smart card to their customers faster.

Please refer to section entitled "Business Overview" of this Offer Document for further details.

Our Financial Results and Financial Position

Our financial performance for FY2007, FY2008 and FY2009 and our financial position as at 31 December 2009 are summarised below. Please refer to the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Offer Document and the Independent Auditors' Report on the Audited Combined Financial Statements of Smartflex Holdings Ltd. and its subsidiary company for the financial years ended 31 December 2007, 2008 and 2009 as set out in **Appendix I** of this Offer Document for further details.

Operating Results of our Group⁽¹⁾

	FY2009	FY2008	FY2007
	US\$	US\$	US\$
Revenue	18,102,441	17,509,181	14,621,873
Gross profit	4,502,370	4,122,821	2,610,032
Profit before taxation	2,292,990	2,205,313	1,216,300
Profit representing total comprehensive income attributable to equity holders of the Company	1,923,835	1,805,449	1,208,725
EPS (US cents)			
— EPS attributable to equity holders of the Company ⁽²⁾	2.77	2.60	1.74
— Adjusted EPS attributable to equity holders of the Company ⁽³⁾	2.33	2.19	1.47

Notes:

- (1) The combined financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review. Please refer to the combined financial statements in **Appendix I** to this Offer Document.
- (2) For comparative purposes, EPS for the period under review has been computed based on the profit representing total comprehensive income to equity holders of the Company for the relevant financial year and the pre-Invitation share capital of 69,440,002 Shares.
- (3) For comparative reasons, Adjusted EPS for the period under review has been computed based on the profit representing total comprehensive income to equity holders of the Company for the relevant financial year and the post-Invitation share capital of 82,440,002 Shares.

Financial Position of our Group⁽¹⁾

	FY2009
	US\$
Current assets	5,774,039
Non-current assets	7,725,264
Current liabilities	(3,290,558)
Non-current liabilities	(3,011,337)
Total equity	7,197,408
NAV per Share (US cents) ⁽²⁾	10.36

Notes:

- (1) The combined financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review. Please refer to the combined financial statements in **Appendix I** to this Offer Document.
- (2) For comparative purposes, the NAV per Share as at 31 December 2009 has been computed based on the NAV of our Group as at 31 December 2009 and the pre-Invitation share capital of 69,440,002 Shares.

Our Competitive Strengths

Our Directors believe our competitive strengths are as follows:

- (a) Our comprehensive manufacturing solutions;
- (b) Our application of engineering expertise;
- (c) Our customer orientated services;

- (d) Our experienced management team and team of dedicated and qualified staff; and
- (e) A well diversified and strong group of customers.

Please refer to section entitled “Competitive Strengths” of this Offer Document for further details.

Our Business Strategies and Future Plans

Our business strategies and future plans for the continued growth of our business are as follows:

- (a) Broadening of our range of manufacturing services;
- (b) Upgrading of our process capabilities;
- (c) Expanding our overseas markets; and
- (d) To explore business opportunities and alliances.

Please refer to section entitled “Business Strategies and Future Plans” of this Offer Document for further details.

Where you can find us

Our principal place of business and registered office is located at 20 Tampines Street 92 Singapore 528875. Our telephone number is (65) 6787 7133 and our facsimile number is (65) 6787 7163. Our internet address is www.smartflex.com.sg. **Information contained in our website does not constitute part of this Offer Document.**

THE INVITATION

- Invitation Size : 13,000,000 New Shares offered in Singapore comprising 1,500,000 Offer Shares and 11,500,000 Placement Shares.
- The New Shares, upon issue and allotment, will rank *pari passu* in all respects with the existing issued Shares.
- Issue Price : S\$0.22 for each New Share.
- The Offer : The Offer comprises an invitation by our Company to the members of the public in Singapore to subscribe for the 1,500,000 Offer Shares at the Issue Price, subject to and on the terms of this Offer Document.
- The Placement : The Placement comprises a placement of 11,500,000 Placement Shares at the Issue Price, subject to and on the terms of this Offer Document.
- Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the Catalist will enhance our public image locally and overseas and enable us to tap the capital markets for the expansion of our operations. The Invitation will also provide members of the public, our management, employees and business associates as well as those who have contributed to our success with an opportunity to participate in the equity of our Company.
- Listing status : Prior to the Invitation, there had been no public market for our Shares. Our Shares will be quoted on the Catalist, subject to admission of our Company to the Catalist and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.

EXCHANGE RATES

Our combined financial statements are expressed in US\$. The following table set forth, for the financial periods indicated, the exchange rate of S\$ to one US\$, based on the average of the closing exchange rates on the last trading day of each month during each financial period, where applicable, the exchange rates in this table are used for our Company's financial statements disclosed elsewhere in this Offer Document:

	US\$1/S\$	
	Average ⁽¹⁾	Closing
FY2007	1.5068	1.4400
FY2008	1.4148	1.4326
FY2009	1.4538	1.4048

The table below sets forth the highest and lowest exchange rates between US\$ and S\$ for each month for the six months prior to the LPD. The table below indicates how much S\$ can be bought with one US\$:

	US\$1/S\$	
	High	Low
November 2009	1.4003	1.3795
December 2009	1.4048	1.3802
January 2010	1.4071	1.3875
February 2010	1.4241	1.4045
March 2010	1.4078	1.3927
April 2010	1.3706	1.3671

As at the LPD, the exchange rate was US\$1.0000 to S\$1.3737.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P.⁽²⁾ and should not be construed as representations that the US\$ or S\$ amounts (as the case may be) actually represent such S\$ or US\$ amounts, could have been, or could be, converted into S\$ or US\$ (as the case may be) at any particular rate, the rate indicated above or at all.

Notes:

- (1) The average exchange rates between US\$ and S\$ is calculated using the average of the exchange rates on the last day of each month during the financial year or period.
- (2) Source: Bloomberg L.P.. Please note that Bloomberg L.P. has not consented to the inclusion of the information and thereby is not liable for such information under Section 253 and 254 of the Securities and Futures Act. Our Directors are aware that Bloomberg L.P. does not guarantee or assume any responsibility that the information is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Offer Document.

RISK FACTORS

Investors should consider carefully the following risk factors and all other information contained in this Offer Document, before deciding to invest in our Shares. You should also note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties.

If any of the following risk factors and uncertainties develops into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of our Shares could decline and investors may lose all or part of their investment. To the best of our Directors’ belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business may be difficult to evaluate due to our limited operating history

We commenced our operations in last quarter of 2003. As such, we have a limited operating history against which we may be evaluated. Please refer to the section entitled “History” of this Offer Document for further details of our operating history. Consequently, we face significant risks and uncertainties which may be similarly faced by other players who have a limited operating history. Some of these risks relate to our ability to:

- (a) maintain and increase the size of our customer base;
- (b) maintain and expand our range of products;
- (c) compete with other IC module and smart card providers;
- (d) sustain and manage our growth;
- (e) keep pace with changing technology and evolving industry standards; and
- (f) compete in a rapidly changing international business environment.

If we are unable to successfully address these risks and uncertainties in a timely manner, our business and operations will be adversely affected.

We are currently dependent on the mobile telecommunications industry

In the last three financial years, our revenue was largely derived from the mobile telecommunications industry. Currently, our customer base comprises mainly smart card manufacturers and smart card solution providers, which supply to the mobile telecommunications operators. Please refer to the section entitled “Major Customers” of this Offer Document for further details of our major customers. The demand for our services is thus correlated with the continued growth of the mobile telecommunications industry. Any significant downturn in the growth of the mobile telecommunications industry will result in a decrease in demand for our customers’ products and consequently a decrease in the demand for our range of services. Further, we may also experience an erosion of selling prices resulting from the downturn of the industry.

The smart card manufacturers and smart card solution providers in the mobile telecommunications industry has also experienced significant consolidation in recent years and in the future, there may be fewer potential customers from such smart card manufacturers and smart card solution providers. Although we have sought to address this situation by continuing to market our services to new

customers and by working with existing customers to provide new range of services, we cannot assure you that we will be able to secure new customers or maintain existing customers as a result of the ongoing consolidation.

An increase in the cost of certain raw materials may erode our profitability and thus affect our financial performance

We may be affected by the increase in the cost of certain raw materials used in the manufacture of IC modules, such as flex tapes and gold wire. In aggregate, costs of flex tapes and gold wire accounted for 46.3%, 41.6% and 50.3% of our total cost of sales for FY2007, FY2008 and FY2009 respectively. The market price of flex tapes and gold wire may fluctuate due to changes in the level of supply and demand of the flex tapes and gold wire as well as the prices of the metals used in the production of flex tapes and gold wire. While we have not been affected by any significant adverse price fluctuations in the past, there is no assurance that this will continue in the future. In the event of any significant increase in the cost of flex tapes and gold wire and if we are not able to pass on such increase to our customers on a timely basis or find an alternative source of supply, our financial performance will be adversely affected. Further, any sudden shortage of supply or reduction of allocation of such flex tapes and gold wire to us from our suppliers will adversely affect our operations or result in us having to pay a higher price for these raw materials.

We are reliant on our suppliers

We are reliant on our major suppliers, in particular, FCI Microconnections Asia Pte Ltd (“**FCI**”) and Delo Industrie Klebstoffe GmbH & Co. (“**Delo**”) for the supply of flex tapes and encapsulation epoxy respectively. For the supply of flex tape, we are currently solely reliant on FCI. In aggregate, FCI and Delo accounted for approximately 57.2%, 55.8% and 48.5% of our total purchases in FY2007, FY2008 and FY2009, respectively. In addition, we are presently primarily reliant on Henkel Limited for the supply of die attach epoxy. While we have good working relationships with our suppliers, there is no assurance that they will continue to supply us in the future. We generally do not enter into long term supply contracts with our suppliers. In the event that any of our suppliers is not able to fulfil our orders or if our relationship with any of our suppliers is terminated for any reason whatsoever and we are unable to secure any appropriate alternative supply of the materials provided by such suppliers on a timely basis at prices acceptable to us, our business and results of operations will be adversely affected.

If the products manufactured by us fail to meet customers’ expectations, we could damage our reputation, lose our customers and have difficulties attracting new customers

We are responsible for ensuring that the production of our products meet the requirements of our customers. Such products may contain defects, particularly when they are first introduced or when new versions or enhancements are released. We may also face delay in the delivery of these products or fail to meet our customers’ specifications or expectations. Should these circumstances arise, we may experience delays or a loss of revenue due to adverse customer reactions, leading to negative publicity about us or claims for damages against us. We may also be required to compensate our customers for damage of raw materials which they had consigned to us for our use.

We may be affected by complaints, product liability claims from customers and/or negative publicity

We have adopted quality control measures to ensure that our assembly and testing of smart card IC modules are reliable and are of good quality. In addition, all our products are covered by warranties provided by us for up to one (1) year.

However, there is no assurance that our smart card IC modules will be free from defects. There is no assurance that we will continue to provide warranties for our products. Therefore, any future occurrence of such product defects could result in lost revenue from our customers, adverse customer reaction towards our Group, negative publicity and claims against our Group. Any claims against us may adversely affect our business and financial performance.

Our profitability is affected by capacity utilisation rates and any decrease in our capacity utilisation rates could decrease our profitability

As a result of the capital intensive nature of our business, our operations are characterised by high fixed costs. Consequently, high capacity utilisation allows us to maintain higher gross margins as it allows us to allocate fixed costs over a greater number of units which we assemble and test. Insufficient utilisation of installed capacity can have a material adverse effect on our profitability. In 2009, our capacity utilisation rates declined from prior levels, primarily as a result of a decrease in demand for our assembly and test services in the first half of 2009 arising from the global financial crisis.

Our ability to maintain or increase our profitability will continue to be dependent, to a large extent, upon our ability to maintain high capacity utilisation rates. Capacity utilisation rates may be affected by a number of factors and circumstances, including:

- overall industry conditions;
- installation of new machinery in anticipation of future business;
- operating efficiencies;
- mechanical failures;
- disruption of operations due to expansion, introduction of new methods of packaging or relocation of machinery;
- disruption in supply of raw materials;
- changes in product mix; and
- fire or other calamities or natural disasters.

Any inability on our part to maintain or increase capacity utilisation rates in tandem with existing or future demand could have a material adverse effect on our business, financial performance, results of operations and/or prospects.

We depend on a small number of customers for a significant portion of our revenue

We are dependent on a small number of our major customers for a significant portion of our revenue. In particular, our three largest customers, Eastcom Peace Smart Card Co., Ltd, Giesecke & Devrient Asia Pte Ltd and Oberthur Technologies SA, in aggregate, accounted for approximately 32.3%, 50.3% and 58.1% of our total revenue in FY2007, FY2008 and FY2009, respectively. While we have good working relationships with our customers, there is no assurance that they will continue to place orders with us in the future. In the event that our major customers significantly reduce their orders with us or we are unable to secure continued orders from them and we are unable to procure alternative orders, our business and results of operations will be adversely affected.

We do not generally enter into long-term or exclusive contracts with our customers and we may be affected by changes in our customers' demand for our products

Our business is generally not secured by long-term or exclusive contracts with our customers. On an average, our customers only provide confirmed purchase orders not more than three months in advance of the delivery date. Please refer to the section entitled "Order Book" of this Offer Document for further information. Our ability to maintain our price competitiveness, keep abreast of the latest product designs and technologies and adhere to high quality standards is therefore important to our ability to secure new orders or renew existing contracts. Further, some of our customers have their own in-house assembly and test services and continually evaluate our assembly and test services against their own services. There is no guarantee that these manufacturers will not decide to shift some or all of their outsourced assembly and test services to internally sourced capacity. If we are unable to secure sufficient additional orders from other customers to replace any loss of orders from our existing customers, our business operations, financial performance and financial position will be adversely affected.

We expect to incur significant capital expenditure in the future in connection with our growth plans and therefore may require additional financing

To grow our business and/or expand into new business areas, we may need to increase our assembly and test capacities and/or capabilities and this will require substantial capital expenditure. This expenditure is likely to be incurred in advance of any increased sales. We cannot assure you that our revenue will increase after this expenditure is incurred. Our failure to increase our revenue after this expenditure is incurred could reduce our profitability.

In addition, we may need to obtain additional debt or equity financing to fund our capital expenditure. Additional equity financing may result in dilution to our shareholders. Additional debt financing may be required which, if obtained, may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to pursue our growth plan;
- require us to dedicate a substantial portion of our cash flow from operations as payments for our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot assure you that we will be able to obtain the additional financing on terms that are acceptable to us or at all.

We need to keep abreast with rapid technological changes, frequent new product introductions, uncertain product cycles, changes in customers' requirements and evolving industry standards

The market for our services is characterised by rapid technological changes, frequent new product introductions and IC technology enhancements, uncertain product life cycles, changes in customers' requirements and evolving industry standards. New products and services based on new or improved technologies or new industry standards can render existing products and services obsolete and unmarketable. To succeed, we have to continue to enhance and develop the range of services offered to our customer on a timely basis to satisfy the increasingly sophisticated requirements of our customers. In the event we are unable to keep abreast with the abovementioned changes, we may lose our competitiveness and market share and our financial performance will be adversely affected.

The assembly and test processes are complex and our production yields may be affected by certain factors

The assembly and test processes for different IC modules are complex and involve a number of precise steps. Defects may result from:

- contaminants in the manufacturing environment;
- human error;
- equipment malfunction; and
- defective raw materials.

These may contribute to lower production yields. Notwithstanding the above, to be competitive, we will need to continue to expand our offering of services, thereby increasing the risk of defects occurring.

Our failure to maintain high standards or acceptable production yields, if significant and prolonged, could result in the loss of customers, increased costs of production, delays, substantial amounts of returned goods and claims by customers for failing to maintain those standards or production yields. Any of these problems could have a material adverse effect on our business, financial condition, results of operations and/or prospects.

We may not be able to sustain and manage our growth and this may affect our future prospects

Since the commencement of our business, we have experienced rapid growth in our business. Our future operating results will depend on our ability to source sufficient working capital and manage our growth including controlling costs, implementing and improving our operational and financial control systems, and managing human resources effectively including hiring, training and managing our employees. In the event we are unable to manage our growth effectively or if any unexpected decline in the growth of our revenue occurs without a corresponding decline in the growth of our operating costs, our financial condition and operating results will be adversely affected. Please refer to the section entitled "Business Strategies and Future Plans" of this Offer Document for further details on our future plans.

We are dependent on our Executive Directors and our Executive Officers

Our success depends on the continued efforts of our Executive Directors and Executive Officers. Our Executive Directors and most of our Executive Officers have been instrumental to our growth and expansion since our inception. In particular, our Executive Directors have made key contributions in the formulation of our Group's overall business strategy and together with certain of our Executive Officers are responsible for our marketing efforts. Our Executive Directors and Executive Officers will continue to play an important role in the continuing development and growth of our Group. Accordingly, the loss of one or more of our Executive Directors or Executive Officers without suitable replacements will adversely affect our business and the future prospects of our Group. While our Executive Directors have entered into service 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. Please refer to the section entitled "Directors, Management and Staff" and "Service Agreements" of this Offer Document for details of their past working experience and their service agreements with our Company respectively.

We may be subject to intellectual property rights disputes

Our ability to compete successfully will depend, in part, on our ability to operate without infringing the proprietary rights of others. There is no assurance that the software packages handed over by our customers for loading the software packages onto the IC modules do not contain infringed intellectual property of another party and there is no way of us determining as such. There is also no assurance that new products or the IC modules for new products which our customers may request us to produce do not infringe the intellectual property rights of others. Although there are no pending or threatened intellectual property lawsuits against us, we cannot assure that we would not face litigation or patent infringement claims in the future. In the event that any valid claim is made against us, we could be required to stop using the infringing software packages and/or cease manufacturing the infringing products or the IC modules for the infringing products, as the case may be.

Whether such claims are valid or not, we may have to incur substantial costs and use valuable resources to defend such claims. Should any of the disputes described above arise, we may be unable to obtain or use intellectual property rights we need to operate our business or may suffer increased costs. These developments could curtail our operations or could have a material adverse effect on our business, financial condition, results of operations and/or prospects.

We need a clean room environment for our operations and any prolonged problems in our clean room environment could materially affect our operations

Our testing and assembly operations take place in areas where air purity, temperature and humidity are controlled. If we are unable to control our testing or assembly environment, our test or assembly equipment may become non-functional or the IC modules we test and assemble may become defective. Any prolonged interruption in our operations due to problems in the clean room environment could damage our customer relationships and reduce our profitability. In addition, in the event that we are required to build a new clean room, significant time and cost will have to be incurred for this process. Please refer to the section entitled "Quality Assurance" of this Offer Document for further details.

We may not be successful in our future acquisitions and investments in other companies and businesses

As part of our growth strategy, from time to time, we may make acquisitions and investments in companies or businesses. The success of our acquisitions and investments depends on a number of factors, including:

- our ability to identify suitable opportunities for investment or acquisition;
- whether we are able to reach an acquisition or investment agreement on terms that are satisfactory to us;
- the extent to which we are able to exercise control over the acquired company or business;
- the economic, business or other strategic objectives and goals of the acquired company or business compared to those of our Group; and
- our ability to successfully integrate the acquired company or business with our Group.

If we are unsuccessful in our acquisitions and investments, our business, financial condition, results of operations and/or prospects may be materially and adversely affected.

The fees for our existing services are exposed to declining margins

On an average, the fees that we charge for the provision of our existing services decline over time due to keen market competition and customers' demands for price reductions. In the event of a significant decline in the average selling prices without (a) a corresponding increase in sales volume and/or (b) a corresponding decrease in costs and/or (c) introduction of new products, our Group's revenue, profit margin and operating results will be adversely affected. Please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Offer Document for further details.

We operate in a competitive environment

The market we operate in is highly competitive and we expect to face intense competition from existing competitors particularly the more established global players and new entrants into the market in the future. Please refer to the section entitled "Competition" of this Offer Document for further details. Some of our competitors may have larger customer base, more established distribution channels, stronger brand recognition and greater financial, marketing and other resources than we do. Our competitors may be able to develop new products that are currently not offered by us. In the event we are unable to compete successfully against these competitors, our business, operating results and financial condition will be adversely affected.

We are exposed to the credit risk of our customers

Our financial position and profitability are dependent on the credit worthiness of our customers. Material defaults in payments by our customers will adversely affect our profitability and cash flow. In particular, it is possible that some of our customers may experience cash flow difficulties or face the possibility of liquidation which may result in us experiencing delays in our collection or defaults in payments. We are unable to assure that risks of default by our customers will not happen in the future or that we will not experience cash flow problems as a result of such defaults. Should these develop into actual events, our operations and profitability may be adversely affected. Please refer to the section entitled "Credit Policy and Management" of this Offer Document for further details of the credit terms given to our customers and our debtors turnover days.

We may face uncertainties and risks associated with our entry into new overseas markets

We may expand into new markets overseas by intensifying our sales, marketing and business development activities in such markets. In the course of this, we may set up a presence or enter into joint ventures or alliances, acquire new assets or companies or invest in businesses that are complementary to ours. Such initiatives involve numerous risks, including but without limitation to, the costs of setting up our presence overseas and unexpected or additional costs which may affect our results of operations. There can be no assurance that we will be successful in our entry into these new markets overseas. In the event we fail to manage our expansion efficiently, our business, profitability and financial performance may be adversely affected.

We may face the risk of uncertain economic and financial market trends

Economic and financial market trends may have an impact on our Group's business results, financial base and other aspects of its operations. This will include, *inter alia*, the negative impact of market and economic conditions on liquidity, financial condition and share price, the need to find new sources of funding as a result of the global credit crisis, the possibility of triggering an event of default or collateral call under a loan agreement, the extent to which market conditions will require a modification of our business plan and the ramifications and uncertainties of increased government regulation. Further, factors such as rising inflation rate, the sub-prime mortgage crisis in the United States or global or regional financial turmoil may adversely affect the economies of countries that we operate in. Our ability

to arrange adequate financing for our business on commercially acceptable terms depends on such factors that are beyond our control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to us, if at all and the availability of equity financing. If we do not have adequate internal resources to finance our business and are required to increase our gearing accordingly with third parties, our business and financial condition may be materially and adversely affected.

Terrorist attacks and other acts of violence or war may affect the market in which we operate, our operations and our operating results

Terrorist attacks or armed conflicts may negatively affect our operations. They may have a direct impact on our physical offices and facilities, or those of our clients or suppliers. Such terrorist attacks or armed conflicts could have an adverse impact on demand for our services, and our ability to deliver such services to our clients in a timely and cost-effective manner, which in turn may have a material adverse impact on our business, results of our operations and financial condition. Political and economic instability in some regions of the world may also result from such terrorist attacks and armed conflicts and could negatively impact our business. The consequences of armed conflicts or terrorist attacks are unpredictable and we may not be able to foresee such events that may have an adverse effect on our business.

A fire or other calamity at our facility in Singapore could require us to curtail our operations

We conduct our testing and assembly operations at our facility in Singapore. A fire or other calamity resulting in significant damage to the facility could result in an interruption or delay of, or require us to curtail, our operations. Our insurance policies cover our building, machinery and equipment. While we maintain insurance policies covering losses, including losses due to disruptions to our operations, which we consider to be adequate, we cannot assure that it would be sufficient to cover all of our potential losses.

We may be affected by the outbreak of infectious diseases

An outbreak of infectious diseases, such as avian influenza (bird flu) and H1N1 influenza may adversely affect our Group's business. If a significant portion of our employees contract an infectious disease or refuse to work for fear of contracting an infectious disease, we may be compelled to suspend its operations for an extended period of time. Any extensive outbreak of diseases such as avian influenza or H1N1 influenza in the world may also affect general consumer sentiment and spending and demand for our services. This could in turn affect our Group's business.

We may be affected by increases in rental or the failure to procure the renewal of our existing leases on favourable terms or procure new leases at suitable locations

We lease our premises for our business operations. The tenure of our existing leases is for periods not exceeding 3 years. We generally commence negotiations of new leases about four (4) to six (6) months prior to the expiry of the leases. During the negotiation process, the landlords have the right to review and change the terms and conditions of the leases. In this regard, we face the possibility of an increase in the rental prices by the landlords or we may not renew the lease on terms and conditions favourable to us or at all. The non-renewal of the leases or renewal upon less favourable terms, or early termination of the leases may force us to relocate the affected operations. Any increase in rental rate will increase our operating expenses. In addition, relocation of our operations will cause disruption to our normal business operations and we may have to incur additional expenses.

We may not have sufficient insurance coverage

We have insurance against claims arising from fire, burglary, damage to machinery, accidental bodily injury, death and business travel that occur in connection with our business and operations as well as Business Interruption policy. However, in the event that the claims exceed the insurance coverage of the insurance policies which we have taken, we may be liable for the shortfall between the amounts claimed and the amounts insured. We do not carry “key man” life insurance on any of our other personnel. Please refer to the section entitled “Insurance” of this Offer Document for more details.

We are subject to foreign currency exposure, which can materially and adversely affect our operating results and financial position

Our functional currency is in US dollars. Income and expenses in other currencies are converted into the functional currency at the rates of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in other currencies are converted into the functional currency on the rates prevailing at the balance sheet date. All of our revenue is denominated in US dollars and our operating expenses are substantially incurred in US dollars and, to a smaller extent, Singapore dollars. We experience foreign currency exchange gains and losses arising from transactions in currencies other than our functional currency, primarily in Singapore dollars and Euro. We manage our exposure to foreign exchange risks with a combination of spot, forward and option contracts. We are not able to assure you that we will be able to successfully manage our foreign exchange risks. In addition, as our Shares will be quoted in Singapore dollars and our functional currency is US dollars, we may experience foreign exchange losses from such equity financing.

RISKS RELATING TO OWNERSHIP OF OUR SHARES

Investments in securities quoted on the Catalist involve a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

We have made an application for our Shares to be admitted to the Catalist, a listing platform primarily designed for fast growing and emerging or smaller companies (to which a higher investment risk tends to be attached as compared to larger or more established companies). The Catalist was formed in February 2008 and its future success and liquidity in the market for our Shares cannot be guaranteed. An investment in shares quoted on the Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST. Pursuant to the Listing Manual, we are required to, inter alia, retain a sponsor at all times after our admission to the Catalist. In particular, unless approved by the SGX-ST, the Sponsor must act as our continuing sponsor for at least 3 years after the admission of our Company to the Catalist. In addition, we may be delisted in the event that we do not have a sponsor for more than 3 continuous months. There is no guarantee that following the expiration of the 3-year period, the Sponsor will continue to act as our sponsor or that we are able to find a replacement sponsor within the 3-month period. Should such risks materialise, we may be delisted.

There has been no prior market for our Shares and the Invitation may not result in an active or liquid market for our Shares

There has been no public market for our Shares prior to the Invitation. The Issue Price has been determined by us after discussion with the Sponsor, and may not be indicative of the market price for our Shares that will prevail in the trading market after the completion of the Invitation. No assurance can be given that an active trading market for our Shares will develop or, if developed, will be sustained after the Invitation.

The prices of our Shares may be adversely affected by any future sale of our Shares by our Company or existing shareholders

Any future sale or availability of Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could adversely affect the market price of Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described under the section entitled “Moratorium” of this Offer Document, there are no restrictions imposed on our Substantial Shareholders to dispose of their shareholdings.

Investors in our Shares will face immediate and substantial dilution in the NAV per Share and may experience future dilution

Our Issue Price of S\$0.22 is substantially higher than our Group’s audited combined NAV per Share of 14.4 cents as at 31 December 2009 (adjusted for the net proceeds from this Invitation) based on the post-Invitation share capital. If we are liquidated based on NAV immediately following this Invitation, each Shareholder subscribing for New Shares will receive less than the price they paid for their Shares. Please refer to the section entitled “Dilution” of this Offer Document for more details.

The prices of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in this Invitation

The market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, inter alia, the following factors, some of which are beyond our control:

- (a) variations in our results of operation;
- (b) success or failure of our management team in implementing business and growth strategies;
- (c) gain or loss of an important business relationships;
- (d) changes in securities analysts’ recommendations, perceptions or estimates of our financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (f) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore;
- (g) announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- (h) additions or departures of key personnel;
- (i) fluctuations in stock market prices and volume; or
- (j) involvement in litigation.

These fluctuations may be exaggerated if the trading volume of our Shares is low.

We may require additional funding for our growth plans, and such funding may result in a dilution of your investment

In view of our growth plans set out in the section entitled “Business Strategies and Future Plans” of this Offer Document, we may require additional funds to ensure that we are able to achieve our objectives and targets.

Such funding, if raised through the issuance of equity or securities convertible into equity, may be priced at a discount to the then prevailing market price of our Shares trading on the Catalist, resulting in a dilution of our Shareholders’ equity interest. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS may be diluted, and this could lead to a decline in our Share price.

Alternatively, if our funding requirements are met by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- (a) limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- (b) increase our vulnerability to general adverse economic and industry conditions;
- (c) limit our ability to pursue our growth plans;
- (d) require us to dedicate a substantial portion of our cash flow from operations to payment of our debt, thereby reducing the availability of our cash flow to fund other capital expenditure, working capital requirements and other general corporate purposes; and
- (e) limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Control by our existing Controlling Shareholders, TGBPL and Smartron may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon the completion of the Invitation, we anticipate that our Controlling Shareholders, TGBPL and Smartron will own approximately 79.2% of our post-Invitation issued share capital. As a result, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any Shareholders’ action or approval requiring a majority vote, except where they are required by the rules of the Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group, which could conflict with the interests of our public Shareholders.

INVITATION STATISTICS

Issue Price	S\$0.22
NAV	
NAV per Share based on the audited combined balance sheet of our Group as at 31 December 2009 adjusted for the Restructuring Exercise (“Adjusted NAV”):	
(a) before adjusting for the estimated net proceeds from the New Shares and based on the pre-Invitation share capital of 69,440,002 Shares	14.6 cents ⁽¹⁾
(b) after adjusting for the estimated net proceeds from the New Shares and based on the post-Invitation share capital of 82,440,002 Shares	14.4 cents ⁽¹⁾
Premium of Issue Price over the Adjusted NAV per Share as at 31 December 2009:	
(a) before adjusting for the estimated net proceeds from the New Shares and based on the pre-Invitation share capital of 69,440,002 Shares	50.7%
(b) after adjusting for the estimated net proceeds from the New Shares and based on the post-Invitation share capital of 82,440,002 Shares	52.8%
Earnings	
Historical net EPS for FY2009 based on the pre-Invitation share capital of 69,440,002 Shares	4.0 cents ⁽²⁾
Historical net EPS based on the pre-Invitation share capital of 69,440,002 Shares had the Service Agreements been in effect for FY2009	3.9 cents ⁽²⁾
Price earnings ratio	
Historical PER based on the historical net EPS for FY2009	5.5 times
Historical PER based on the historical net EPS had the Service Agreements been in effect for FY2009	5.6 times
Net operating cash flow⁽³⁾	
Historical net operating cash flow per Share for FY2009 based on the pre-Invitation share capital of 69,440,002 Shares	6.6 cents ⁽²⁾
Historical net operating cash flow per Share for FY2009 based on the pre-Invitation share capital of 69,440,002 Shares had the Service Agreements been in effect for FY2009	6.4 cents ⁽²⁾
Price to net operating cash flow ratio	
Issue Price to historical net operating cash flow per Share for FY2009 based on the pre-Invitation share capital of 69,440,002 Shares	3.3 times
Issue Price to historical net operating cash flow per Share for FY2009 based on the pre-Invitation share capital of 69,440,002 Shares had the Service Agreements been in effect for FY2009	3.4 times

Market capitalisation

Our market capitalisation based on the post-Invitation share capital of 82,440,002 Shares and the Issue Price of S\$0.22 S\$18.1 million

Notes:

- (1) Calculated based on the closing exchange rate of US\$1.00:S\$1.4048 as at 31 December 2009.
- (2) Calculated based on the exchange rate of US\$1.00:S\$1.4538, being the average exchange rate for FY2009.
- (3) Net operating cash flow is defined as net profit after taxation but before provision for depreciation expense.

USE OF PROCEEDS AND LISTING EXPENSES

Net proceeds from the issue of New Shares

The gross proceeds from the issue of the New Shares is approximately \$2.86 million. The net proceeds from the issue of the New Shares after deducting estimated issue expenses for professional fees, underwriting and placement commissions and other transaction expenses related to the Invitation, as set out below, is approximately \$1.76 million.

Use of Proceeds	Amount in aggregate (S\$'000)	Estimated amount allocated for each dollar (S\$) of the proceeds raised from the Invitation by our Company (in millions) (as a% of the gross proceeds from the issue of the New Shares)
Retirement of trust receipts used for purchase of machinery	1,500	52.4%
General working capital	260	9.1%
Net Proceeds	1,760	61.5%
Expenses		
Professional fees	793	27.7%
Underwriting and placement commission and brokerage ⁽¹⁾	100	3.5%
Miscellaneous expenses (including listing fees)	207	7.3%
Total	2,860	100%

Note:

(1) Please refer to the section entitled "Plan of Distribution" of this Offer Document for further details.

Further details of our use of proceeds may be found in the sections entitled "Business Strategies and Future Plans" of this Offer Document.

Pending the deployment of the net proceeds as aforesaid, the net proceeds from the issue of the New Shares may be added to our Group's working capital, placed as deposits with banks or financial institutions, or used for investment in short-term money market or debt instruments, as our Directors may deem appropriate in their absolute discretion.

The foregoing discussion represents our Company's best estimate of its allocation of the net proceeds from the issue of the New Shares raised from the Invitation based on its current plans and estimates regarding its anticipated expenditures. Actual expenditures may vary from these estimates and the Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes.

In the event that any part of our proposed uses of the net proceeds from the issue of the New Shares do not materialise or proceed as planned, our Directors will carefully monitor the situation and may reallocate the proceeds to other purposes and/or hold such funds on short-term deposits for so long as our Directors deem it to be in the interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds from the issue of the New Shares will be subject to the listing rules of the SGX-ST and appropriate announcements will be made by our Company on SGXNET.

As and when the funds from the Invitation are materially disbursed, our Company will make periodic announcements via SGXNET on the use of the net proceeds and will provide a status report on the use thereof in our annual report.

In the opinion of our Directors, no minimum amount must be raised from the Invitation.

DIVIDEND POLICY

Our Company has not declared any dividends since its incorporation on 17 February 2010. Save for the following, our Subsidiary has not declared and paid dividends (net of tax):

- (a) Dividends of US\$73,209 was proposed by our Subsidiary in respect of FY2006 and paid in FY2007. Based on the pre-Invitation share capital of 69,440,002 Shares, the dividends per Share would have been S\$0.002.
- (b) Dividends of US\$617,943 was proposed by our Subsidiary in respect of FY2009 and paid on 8 March 2010. Based on the pre-Invitation share capital of 69,440,002 Shares, the dividends per Share would have been S\$0.012.

Save as disclosed above, no other dividends have been paid or proposed by our Company or its Subsidiary for FY2007, FY2008 and FY2009.

We currently do not have a dividend policy. The dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors:

- The level of our cash and retained earnings;
- Our actual and projected financial performance;
- Our projected levels of capital expenditure and other investment plans; and
- Restrictions on payment of dividends imposed on us by our financing arrangements or legal and contractual obligations (if any).

Our Directors intend to recommend and distribute dividends of about 20.0% of our profit after tax for FY2010. However, investors should note that the intention to recommend the aforesaid dividends should not be treated as a legal obligation on our Company to do so or that the level of dividends intended to be recommended be treated as an indication of our Company's future dividend policy. The foregoing statements of our present intentions may be subject to modification (including the reduction or non-declaration of any dividends) in the sole and absolute discretion of our Directors. In determining dividends in respect of subsequent financial years, consideration will be given to maximising Shareholders' value.

No inference should or can be made from any of the foregoing statements as to our actual profitability or our ability to pay dividends in the future.

Any final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Board of Directors. Our Board of Directors may, without the approval of our Shareholders, also declare an interim dividend. We must pay all dividends out of profits or pursuant to the Companies Act.

For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" of this Offer Document.

SHARE CAPITAL

Our Company (company registration number 201003501R) was incorporated in Singapore on 17 February 2010 under the Act as a private limited company under the name of Smartflex Holdings Pte. Ltd.. As at 17 February 2010, our issued and paid-up capital was \$2 comprising 2 ordinary shares. On 5 May 2010, we changed our name to Smartflex Holdings Ltd. and on 7 May 2010 converted into a public company.

At an extraordinary general meeting held on 13 April 2010, pursuant to the Restructuring Exercise, our Shareholders approved, *inter alia*, as part of the Restructuring Exercise, the acquisition of the entire issued and paid-up capital of Smartflex in consideration of the allotment and issue of 69,440,000 ordinary shares to our Shareholders, as described under the section entitled “Restructuring Exercise” of this Offer Document.

At an extraordinary general meeting held on 5 May 2010, our shareholders approved, *inter alia*, the following:

- (a) the change of name to “Smartflex Holdings Ltd.”;
- (b) the adoption of a new set of Articles of Association;
- (c) the allotment and issue of 13,000,000 New Shares pursuant to the Invitation, which when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing Shares;
- (d) authority be given, pursuant to Section 161 of the Companies Act, to our Directors to (i) issue and allot shares (other than the New Shares) in our Company; and (ii) convertible securities and any shares in our Company pursuant to the convertible securities, (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority shall not exceed 100.0% of the number of shares in the post-Invitation share capital of our Company (excluding treasury shares) and that the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to the then existing Shareholders of our Company shall not exceed 50.0% of the number of shares in the post-Invitation share capital of our Company (excluding treasury shares). Unless revoked or varied by our Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of our Company or the date by which the next Annual General Meeting is required by law or by our Articles of Association to be held, whichever is earlier, except that our Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, “post-Invitation share capital” shall mean the enlarged share capital of our Company after the Invitation, after adjusting for (i) new Shares arising from the conversion or exercise of convertible securities; (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided the options or awards were granted in compliance with the Listing Manual; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares, and shall exclude any treasury shares.

As at the LPD, there is only one class of shares in the capital of our Company, being ordinary shares. A summary of the Articles of Association of our Company relating to the voting rights of shareholders is set out on in **Appendix II** of this Offer Document. There is no founder, management, deferred or unissued Shares reserved for issuance for any purpose. No person has been, or is permitted to be,

given an option to subscribe for any securities of our Company or our Subsidiary. As at the LPD, no option to subscribe for Shares in our Company has been granted to, or was exercised by any of our Directors.

As at the date of lodgement of this Offer Document, the issued and paid-up share capital of our Company is S\$10,110,919 comprising 69,440,002 Shares. Upon the allotment and issue of the New Shares, the resultant issued and paid-up share capital of our Company will be increased to S\$12,970,919 comprising 82,440,002 Shares.

Details of changes in our issued and paid-up capital since 31 December 2009, being the date of our last audited combined financial statements and immediately after the Invitation are as follows:

	Number of Shares	Paid up Capital S\$
Issued and fully paid ordinary shares as at 17 February 2010	2	2
Issue of new ordinary shares pursuant to the Restructuring Exercise	69,440,000	10,110,917
Pre-Invitation issued and paid-up share capital	69,440,002	10,110,919
New Shares to be issued pursuant to the Invitation	13,000,000	2,860,000
Post-Invitation issued and paid-up share capital	<u>82,440,002</u>	<u>12,970,919</u>

The shareholders' equity of our Company: (i) as at incorporation, (ii) after adjustment to reflect the Restructuring Exercise, and (iii) after the Invitation, are set forth below. These statements should be read in conjunction with the combined financial statements of our Group set out in **Appendix I** of this Offer Document.

	As at date of incorporation (S\$)	After adjusting for the Restructuring Exercise (S\$)	After the Invitation (S\$)
Shareholders' Equity			
Share capital	2	10,110,919	12,970,919 ⁽¹⁾
Revenue reserves	—	7,007,700	7,007,700
Merger reserve	—	(7,007,700)	(7,007,700)
Total Shareholders' equity	<u>2</u>	<u>10,110,919</u>	<u>12,970,919</u>

Note:

- (1) The post-Invitation adjusted issued and paid-up share capital, based on the Issue Price of S\$0.22 and taking into account a set-off of estimated issue expenses of approximately S\$0.17 million which excludes estimated issue expenses of approximately S\$0.93 million to be charged directly to the income statement, is approximately S\$12.80 million.

SHAREHOLDERS

OWNERSHIP STRUCTURE

The Directors and Shareholders of our Company and their respective shareholdings immediately before and after the Invitation are set out below:

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Tan Tong Guan ⁽¹⁾	240,001	0.4	51,170,000	73.7	240,001	0.3	51,170,000	62.0
Eric Ng	3,480,001	5.0	—	—	3,480,001	4.2	—	—
Tan Geok Moey ⁽¹⁾	—	—	51,170,000	73.7	—	—	51,170,000	62.0
Independent Directors								
Chan Kum Kit	—	—	—	—	—	—	—	—
Teo Zee Vee	—	—	—	—	—	—	—	—
Substantial Shareholders								
TGBPL	51,170,000	73.7	—	—	51,170,000	62.0	—	—
Smartron ⁽²⁾	14,150,000	20.4	—	—	14,150,000	17.2	—	—
Other Shareholders								
Yeo Choon Tat	60,000	0.1	—	—	60,000	0.1	—	—
Lim Meng Jug	100,000	0.1	—	—	100,000	0.1	—	—
Pang Sze Yong	240,000	0.3	—	—	240,000	0.3	—	—
Public	—	—	—	—	13,000,000	15.8	—	—
Total	69,440,002	100.0			82,440,002	100.0		

Notes:

- (1) The deemed interest of Tan Tong Guan arises from his shareholding in TGBPL as defined under section 4 of the Securities and Futures Act. TGBPL is a company incorporated on 28 November 1967 under the laws of Singapore and has issued and paid up capital of \$4,950,000 divided into 49,500 ordinary shares. TGBPL is an investment holding company. The shareholders of TGBPL are Tan Tong Guan, Tan Geok Moey, Tan Yoke Hong, Lim Choong Kuen Stephenie and Tan Cheng Chow @ Tan Gee Beng with shareholdings of 34.3%, 22.5%, 22.1%, 14.8% and 6.3% respectively. Tan Cheng Chow @ Tan Gee Beng is the father of Tan Tong Guan, Tan Geok Moey and Tan Yoke Hong. Lim Choong Kuen Stephenie is the wife of Tan Tong Guan.
- (2) Smartron is a company incorporated on 09 December 1997 under the laws of Singapore and has issued and paid up capital of S\$12,127,000 divided into S\$11,492,000 comprising 11,492,000 ordinary shares and S\$635,000 comprising 508,000 preference shares. The shareholders of Smartron are Ho Yuet Hoe Jenny @ Ho Yuet Heng, TGBPL, Loh Eng Choon, Kuntoro Tanoko@Tan Hong Kiem, Sio Sit Po, Muller Hans Dieter Josef, Leong Chiew Ying Christine, Tay Kay Han, Ong Geok Yeow and Ong Ai Gin, with shareholdings of 77.1%, 6.5%, 2.7%, 3.6%, 2.9%, 2.7%, 1.7%, 1.3%, 0.8% and 0.7%, respectively, excluding the preference shares which do not carry any voting rights. Of the 77.1% of ordinary shares held by Ho Yuet Hoe Jenny @ Ho Yuet Heng in Smartron, 7,572,672 such shares were transferred to her by her husband, Goh Hun Keng, in December 2009.

Saved as disclosed above, there are no other relationships between the Directors and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the New Shares. Our Directors are not aware of any arrangement, the operation which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation which has occurred during the last or current financial year.

Significant Changes in the Percentage of Shareholdings

Save as disclosed under the sections entitled “Restructuring Exercise” and “Share Capital” of this Offer Document, there are no significant changes in the percentages of ownership of our Directors and Substantial Shareholders in our Company from its incorporation until the Latest Practicable Date.

MORATORIUM

To demonstrate their commitment to our Group, our Company’s Substantial Shareholders, namely TGBPL, Smartron, Eric Ng and Tan Tong Guan, who will in aggregate hold 69,040,002 Shares in our Company, representing approximately 83.7% of our Company’s enlarged issued and paid-up capital after the Invitation, have each undertaken not to transfer, assign, dispose, pledge, charge, grant options over or realise any part of their respective direct and indirect interests in our Company immediately after the Invitation for a period of six months from the date of our Company’s admission to the Catalist, and for a period of six months thereafter not to reduce their respective interests in our Company to below 50% of their respective interests in our Company immediately after the Invitation.

In addition, Tan Tong Guan, Tan Geok Moey, Tan Yoke Hong, Lim Choong Kuen Stephenie and Tan Cheng Chow @ Tan Gee Beng, who collectively own 100% of the issued share capital of TGBPL as at the LPD, have undertaken not to transfer, sell, realise, pledge, charge, grant options over or otherwise dispose of any part of each of their interests in the share capital of TGBPL for a period of 12 months from the date of our Company’s admission to the Catalist.

Further, Ho Yuet Hoe Jenny @ Ho Yuet Heng and TGBPL who collectively own 83.6% of the issued ordinary share capital of Smartron as at the LPD, have undertaken not to transfer, sell, realise, pledge, charge, grant options over or otherwise dispose of any part of each of their interests in the share capital of Smartron for a period of 12 months from the date of our Company’s admission to the Catalist.

DILUTION

Dilution is the amount by which the Issue Price paid by the subscribers of our New Shares in this Invitation exceeds our NAV per Share immediately after the Invitation. Our audited NAV per Share as at 31 December 2009, before adjusting for the estimated net proceeds from the issue of New Shares and based on our Company's pre-Invitation share capital of 69,440,002 Shares was 14.6 cents per Share.

Pursuant to the Invitation in respect of 13,000,000 New Shares at the Issue Price, our audited NAV per Share as at 31 December 2009 after adjusting for the estimated net proceeds due to us from the Invitation and based on the post-Invitation share capital of 82,440,002 Shares would have been 14.4 cents. This represents an immediate decrease in NAV per Share of 0.2 cents to our existing shareholders and an immediate dilution in NAV per Share of 7.6 cents or approximately 34.5% to our new investors.

The following table illustrates the dilution per Share as at 31 December 2009:

	Cents
Issue Price per Share	22.0
Audited NAV per Share as at 31 December 2009 based on our Company's pre-Invitation share capital of 69,440,002 Shares	14.6
Decrease in NAV per Share attributable to existing shareholders	(0.2)
NAV per Share after the Invitation ⁽¹⁾	14.4
Dilution in NAV per Share to new public investors	7.6

Note:

(1) The computed NAV does not take into account our actual financial performance from 31 December 2009 up to the LPD, depending on our actual financial results, our NAV per share may be higher or lower than the above computed NAV.

The following table summarises the total number of Shares issued by us to our existing shareholders during the period of three years prior to the date of this Offer Document, the total consideration paid by them and the effective cash cost per Share to them, and by our new public investors pursuant to the Invitation.

	Number of Shares acquired as at LPD	Total consideration (S\$)	Effective cash cost per Share (S\$)
Shareholders			
TGBPL	51,170,000	2,741,850	0.05
Smartron	14,150,000	707,500	0.05
Eric Ng	3,480,001	174,000	0.05
Tan Tong Guan	240,001	12,000	0.05
Yeo Choon Tat	60,000	4,320	0.07
Lim Meng Jug	100,000	5,000	0.05
Pang Sze Yong	240,000	12,000	0.05
Public investors	13,000,000	2,860,000	0.22

Save as disclosed in this Offer Document, none of our Directors or the Substantial Shareholders of our Company or their respective associates have acquired any Shares during the period of three years prior to the date of this Offer Document.

RESTRUCTURING EXERCISE

Our Company was incorporated on 17 February 2010 in Singapore in accordance with the Companies Act as a private limited company with an issued and paid-up share capital of S\$2 comprising 2 shares, which were held by Tan Tong Guan and Eric Ng.

Prior to the invitation, our Group undertook a restructuring exercise (the “**Restructuring Exercise**”) on 13 April 2010, pursuant to which our Company became the investment holding company of our Group. Details of the Restructuring Exercise are as follows.

The shareholding structure of Smartflex immediately prior to the Restructuring Exercise was as follows:

Shareholders	No. of Shares Held	%
Tan Tong Guan	120,000	0.4
Eric Ng	1,740,000	5.0
TGBPL ⁽¹⁾	25,585,000	73.7
Smartron ⁽²⁾	7,075,000	20.4
Yeo Choon Tat	30,000	0.1
Lim Meng Jug	50,000	0.1
Pang Sze Yong	120,000	0.3
Total	34,720,000	100

Pursuant to the Restructuring Exercise, our Company acquired the entire issued and paid-up capital of Smartflex from the shareholders of Smartflex. The aggregate consideration of US\$7,197,408 (equivalent to S\$10,110,917) paid by our Company for the entire issued and paid-up share capital of Smartflex is based on the audited NTA of Smartflex as of 31 December 2009. The consideration was satisfied by the allotment and issue of 69,440,000 ordinary shares at approximately 14.6 cents each.

Notes:

(1) TGBPL is a company incorporated on 28 November 1967 under the laws of Singapore. The shareholding structure of TGBPL is as follows:

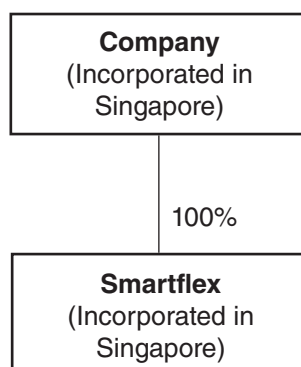
Shareholders	Shareholding	%
Tan Cheng Chow @ Tan Gee Beng	3,132	6.3
Tan Tong Guan	16,975	34.3
Tan Geok Moey	11,120	22.5
Tan Yoke Hong	10,940	22.1
Lim Choong Kuen Stephenie	7,333	14.8
Total	49,500	100

(2) Smartron is a company incorporated on 9 December 1997 under the laws of Singapore. The shareholding structure of Smartron is as follows:

Shareholders (Ordinary shares)	Shareholding	%
Ho Yuet Hoe Jenny @ Ho Yuet Heng	8,858,586	77.1
TGBPL	745,000	6.5
Loh Eng Choon	310,300	2.7
Sio Sit Po	340,714	3.0
Leong Chiew Ying Christine	192,757	1.7
Tay Kay Han	155,357	1.3
Ong Geok Yeow	87,500	0.8
Ong Ai Gin	75,000	0.6
Kuntoro Tanoko @ Tan Hong Kiem	414,286	3.6
Muller Hans Dieter Josef	312,500	2.7
Total	11,492,000	100
Shareholders (Preference shares)	Shareholding	%
TGBPL	320,000	63.0
Leong Chiew Ying Christine	60,000	11.8
Loh Eng Choon	120,000	23.6
Ong Geok Yeow	8,000	1.6
Total	508,000	100

GROUP STRUCTURE

Our Group structure after the Restructuring Exercise and as at the date of this Offer Document is as follows:



The details of the subsidiary of our Company as at the date of this Offer Document is as follows:

Name	Date and Country of incorporation	Principal place of business	Principal business	Issued and paid-up share capital	Percentage owned
Smartflex	23 May 1994/ Singapore	Singapore	Assembly and testing of smart card IC modules, which will include the loading of customer specific data or software into the smart card IC modules	S\$3,617,350	100.0%

Our Subsidiary is not listed on any stock exchange.

Save for their shareholdings in our Company, none of our Directors or Substantial Shareholders or any of their associates has any direct or deemed interest in our Subsidiary.

Save for our Company, there are no other shareholders in our Subsidiary.

SELECTED COMBINED FINANCIAL INFORMATION

The following summary financial data should be read in conjunction with the full text of the Offer Document, including the Independent Auditor's Report on the Audited Combined Financial Statements of Smartflex Holdings Ltd. and its subsidiary company for the financial years ended 31 December 2007, 2008 and 2009 as set out in **Appendix I** of this Offer Document.

Operating Results of our Group⁽¹⁾

	2009	2008	2007
	US\$	US\$	US\$
Revenue	18,102,441	17,509,181	14,621,873
Cost of sales	<u>(13,600,071)</u>	<u>(13,386,360)</u>	<u>(12,011,841)</u>
Gross profit	4,502,370	4,122,821	2,610,032
Other operating income	100,720	4,720	14,629
Selling and distribution expenses	(41,853)	(49,632)	(34,864)
Administrative expenses	(2,136,265)	(1,632,156)	(1,166,754)
Finance expense	<u>(131,982)</u>	<u>(240,440)</u>	<u>(206,743)</u>
Profit before taxation⁽²⁾	2,292,990	2,205,313	1,216,300
Taxation	<u>(369,155)</u>	<u>(399,864)</u>	<u>(7,575)</u>
Profit representing total comprehensive income attributable to equity holders of the Company	<u><u>1,923,835</u></u>	<u><u>1,805,449</u></u>	<u><u>1,208,725</u></u>
EPS (US cents)			
— EPS attributable to equity holders of the Company ⁽³⁾	2.77	2.60	1.74
— Adjusted EPS attributable to equity holders of the Company ⁽⁴⁾	2.33	2.19	1.47

Notes:

- (1) The combined financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review. Please refer to the combined financial statements in **Appendix I** to this Offer Document.
- (2) Had the Service Agreements been in effect for on 1 January 2009, our profit before taxation, profit representing total comprehensive income to equity holders of the Company and EPS for FY2009 would have been US\$2.2 million, US\$1.8 million and 2.66 US cents respectively.
- (3) For comparative purposes, EPS for the period under review has been computed based on the profit representing total comprehensive income to equity holders of the Company for the relevant financial year and the pre-Invitation share capital of 69,440,002 Shares.
- (4) For comparative reasons, Adjusted EPS for the period under review has been computed based on the profit representing total comprehensive income to equity holders of the Company for the relevant financial year and the post-Invitation share capital of 82,440,002 Shares.

Financial Position of our Group⁽¹⁾

	2009 US\$
Non-current assets	
Property, plant and equipment	7,725,264
Current assets	
Inventories	618,438
Trade and other receivables	3,176,778
Prepayments	73,839
Cash and cash equivalents	1,904,984
	5,774,039
Current liabilities	
Trade payables	1,539,531
Other payables and accruals	499,127
Loans and borrowings	1,251,900
	3,290,558
Net current assets	2,483,481
Non-current liabilities	
Loans and borrowings	(2,150,834)
Deferred tax liability	(860,503)
	(3,011,337)
Net assets	7,197,408
Share capital	7,197,408
Revenue reserves	4,988,397
Merger reserve	(4,988,397)
	7,197,408
Total equity	7,197,408
NAV per Share (US cents) ⁽²⁾	10.36

Notes:

- (1) The combined financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review. Please refer to the combined financial statements in **Appendix I** to this Offer Document.
- (2) For comparative purposes, the NAV per Share as at 31 December 2009 has been computed based on the NAV of our Group as at 31 December 2009 and the pre-Invitation share capital of 69,440,002 Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion of our combined financial position and results of operations for the past three financial years ended 31 December 2007, 2008 and 2009 should be read in conjunction with the audited combined financial statements and the related notes elsewhere in this Offer Document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Offer Document, particularly under the section entitled "Risk Factors" in this Offer Document.

OVERVIEW

We are an independent provider of assembly and test services for smart card IC modules. We commenced operations in September 2003 and operate out of our facility in Singapore. We offer a comprehensive array of assembly and test services for smart card IC modules including the loading of customer application specific data or software into the smart card IC modules, for use primarily in the mobile telecommunications and banking and financial services industries.

Revenue

We derive revenue primarily from the provision of assembly and test services for contact smart cards and dual interface smart cards, which are mainly used in the telecommunications industry and industries requiring higher security smart cards such as the banking and financial services and the Pay TV industries. Revenue represents either, in the case of a consigned order, the fee charged on assembly and testing of smart card IC modules as certain direct materials are provided by the customers ("**Consigned Order**") or in the case of a non-consigned order, the aggregate of the fee charged on assembly and testing of smart card IC modules and the cost of the purchasing certain direct materials such as wafer and flex tape needed for the assembly of smart card IC modules on behalf of the customers ("**Non-consigned Order**").

Revenue from smart card IC assembly and test services is recognised when the assembly and test services have been performed and upon issuance of delivery order and sales invoice. The lead time between confirmation of orders from our customers and completion of such orders ranges from approximately three to four weeks. Save for some customers who instruct the company to hold shipment pending drop shipment details to their consignee, all shipments are effect as soon as practicable.

Our assembly and test services for smart card IC modules are priced principally based on the cost of raw materials, complexity of product, cost of assembly and test equipment to perform such services, labour costs, competition among similar service providers, general market conditions and with reference to prevailing market prices.

Prices for our assembly and test services of a given level of technology may decline over time due to downward pricing pressure from competition among similar service providers and cost savings that we may pass on to our customers. As such, a significant decline in the average selling prices of our products without a corresponding increase in sales volume will have an adverse effect on our revenue. Please refer to risk factor "The fees for our existing services are exposed to declining margins" in the section entitled "Risk Factors" in this Offer Document.

To mitigate the downward pricing pressure of our services, we will continue to (a) focus on providing technologically advanced assembly and test services to new products which command higher premiums e.g. dual interface and contactless smart card IC modules; (b) constantly manage our costs

of sales and our operating expenses; and (c) achieve economies of scale in operations by expanding and full utilisation of our production capacity. In addition, we often try to offset price decline by increasing our scale of production in order to leverage on economies of scale.

Key factors that can affect our revenue include the following:

- (a) The demand for our customers' finished products which may in turn be affected by, *inter alia*, competition in their respective industries and general economic conditions.
- (b) Short-term nature of our customers' requirements. As is typical in this industry, we do not have any long-term contracts with our customers and usually, our customers only provide confirmed purchase orders not exceeding three months, in advance of the delivery date.
- (c) Our ability to remain competitive. Notwithstanding our historical track record of growth, we operate in a competitive environment. Our revenue is therefore dependent on our ability to maintain and increase our market share as well as enhance our competitiveness in each of our markets by delivering quality services on a timely and price-competitive basis to our customers.
- (d) Our ability to penetrate new markets. We conduct business with customers located in a number of regions including Europe, East Asia and South Asia. We believe that the knowledge we have acquired and network established would be useful in developing new emerging markets. This will enable us to remain competitive in the face of growing competition from other providers of assembly and test services for IC modules, some of whom may be more established than us.
- (e) Our revenue and gross margin is predicated on the types of order received from our customers. For the equivalent unit of production, Non-consigned Orders will result in higher revenue as compared to Consigned Orders. Currently the bulk of our revenue is derived from services charged for the processing of Consigned Orders which has higher margin than Non-consigned Orders. There is no assurance that such mix would remain unchanged in the future.

Cost of sales

Our cost of sales comprises mainly cost of direct materials, direct labour costs and other direct overheads. Our cost of sales accounted for approximately 82.1%, 76.4% and 75.1% of our revenue in FY2007, FY2008 and FY2009, respectively.

A breakdown of our cost of sales for FY2007, FY2008 and FY2009 is as follows:

Cost of sales	FY2007		FY2008		FY2009	
	US\$'000	%	US\$'000	%	US\$'000	%
Direct material costs	10,792	89.9	11,020	82.3	11,137	81.9
Direct labour costs	551	4.6	1,172	8.8	1,223	9.0
Other direct overheads	668	5.5	1,194	8.9	1,240	9.1
Total	12,011	100.0	13,386	100.0	13,600	100.0

Our direct materials refer to the raw materials used directly in the assembly operations and constituted approximately 89.9%, 82.3% and 81.9% of our cost of sales in FY2007, FY2008 and FY2009 respectively. Our key raw materials are wafer, flex tape, epoxy and gold wire and the prices of some of these raw materials may vary according to the level of global supply and demand. We do not have any long term supply agreements with our suppliers as these direct materials required in our manufacturing process are readily available. We manage our inventory levels of these raw materials based on demand from our customers as well as our suppliers' delivery lead times. We usually maintain a stock level of these raw materials of approximately two months of our operating requirements. Please refer to risk factor "An increase in the cost of certain raw materials may erode our profitability and thus affect our financial performance" in the section entitled "Risk Factors" in this Offer Document.

Direct labour costs comprise primarily payroll of operators, technicians and engineers that are directly involved in the production process, and accounted for approximately 4.6%, 8.8%, and 9.0% of our cost of sales in FY2007, FY2008 and FY2009 respectively.

Other direct overheads include plant and machinery depreciation expenses, freight costs, insurance and other production related expenses such as packaging costs, accounted for approximately 5.5%, 8.9%, and 9.1% of our total cost of sales in FY2007, FY2008 and FY2009 respectively.

The major factors that affect our cost of sales include the following:

- (a) material cost: demand and supply conditions, mix of products and services to the extent of their materials content, quantity levels, prices of these materials, trade terms with our suppliers, our operating efficiency, and foreign currency fluctuations;
- (b) labour cost: additional staffing requirement mainly to correspond to the scale of production, and levels of salaries and wages, labour market conditions and changes in government policies and regulations such as CPF contributions and foreign workers levy and quota; and
- (c) overheads: (i) depreciation for plant and equipment is affected by increases in capital expenditures for additional plant and/or equipment in line with our continuing business expansion; and (ii) others such as factory supplies, utilities, freight and packaging expenses are generally affected by the scale of production.

Gross profit margin

Our gross profit margin had fluctuated significantly for the past three financial years.

Any decrease in the prices charged for our services without a corresponding decrease in our cost of sales or any increase in our cost of sales without a corresponding increase in the prices charged for our services will have an adverse impact on our gross profit margin. As such, the factors affecting our revenue and cost of sales will also affect our gross profit margin. In addition, our strategy to price our assembly and test services competitively in order to penetrate new market segments may affect our gross profit margin. Also, our average gross profit margin is influenced by the types of order received from our customers, for instance, any changes in the proportion of Consigned Orders and Non-consigned Orders would impact the average gross margin.

Other operating income

Other operating income comprised mainly interest income and grant income received in relation to the Job Credit Scheme, a scheme implemented by the government in 2009 to assist businesses in Singapore to defray their manpower cost during the global economic crisis.

These accounted for approximately 0.1%, 0.03% and 0.6% of our total revenue in FY2007, FY2008 and FY2009 respectively.

Operating expenses

Our operating expenses consist mainly the following:

Selling and distribution expenses

Selling and distribution expenses accounted for approximately 2.9%, 3.0% and 1.9% of our total operating expenses in FY2007, FY2008 and FY2009 respectively. These expenses are dependent mainly on the extent of our sales and marketing efforts including travelling and accommodation expenses, advertising, marketing and entertainment expenses.

Selling and distribution expenses	FY2007		FY2008		FY2009	
	US\$'000	%	US\$'000	%	US\$'000	%
Advertising and promotion	21	60.0	27	54.0	11	26.2
Travelling	10	28.6	21	42.0	29	69.0
Other	4	11.4	2	4.0	2	4.8
Total	35	100.0	50	100.0	42	100.0

Administrative expenses

Administrative expenses accounted for approximately 97.1%, 97.0% and 98.1% of our total operating expenses in FY2007, FY2008 and FY2009 respectively. Our administrative expenses comprise mainly general staff costs, director's remuneration, depreciation of fixed assets as well as other incidental expenses incurred in supporting our business activities such as rental, utilities and telecommunication expenses.

Administrative expenses	FY2007		FY2008		FY2009	
	US\$'000	%	US\$'000	%	US\$'000	%
Salaries	779	66.8	1,084	66.4	1,243	58.2
Utilities	122	10.5	266	16.3	241	11.3
Rental	98	8.4	177	10.8	206	9.6
Depreciation charges	47	4.0	118	7.2	185	8.7
Professional fees	40	3.4	47	2.9	53	2.5
Insurance	26	2.2	37	2.3	38	1.8
Foreign exchange (gain)/loss	(24)	(2.1)	(244)	(14.9)	34	1.6
Other	79	6.8	147	9.0	136	6.3
Total	1,167	100.0	1,632	100.0	2,136	100.0

Finance expense

Finance expenses comprise mainly interest expense on bank loans and bank overdrafts for the purposes of working capital financing, bank charges and interest on shareholder loan as well as term loan and hire purchase financing for the acquisition of production machinery.

Income tax

Our effective tax rate amounted to approximately 0.6%, 18.1%, and 16.1% for FY2007, FY2008 and FY2009.

Seasonality

Generally, our business is not subject to significant seasonality.

Inflation

Inflation did not have a material impact on our financial performance for FY2007, FY2008 and FY2009.

REVIEW OF RESULTS OF OPERATIONS

The following tables set out the distribution of our revenue by various segments for FY2007, FY2008 and FY2009.

Revenue by Business Segments

For management purposes, the Company is organised as a single operating segment entity as it is principally engaged in the fabrication and packaging of smart card IC modules. As such, we have not reported any segmental results.

Revenue by Geographical Regions

Our geographical segmentation is based on the countries in which our customers are located. The revenue is segmented into four regions: Europe, East Asia, South Asia and other regions. The breakdown of our revenue by geographical markets for FY2007, FY2008, and FY2009 are as follows:

	FY2007		FY2008		FY2009	
	US\$'000	%	US\$'000	%	US\$'000	%
Europe	1,976	13.5	4,641	26.5	4,606	25.4
East Asia	6,105	41.8	5,936	33.9	5,073	28.0
South Asia ⁽¹⁾	5,792	39.6	6,634	37.9	8,261	45.6
Other regions ⁽²⁾	749	5.1	298	1.7	162	1.0
Total	14,622	100.0	17,509	100.0	18,102	100.0

Notes:

(1) This includes South East Asia.

(2) Refers to North America and North Africa.

FY2007 vs. FY2008

Revenue

Our revenue increased by approximately US\$2.9 million or 19.9% from approximately US\$14.6 million in FY2007 to approximately US\$17.5 million in FY2008. This was attributable to the increased orders from existing and new customers who supply to the mobile telecommunication and banking and financial services industries resulting from the increased demand for mobile telecommunication and banking products in FY2008. In FY2008, the volume of smart card IC modules that we supplied increased by approximately 88.1% from 148.9 million units in FY2007 to 280.1 million units in FY2008, although our revenue increased by only approximately 19.9% due to the higher proportion of Consigned Orders as well as pricing pressures from other similar service providers.

In FY2008, revenue from our customers in Europe and South Asia increased by approximately US\$2.7 million and US\$0.9 million, respectively, while revenue from East Asia and other regions declined by an aggregate of approximately US\$0.6 million. The increase in revenue from Europe was mainly attributed to the increased demand from the combination of two companies' orders resulting from the acquisition of I'M Technologies Limited by Oberthur Technologies SA. in 2007. The increase in revenue from South Asia was mainly attributed to the increased orders from our existing customers, Giesecke & Devient Asia Pte. Ltd. and STMicroelectronics Pte Ltd which was partially offset by decreased orders from I'M Technologies Limited and IHorizon Pte Ltd.

Cost of sales and gross profit

Cost of sales increased by approximately US\$1.4 million or 11.7% from approximately US\$12.0 million in FY2007 to approximately US\$13.4 million in FY2008. The percentage increase in cost of sales was lower than the percentage growth in revenue as our fixed direct overhead costs were being allocated over a higher number of units, resulting in lower cost of sales per unit in FY2008.

During this period, we recorded higher direct materials cost of US\$0.2 million due mainly to the higher orders received from existing and new customers. Other components of the cost of sales such as direct labour and other direct overheads also increased by approximately US\$0.6 million and US\$0.5 million, respectively. The expansion in production capacity had resulted in a higher direct labour headcount requirement as well as an increase in depreciation expense and repair and maintenance expenses as new machinery were being operated and maintained at regular intervals.

As a result, our gross profit increased by approximately US\$1.5 million or 57.7% from approximately US\$2.6 million in FY2007 to US\$4.1 million in FY2008. Our average gross profit margin improved from approximately 17.9% in FY2007 to 23.5% in FY2008. This was due mainly to higher utilisation of production capacity and the implementation of various cost reduction programmes such as bulk purchase of direct materials and better management of production yield. The increased gross margin was also attributable to the higher proportion of Consigned Orders received in FY2008.

Operating expenses

Operating expenses increased by approximately US\$0.5 million or 41.7% from approximately US\$1.2 million in FY2007 to approximately US\$1.7 million in FY2008.

The increase in operating expenses was mainly attributed to the increase in administrative expenses of approximately US\$0.4 million or 33.3% from approximately US\$1.2 million in FY2007 to approximately US\$1.6 million in FY2008.

During FY2008, we recruited more administration and production personnel thereby increasing our average head count from 55 in FY2007 to 100 in FY2008 which increased salaries and related welfare expenses by approximately US\$0.3 million to cope with the increase in business activities. In addition, the depreciation charge increased by approximately US\$71,000 due to the addition of new computer and office equipment as well as the higher cost incurred to reinstate the factory premise in FY2008. The increase is also partly attributed to the increase in utility expenses of US\$0.1 million as well as the increase in rental expenses of US\$79,000 as we increased our production floor area to house the additional plant and equipment due to expansion in operations. These increases were partially offset by the foreign exchange gain of approximately US\$0.2 million in FY2008.

Finance expense

Finance expense increased by approximately 14.3% from approximately US\$0.21 million in FY2007 to approximately US\$0.24 million in FY2008 which was mainly due to an increase in bank borrowings to fund our working capital requirements as well as the acquisition of additional machinery in June 2008.

Profit before taxation

Profit before taxation increased by approximately US\$1.0 million from approximately US\$1.2 million in FY2007 to approximately US\$2.2 million in FY2008 principally due to the increase in our gross profit of approximately US\$1.5 million and offset by increases in operating expenses and finance costs of approximately US\$0.5 million for the reasons as explained above. As our operating expenses and finance costs increased at a lower rate than our gross profit, our profit before tax margin increased from approximately 8.3% in FY2007 to 12.6% in FY2008.

Income tax

The effective tax rate for our Company increased from 0.6% in FY2007 to 18.1% in FY2008. In FY2007, there was a write-back of an overprovision of prior year deferred tax of approximately US\$0.2 million which had resulted in the substantially lower effective tax rate in FY2007 as compared to FY2008.

FY2008 vs. FY2009

Revenue

Our revenue increased by approximately US\$0.6 million or 3.4% from approximately US\$17.5 million in FY2008 to approximately US\$18.1 million in FY2009. This was despite the onset of an economic slowdown in the first half of 2009. As the business activities picked up in the second half of 2009 on the back of a moderate economic recovery, we secured increased orders from some of our existing customers as well as new customers such as UbiVelox Inc, who supply to the mobile telecommunication and banking and financial services industries in Korea. In FY2009, the volume of smart card IC modules that we supplied increased by approximately 14.3% from 280.1 million units in FY2008 to 320.2 million units in FY2009.

In FY2009, revenue from our customers in South Asia increased by approximately US\$1.6 million, while revenue from Europe, East Asia and other regions declined by an aggregate of approximately US\$1.0 million due mainly to the slowdown in sales in the first half of FY2009 affected by the global economic crisis. The increase in revenue from South Asia was mainly attributed to increased orders from Yosun Singapore Pte Ltd and a new major customer, UbiVelox Inc, from Korea, secured in FY2009.

Cost of sales and gross profit

Cost of sales increased by approximately US\$0.2 million or 1.5% from approximately US\$13.4 million in FY2008 to approximately US\$13.6 million in FY2009. The percentage increase in cost of sales was lower than the percentage growth in revenue as our fixed direct overhead costs were allocated over a higher number of units, resulting in lower cost of sales per unit in FY2009.

During this period, we recorded higher direct materials cost of US\$0.1 million due mainly to the higher orders received from existing and new customers, and other components of the cost of sales such as direct labour and other direct overheads had also increased marginally in FY2009. Notwithstanding the fact that the volume of smart card IC modules supplied increased by 14.3% in FY2009, our direct materials cost only increased marginally due to the implementation of a direct materials cost reduction programme.

As a result, our gross profit increased by approximately US\$0.4 million or 9.8% from approximately US\$4.1 million in FY2008 to US\$4.5 million in FY2009. Our average gross profit margin improved marginally from approximately 23.5% in FY2008 to 24.9% in FY2009. This was due mainly to the higher proportion of Consigned Orders received in FY2009.

Other operating income

Other operating income increased by approximately US\$96,000 or 2033.4% from approximately US\$4,720 in FY2008 to approximately US\$100,720 in FY2009, mainly due to the grant income received from the government in relation to the Job Credit Scheme for the amount of US\$97,634.

Operating expenses

Operating expenses increased by approximately US\$0.5 million or 29.4% from approximately US\$1.7 million in FY2008 to approximately US\$2.2 million in FY2009.

The increase was primarily due to an increase in administrative expenses of approximately US\$0.5 million or 31.3% from approximately US\$1.6 million in FY2008 to approximately US\$2.1 million in FY2009.

During FY2009, there was an increase in salaries and related welfare expenses by approximately US\$0.2 million despite a lesser head count at the end of FY2009 when compared with FY2008. While the average headcount for FY2009 had held constant at 114, the average head count for FY2008 was 100. The surge in headcount at end of FY2008 was mainly due to the increase in head count in the second half of 2008 as a result of an increase in production capacity. In addition, there was a foreign exchange loss of approximately US\$34,000 recorded in FY2009 mainly as a result of purchases of Euro required for trade settlement as well as for the monthly repayment of a term loan denominated in the Euro.

Finance expense

Finance expense decreased by approximately 50.0% from approximately US\$0.2 million in FY2008 to approximately US\$0.1 million in FY2009 which was mainly due to the lower finance charges incurred as a result of the repayment of bank borrowings in FY2009.

Profit before taxation

Profit before taxation increased by approximately US\$0.1 million from approximately US\$2.2 million in FY2008 to approximately US\$2.3 million in FY2009 principally due to the increase in our gross profit of approximately US\$0.4 million, an increase in other operating income of approximately US\$0.1 million and a decrease in finance expenses of approximately US\$0.1 million which was partially offset by increases in operating expenses of approximately US\$0.5 million.

Income tax

The effective tax rate of our Company decreased from 18.1% in FY2008 to 16.1% in FY2009. This was mainly due to the reduction in corporate tax rate from 18% to 17% which took effect from FY2009.

REVIEW OF FINANCIAL POSITION

Non-current assets

Non-current assets comprise plant and equipment which comprise plant and machinery used for the manufacture of IC modules, computer equipment, furniture and fittings, office equipment and renovations. We have financed the acquisitions of our fixed assets (other than production equipment) through internally generated cash flows while acquisitions of production machinery have been financed through hire-purchase and term loan arrangements.

Plant and equipment decreased by approximately US\$1.1 million from approximately US\$8.8 million as at 31 December 2008 to approximately US\$7.7 million as at 31 December 2009. The decrease was primarily due to the depreciation charges of approximately US\$1.2 million, which was partially offset by the acquisition of additional production equipment, computer equipment, office equipment and renovations of approximately US\$0.1 million.

Current assets

Current assets comprise inventories, trade receivables, other receivables such as deposits, advances and prepayments, fixed deposits and cash and bank balances.

Current assets increased by approximately US\$0.7 million from approximately US\$5.1 million as at 31 December 2008 to approximately US\$5.8 million as at 31 December 2009 primarily due to an increase in trade and other receivables by approximately US\$1.2 million as a result of the increase in our business activities as well as an increase in cash and cash equivalents of approximately US\$0.2 million, which was partially offset by a reduction in the inventories of approximately US\$0.8 million attributed to better inventory management and utilisation of the inventory stockpile at end of FY2008 to fulfil customers' orders.

Current liabilities

Current liabilities comprise trade payables, other payables and accruals, loans and bank borrowings and finance leases.

Current liabilities decreased by approximately US\$1.6 million from approximately US\$4.9 million as at 31 December 2008 to approximately US\$3.3 million as at 31 December 2009 primarily due to a significant reduction in our short-term bank borrowings for trade financing purposes of approximately US\$2.1 million as a result of healthy cash position which allowed for reduced bank borrowing. The reduction was partially offset by the increase in trade and other payables of approximately US\$0.5 million in line with the increased business activities for FY2008.

Non-current liabilities

Non-current liabilities comprise loans and borrowings, finance leases, deferred tax liability and deferred capital grant relating to a grant from Spring Singapore, a governmental agency that assists in the growth and development of small and medium enterprises in Singapore.

Non-current liabilities decreased by approximately US\$0.8 million from approximately US\$3.8 million as at 31 December 2008 to approximately US\$3.0 million as at 31 December 2009 due to reduction in loans and borrowings of approximately US\$1.1 million through regular monthly repayment and an increase in deferred tax liabilities of approximately US\$0.3 million which represents the tax effect of net taxable temporary differences arising from differences in depreciation and provision for accrued leave.

Shareholders' equity

Shareholders' equity increased by approximately US\$1.9 million from approximately US\$5.3 million as at 31 December 2008 to approximately US\$7.2 million as at 31 December 2009 due to the profit after tax of approximately US\$1.9 million in FY2009.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, our internal sources of cash comprised mainly cash generated from our operations while our external sources of cash comprised primarily credit extended to us by our suppliers, borrowings from financial institutions, hire-purchase creditors and capital contributed by our Shareholders.

Such sources of funds were principally used to finance our purchase of raw materials, labour costs, capital expenditure and other operating expenses.

Our Directors are of the opinion that, after taking into account our Group's present banking facilities, existing cash balances and the cash flows generated from our operations, we have as at the LPD, adequate working capital for our Group's present requirements and for the 12 month period after our listing on the Catalist.

The Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows generated from our Group's operations, our Group's banking facilities and our Group's existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on the Catalist.

A summary of our cash flows since inception are as follows:

	FY2007	FY2008	FY2009
	US\$'000	US\$'000	US\$'000
Net cash generated from operating activities	664.6	2,308.5	3,563.7
Net cash used in investing activity	(2,413.5)	(5,118.9)	(135.1)
Net cash generated from/(used in) financing activities	1,871.5	4,091.2	(3,213.5)
Net increase in cash and cash equivalents	122.6	1,280.8	215.1
Cash and cash equivalents at beginning of financial year	286.5	409.1	1,689.9
Cash and cash equivalents at end of financial year	409.1	1,689.9	1,905.0

FY2007

Cash flow from operating activities

In FY2007, we generated net cash from operating activities of approximately US\$0.7 million which was principally derived from our revenue from provision of assembly and test services for smart card IC modules.

In FY2007, our operating profit after adjusting for non-cash and non-operating items, including depreciation of fixed assets of approximately US\$0.5 million as well as net interest expense of approximately US\$0.2 million, amounted to approximately US\$1.9 million. Cash used in changes in working capital was approximately US\$1.0 million and was primarily due to an increase in trade and other receivables of approximately US\$1.8 million, an increase in inventories of approximately US\$0.3 million and a decrease in loans and amount due to related party and holding company of approximately US\$0.3 million. This was partially offset by an increase in trade and other payables of approximately US\$1.4 million. The increase in trade and other receivables as well as inventories was mainly due to an increase in business operations. The increase in trade and other payables was mainly due to an increase in cost of sales and operating expenses requirement. The remaining cash outflow was mainly due to payment of net interest charges in relation to the Company's trade financing loans of approximately US\$0.2 million.

Cash flow used in investing activities

In FY2007, our net cash used in investing activities was approximately US\$2.4 million. This was mainly due to (i) the purchase of plant and machinery of approximately US\$2.2 million, and (ii) the purchase of office equipment, furniture and fittings, computer equipment and renovation of approximately US\$0.2 million.

Cash flow from financing activities

In FY2007, our cash generated from financing activities amounted to approximately US\$1.9 million. This was mainly due to (i) an increase in term loans of approximately US\$1.2 million, (ii) the receipt of proceeds from additional new shares issues of our Subsidiary for the amount of approximately US\$0.9 million to its holding company, TGBPL and certain key management staff amounting to approximately US\$0.8 million and US\$0.1 million, respectively. These were partially offset by the repayment of finance lease obligations and payment of dividends of approximately US\$0.2 million and US\$0.1 million, respectively.

FY2008

Cash flow from operating activities

In FY2008, we generated net cash from operating activities of approximately US\$2.3 million which was principally derived from our revenue from provision of assembly and test services for smart card IC modules.

In FY2008, our operating profit after adjusting for non-cash and non-operating items, including depreciation of fixed assets of approximately US\$0.9 million as well as net interest expense of approximately US\$0.2 million, amounted to approximately US\$3.4 million. Cash used in changes in working capital was approximately US\$0.9 million and was primarily due to the increase in inventories of approximately US\$0.3 million as we increased our raw materials inventory in anticipation of increased sales volume as well as the decrease in trade and other payables of approximately US\$1.7 million where early payment was made so as to take advantage of cash discount offers from our suppliers as well as to reduce interest charges on bank financing. This was offset by a decrease in trade and other receivable of approximately US\$1.1 million as a result of better credit control and collection efforts. The remaining cash outflow was mainly due to payment of net interest charges in relation to the Company's trade financing loans of approximately US\$0.2 million.

Cash flow used in investing activities

In FY2008, our net cash used in investing activities approximately US\$5.1 million. This was mainly due to (i) the purchase of plant and machinery and factory equipment of approximately US\$4.8 million, and (ii) the purchase of office equipment, furniture and fittings, computer equipment and renovation of approximately US\$0.3 million.

Cash flow from financing activities

In FY2008, our cash generated from financing activities amounted to approximately US\$4.1 million. This was primarily due to an increase in term loans of US\$4.3 million for the purchase of additional plant and machinery and factory equipment and was partially offset by the repayment of finance lease of approximately US\$0.2 million.

FY2009

Cash flow from operating activities

In FY2009, we generated net cash from operating activities of approximately US\$3.6 million which was principally derived from our revenue from provision of assembly and test services for smart card IC modules.

In FY2009, our operating profit after adjusting for non-cash and non-operating items, including depreciation of fixed assets of approximately US\$1.2 million as well as net interest expense of approximately US\$0.1 million, amounted to approximately US\$3.6 million. Cash used in changes in working capital was approximately US\$0.05 million and was primarily due to the increase in trade and other receivables of approximately US\$1.3 million as a result of increased business activities. This was offset by the decrease in inventories of approximately US\$0.8 million due to the Company's ability to utilise bulk of the inventories for the customers' orders before the end of FY2009 as well as the increase in trade and other payables of approximately US\$0.5 million due to the increase in operating activities.

Cash flow used in investing activities

In FY2009, our net cash used in investing activities approximately US\$0.1 million used mainly for the purchase of plant and equipment.

Cash flow from financing activities

In FY2009, our cash used in financing activities amounted to approximately US\$3.2 million which was primarily due to the repayment of term loans previously drawn down for the purchase of plant and equipment as well as repayment of short term financing transactions with banks.

CAPITAL EXPENDITURES, DIVESTMENTS AND COMMITMENTS

Capital expenditures and divestments made by our Group in FY2007, FY2008, FY2009 and for the period from 1 January 2010 to the LPD were as follows:

	FY2007 (US\$'000)	FY2008 (US\$'000)	FY2009 (US\$'000)	1 January 2010 to the LPD (US\$'000)
Expenditures				
Plant and machinery	2,413	5,119	135	1,529
Divestments				
Plant and machinery	5	0.6	19	–

Operating Lease Commitments

As the LPD, we have operating lease commitments as follows:

(US\$'000)	As at the LPD
Not later than one year	235
Later than one year but not later than five years	45
Total	280

Our lease commitments refer to leases for our production facility and office. Please refer to the section entitled “Properties and Fixed Assets” of this Offer Document for details on our lease agreements.

Capital Commitments

As at the LPD, we have made the following capital commitments amounting to approximately US\$0.8 million for the purchase of plant and machinery as set out below:

(US\$'000)	As at the LPD
Plant and machinery	787

The above capital commitments may be funded by borrowings and cash generated from internal operations and/or from part of the net proceeds of the Invitation. As disclosed under the sections entitled “Use of Proceeds” and “Business Strategies and Future Plans” of this Offer Document, it is intended that approximately S\$1.5 million of the proceeds from the Invitation will be used to retire trust receipts which were used for the purchase of machinery.

FOREIGN EXCHANGE MANAGEMENT

Accounting treatment of foreign currencies

The accounting records for our Company are maintained in US\$. Our Company transacts mainly in US\$, S\$ and Euro and our reporting currency is in US\$.

Transactions in foreign currencies are recorded in US\$ using exchange rates approximating those prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into US\$ at exchange rates approximating those prevailing at that date. All resultant exchange differences are dealt with through income statements.

The percentages of our revenue denominated in different currencies were as follows:

	FY2007	FY2008	FY2009
	%	%	%
Percentage of revenue denominated in			
US\$	99.8	99.9	98.5
S\$	0.2	0.1	1.5
Total	100.0	100.0	100.0
	FY2007	FY2008	FY2009
	%	%	%
Percentage of purchases denominated in			
US\$	90.2	77.7	80.7
Euro	7.7	18.7	14.1
S\$	2.1	3.6	5.2
Total	100.0	100.0	100.0

Our operating expenses in FY2007, FY2008 and FY2009 were principally denominated in S\$.

Our functional currency is US\$ since majority of our revenue and purchases are in US\$. Our foreign currency exchange risk arises mainly from the mismatches between the currency of our revenue,

purchases and expenses. To the extent that our revenue, purchases and operating expenses are not matched in the same currency, we may be susceptible to foreign exchange exposure. For instance, any significant depreciation of the US\$ against the Euro could result in us incurring foreign exchange losses. We also maintain US\$ denominated accounts with financial institutions for our foreign currency receipts and payments. As at LPD, our aggregate US\$ cash and cash equivalents amounted to approximately US\$1.2 million. We may also incur foreign exchange gains or losses when we convert our foreign currency balances into US\$.

CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

There has been no significant change in the accounting policies of our Group from FY2007 to FY2009. Please refer to the section entitled “Summary of Significant Accounting Policies” in the Independent Auditors’ Report as set out in **Appendix I** of this Offer Document, for details on our Group’s accounting policies.

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Independent Auditor’s Report on the Audited Combined Financial Statements of the Group for the financial years ended 31 December 2009, 2008 and 2007 as set out in **Appendix I** of this Offer Document and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offer Document. The following table shows the cash and cash equivalents, capitalisation and indebtedness of our Company:

- (a) on an actual basis as at 31 December 2009;
- (b) based on our management accounts as at 31 March 2010; and
- (c) based on our management accounts as at 31 March 2010, as adjusted to give effect to the issue of 13,000,000 New Shares pursuant to the Invitation and the application of the new proceeds from the Invitation (“**As Adjusted**”).

	Actual basis as at 31 December 2009 (US\$’000)	Based on management accounts as at 31 March 2010 (US\$’000)	Based on management accounts as at 31 March 2010 and As Adjusted (US\$’000)
Cash and cash equivalents	1,905	1,412	2,665
<u>Current:</u>			
Bank loans (secured)	1,252	2,065	2,065
<u>Non-Current:</u>			
Bank loans (secured)	2,151	1,863	1,863
Total Indebtedness	3,403	3,928	3,928
Shareholders’ Equity	7,197	7,202	8,455
Total capitalisation and indebtedness	10,600	11,130	12,383

As at 31 December 2009, our total outstanding bank loans amounted to approximately US\$3.4 million of which, US\$1.3 million was current, and US\$2.1 million was non-current. For FY2009, we were charged interest rates of between 2.77% and 6.08% per annum on our bank loans.

As at 31 March 2009, our total outstanding bank loans amounted to approximately US\$4.0 million of which, US\$2.1 million was current, and US\$1.9 million was non-current.

As at the LPD, we have total banking facilities to finance our operations of approximately US\$10.4 million, of which approximately US\$5.3 million have been utilised. Such banking facilities comprising of approximately US\$0.2 million overdrafts, US\$4.7 million trade financing lines and US\$5.5 million term loans. Our banking facilities are secured by (i) fixed charges over assets, (ii) corporate guarantees and (iii) personal guarantees of the directors and/or shareholders of the Company. For the overdrafts, the interest rate ranges from 3.00% to 5.00% per annum. For the trade financing lines, the interest rate ranges from 1.53% to 1.58% per annum. For the terms loans, the interest rate ranges from 1.24% to 6.07% per annum.

In relation to the personal guarantees and corporate guarantees, we intend to obtain a release and discharge of these guarantees from the respective banks and financial institutions after the admission of our Company to the Catalist. Please refer to the section entitled "Interested Person Transactions" for further information on the personal and corporate guarantees.

As at the LPD, to the best of our Directors' knowledge and belief, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank borrowings which could materially affect our financial position or financial results or business operations.

Contingent Liabilities

As at the LPD, we do not have any contingent liabilities.

Save as disclosed above, since 31 March 2010 to the LPD, there were no material changes in our total capitalisation and indebtedness, except for changes in our accumulated profits arising from the day-to-day operations in the ordinary course of our business.

Save as disclosed above, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading credits) or acceptance credits, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities as at 28 April 2010.

GENERAL INFORMATION ON OUR GROUP

HISTORY

On 17 February 2010, our Company was incorporated as a private company limited by shares under the laws of Singapore under the name “Smartflex Holdings Pte. Ltd.”. Our business originated with the operations of Smartflex which our Company had acquired in 13 April 2010 pursuant to a Restructuring Exercise. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for further details.

Smartflex was incorporated as a private company limited by shares under the laws of Singapore on 23 May 1994 by Goh Hun Keng and Tay Ho Peng @ Sunny Tay. It remained dormant until the shares were acquired by Smartron in September 2003. In conjunction with the acquisition, Smartron injected assets comprising a smart card module packaging line, into Smartflex. In January 2004, our controlling shareholder, TGBPL, invested capital in the amount of S\$362,500 into Smartflex as working capital for our initial operations. Over the years, TGBPL had invested further capital into Smartflex as described below. Please refer to the last paragraph of this section entitled “History” for further information on TGBPL and its investments in Smartflex.

Our business as a contract manufacturer specialising in the assembly and testing services of smart card IC modules can be traced back to September 2003 with the acquisition of the smart card module packaging line as described above. Upon being qualified by IC manufacturers from the US, Europe and Japan, we began the production of smart card modules.

Within a year of the commencement of our business in 2004, Smartflex achieved ISO 9001:2000 certification for quality management systems.

In 2005, Smartflex acquired an additional smart card module packaging line which enabled us to boost the number of smart card modules produced to approximately 24 million units in that year.

In 2006, Smartflex introduced dicing into our manufacturing process which increased our manufacturing capability and allowed our customers the flexibility to provide us with unsawn silicon wafers for processing. As a result, we were able to double the amount of smart card modules produced from the previous year to approximately 48 million units in 2006.

From 2007 to the present, we have continued to acquire new production lines as well as additional machines to bolster the efficiency of our existing lines such as die attach machines and module testing machines. Please refer to the section entitled “Our Manufacturing Processes” of this Offer Document for further details. Also in 2007, Smartflex managed to penetrate the European market by securing contracts with a major European smart card IC silicon provider and a major European smart card solution integrator. Due to the successful implementation of our business strategies and the expansion of our production capacity, we were able to expand our production capability and exponentially increase the amount of smart card modules produced to meet those demands, from approximately 144 million units in 2007 to approximately 320 million in 2009.

In addition to the ISO 9001:2000 certification, Smartflex has received numerous other certifications and awards. In October 2007, we achieved ISO 14001:2004 certification for environmental management. In November 2008, Smartflex was presented with the Enterprise 50 Award, in recognition of our overall performance and contribution to the economic development of Singapore and in February 2009, we received a Singapore SME 500 award for our outstanding financial performance in 2008. Further, in April 2009, Smartflex received certification from MasterCard International for smart card IC module assembly for banking applications, which is a certification that the smart card modules our Company produces are compliant with MasterCard’s requirements for smart cards that requires the CQM (Card Quality Management) label.

This has enabled us to diversify our product range from products supplied to the telecommunications industries into the banking and financial services industries. Please refer to the section entitled “Awards and Certifications” of this Offer Document for further details.

Our holding company and controlling shareholder, TGBPL, is an investment holding company which was formed in 1967 by the family of our Executive Chairman, Tan Tong Guan. TGBPL has subsidiaries in Singapore, Malaysia, China and New Zealand which are involved in diversified activities ranging from manufacturing, trading, property developments to property investments. None of the other investments of TGBPL are in competition with the business of Smartflex. TGBPL first invested a 25% stake in Smartflex in September 2003 when we first started operations and our Executive Chairman was appointed as a director of Smartflex. Shortly after its initial investment, TGBPL invested further into Smartflex by injecting cash into Smartflex to increase its stake to 40% in January 2004. Seeing the potential of Smartflex’s business and believing that it was in the right industry and market, TGBPL increased its stake to 65.8% in March 2005 and Smartflex became a subsidiary of TGBPL. TGBPL continued to invest in Smartflex and held 73.7% of Smartflex prior to the Restructuring Exercise. Post restructuring, at the LPD, TGPL holds 73.7% of our Company. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for further details.

As at the LPD, we employed 127 people, approximately one fifth of whom are engineers and technical staff. Our operations are located in Singapore and comprise of a sales office, manufacturing facilities, a logistics centre and an engineering centre. Please also refer to the sections entitled “Employees” and “Properties and Fixed Assets” of this Offer Document for further details.

BUSINESS OVERVIEW

We are principally engaged in the business of the assembly and testing of smart card IC modules, which will include the loading of customer specific data or software into the smart card IC modules.

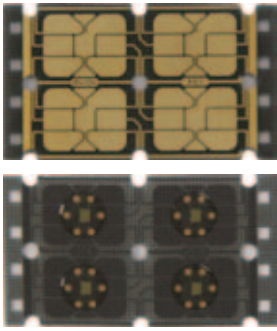
We provide IC assembly and testing services for contact smart cards and dual interface smart cards. We perform IC assembly for both 6-contact and 8-contact smart cards which are mainly used in the telecommunications industry and industries requiring higher security smart cards such as the banking and financial services and the pay TV industries. Therefore, the smart card IC modules we assemble are mainly being used by our customers in the PRC, India, CIS, Europe, and Southeast Asia as SIM cards (used in GSM phones to identify a subscriber on a GSM mobile phone network), RUIM cards (used in CDMA phones to identify a subscriber on a CDMA mobile phone network), banking cards for secured payment and identification purposes, Pay TV cards and for various other applications.

Besides IC assembly services, we also provide value added services to help our customers to load their OS software into the smart card IC modules and to load the smart card IC modules with customer specific data. With this service, our customers who are the smart card manufacturers will be able to shorten their own production time and deliver the finished smart card to their customers faster.

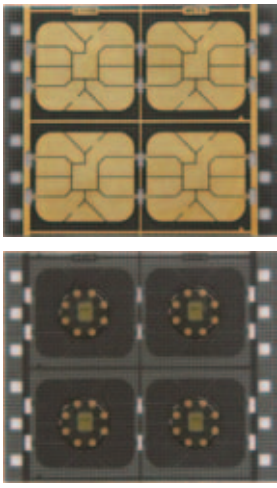
We have in 2009, diversified from the production of contact smart card IC modules to the production of dual interface smart card IC modules which can be used for the banking and financial services and transportation industries.

Examples of the 6-contact and 8-contact smart card IC modules which we assemble are as follows:

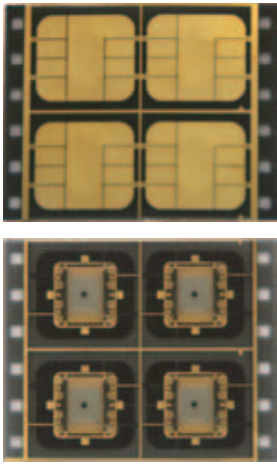
6-contact smart card IC module

	<p>Number of contacts: 6</p> <p>Applications: Mobile communications products such as mobile phones</p>
---	--

8-contact smart card IC module

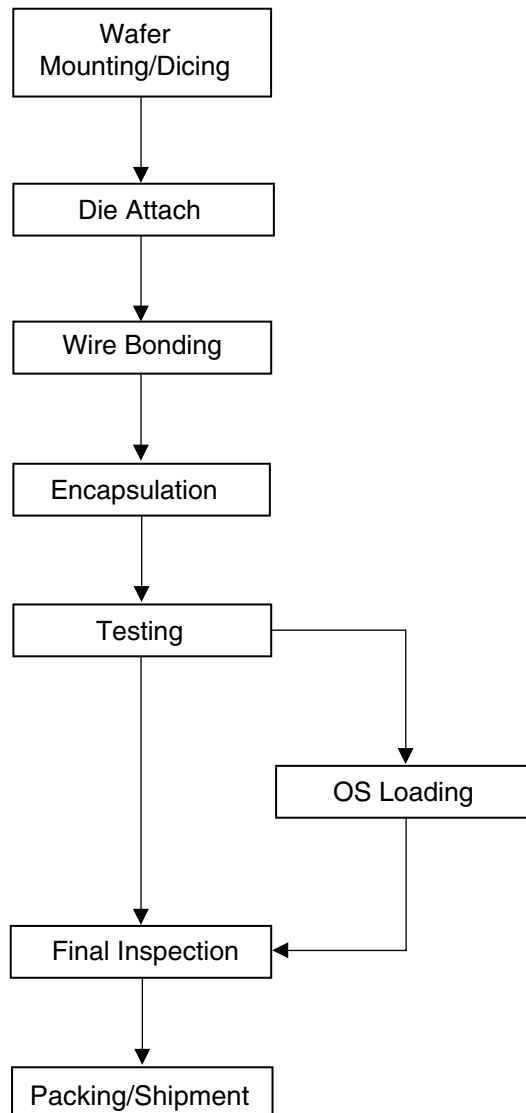
	<p>Number of contacts: 8</p> <p>Applications: Communication products such as payphone cards</p>
--	---

Dual interface smart card IC module

	<p>Dual interface: Contact and contactless</p> <p>Applications: Banking cards and transportation cards</p>
---	--

OUR MANUFACTURING PROCESSES

Module Assembly Services



Wafer Mounting/Dicing

The first stage involves the mounting and dicing of the wafer. The wafer is first attached to a mounting tape which is mounted on a ring frame. The wafer is then diced into individual chips, according to the pre-determined chip size. A diamond blade will cut onto the saw street, which is the cutting clearance between chips, in order to separate the chips without damaging the circuitry.

Die Attach

Diced chips are picked up from the mounting tape and placed onto the flex tape according to the wire bonding diagram provided by our customers. Epoxy is applied to hold the chip to the flex tape securely and the chip is then sent through an oven curing process. Bond line thickness, placement of the chip and epoxy coverage are controlled within process specifications to ensure the bonding quality.

Wire Bonding

This stage of the manufacturing process is to provide electrical connection between the chip bond pad and the flex tape bond pads. This process is achieved by using a very fine, 25-micron diameter, gold wire. The gold wire establishes an electrical connection between the chip and the contact side of the flex tape.

Encapsulation

A UV sensitive epoxy is coated over the module to protect the electrical connection of the wire-bonded chip. The epoxy resin is then hardened by UV light, providing a strong barrier against environmental influences and reduces potential expansion or shrinkage of the module.

Testing

The modules are then individually tested for electrical functionality and their Answer-To-Reset response. Modules which fail the test parameters will have a hole punched into the module to mark it as a rejected module. Please refer to the section entitled "Quality Assurance" of this Offer Document for further details.

OS Loading

Where required by our customers, we also assist such customers to load the modules with their customised operating systems. For some customers, we further assist them to upload pre-personalised data such as common specific data requested by such customers in GSM SIM and other smart card applications. This will enable our customers to shorten their production times for the smart cards as they can focus on uploading only the personalised data provided by their customers.

Final Inspection

After the testing of the individual modules and loading of the OS (where necessary), we will conduct a final visual inspection of the tested modules for cosmetic defects based on established sampling procedures before they are sent for packing.

Packing/Shipment

The finished modules which would already be in reels are vacuum sealed in a moisture barrier bag with a desiccant and subsequently packed into individual boxes which are then packed into a larger box for shipment to our customers.

PRODUCTION FACILITY AND UTILISATION RATE

As at the LPD, we have one production facility which is located at 20, Tampines Street 92, Singapore 528875, with an approximate production area of approximately 1,244.6 sq m.

The table below indicates the production capacities and estimated utilisation rates of our production facility for the last three financial years:

FY2007		FY2008		FY2009	
Maximum annual capacity (million units) ⁽¹⁾	Estimated Utilisation Rate (%)	Maximum annual capacity (million units) ⁽¹⁾	Estimated Utilisation Rate (%)	Maximum annual capacity (million units) ⁽¹⁾	Estimated Utilisation Rate (%)
170	87.6	319 ⁽²⁾	87.8	480 ⁽³⁾	66.7 ⁽⁴⁾

Note:

- (1) Maximum annual capacity is measured by the number of units that can be produced based on the number of machines and operators manning the machines as at the end of the relevant FY being operational for 24 hours a day for 360 days a year.
- (2) In January 2008, additional machines which we had purchased in December 2007 commenced operations, thereby increasing our production capacity by 73 million units for FY2008. In August 2008, additional machines which we had purchased in July 2008 commenced operations, increasing our production capacity by a further 58 million units for FY2008. In October 2008, additional machines which we had purchased in September 2008 commenced operations, increasing our production capacity by a further 18 million units for FY2008.
- (3) Production capacity for the full FY2009 taking into account the new machines acquired in FY2008 and December 2007.
- (4) In 2009 our capacity utilisation rate declined from previous 2 FYs primarily as a result of a decrease in demand for our assembly and test services in the first half of FY2009 arising from the global financial crisis. However the demand for our services had recovered in the second half of FY2009.

QUALITY ASSURANCE

We place great emphasis on the quality assurance of our products. The quality and reliability of our products are vital to our Company's success. We have instituted a comprehensive set of quality control procedures in our manufacturing process to ensure that the quality of our products meet our customers' needs and specifications. To assist us in our materials and inventory management system, we use a customised ERP system.

Incoming quality control

We carry out quality control inspection of our raw materials according to our strict quality control standards. Many of our suppliers will deliver their materials to us together with a certificate of compliance to show that their materials comply with prescribed standards. Our staff will inspect the materials we received based on certain prescribed parameters in accordance with established sampling procedures. If defects are found in the materials inspected, we will carry out further inspections before determining whether the entire batch of materials will be returned to the relevant suppliers for replacement. This ensures that only materials which pass our strict quality control standards will be used to manufacture our products.

In-process quality control

Our staff will conduct inspections at every stage of the manufacturing process. At the commencement of the manufacturing process, we will first verify the wafer details such as the lot number and the wafer number against specifications provided to us by our customers to ensure that the correct wafers are being used to manufacture the relevant chips. We will also inspect such Wafers for defects before mounting the wafers for dicing. At each critical stage of the manufacturing process, all our products are examined for defects, which will include, *inter alia*, inspection for chipping or marks after dicing,

inspection of the uniformity of the epoxy coverage, comparisons of the bonded profile of the IC module against the wire bonding diagram after the wire bonding, conducting visual inspections through a microscope for smashed wires and the testing of the quality and performance (the statistical process control) of the wire bonding, and finally inspection for bubbles or incomplete coverage as well as measurement of encapsulation thickness at the encapsulation stage. As mentioned above under the section entitled “Our Manufacturing Processes”, the modules are then individually tested for electrical functionality and their Answer-To-Reset response. Modules which fail the test parameters will have a hole punched into the module to mark it as a rejected module for disposal, as hereafter described.

Final quality control

Our staff will carry out visual inspection of tested modules for cosmetic defects based on established sampling plans and will verify the printed labels to ensure that the modules are marked for shipment to the correct customers. In the event that defects are found in any of our finished products, the entire batch of finished products will be further inspected for defects and the root cause of the defects will be identified and rectified, where possible. Defective modules are disposed of either by way of shipment back to our customers in designated containers as may be required by our customers or we would dispose of the rejected modules ourselves through licensed waste collectors.

AWARDS AND CERTIFICATIONS

As testimony to the quality of our products as well as our management capabilities, we have received several awards and accreditations in the course of our history, as listed below:

Year of Award	Award	Awarded by
October 2004	ISO 9001:2000 for quality management system	SGS United Kingdom Ltd Systems & Services Certification
October 2007	ISO 14001:2004	SGS United Kingdom Ltd Systems & Services Certification
November 2008	Enterprise 50 Award	The Enterprise 50(E50) Awards jointly organised by The Business Times in collaboration with KPMG in Singapore and supported by the Infocomm Development Authority of Singapore, International Enterprise Singapore and SPRING Singapore.
February 2009	Singapore SME 500	DP Information Group
April 2009	CQM label certification	MasterCard International
January 2010	Singapore SME 500	DP Information Group

MAJOR CUSTOMERS

The following table sets forth our customers accounting for 5% or more of our total revenue for each of the past three financial years:

Major Customers	As a percentage of total revenue (%)		
	FY2007	FY2008	FY2009
Eastcom Peace SmartCard Co., Ltd	21.3	13.7 ⁽¹⁾	19.6 ⁽¹⁾
Giesecke & Devrient Asia Pte Ltd	1.5	13.8 ⁽²⁾	16.3
IHorizon Pte Ltd	8.2	0.0 ⁽³⁾	0.0
I'M Technologies Limited	13.5	0.0 ⁽⁴⁾	0.0
Oberthur Technologies SA	9.5	22.8	22.2
Shanghai COS Software Co., Ltd	13.9	16.6	0.6 ⁽⁵⁾
STMicroelectronics Pte Ltd	2.1	16.2 ⁽⁶⁾	10.2 ⁽⁶⁾
SYSCOM Corporation Limited	9.0	5.2	6.0
UbiVelox Inc ⁽⁷⁾	0.0	0.0	5.9
Yosun Singapore Pte Ltd	2.4	1.5	8.8 ⁽⁸⁾

We have applied a strategy of balanced customer account portfolios.

Notes:

- (1) For FY2008, our sales to Eastcom Peace SmartCard Co., Ltd ("**Eastcom**") as a percentage of our total revenue decreased due to decreases in the average selling price of wafers and packaging. Sales to Eastcom increased in FY2009 due to the improvement of Eastcom's business.
- (2) For FY2008, our sales to Giesecke & Devrient Asia Pte Ltd ("**G&D**") as a percentage of our total revenue increased due to our ability to provide a full service to package IC modules as well as OS loading for G&D.
- (3) Our sales to IHorizon Pte Ltd ceased in FY2008 because we were unable to agree on the credit period requested for by the company.
- (4) I'M Technologies Limited ("**I'M Technologies**") was acquired by Oberthur Technologies SA ("**Oberthur**") in 2007. Thus in FY2008, our sales to I'M Technologies ceased with the corresponding increase in sales to Oberthur.
- (5) For FY2009, sales to Shanghai COS Software Co., Ltd ("**SCOS**") decreased due to a change in their strategy whereby they decided to focus on procuring from within the PRC market.
- (6) For FY2008, our sales to STMicroelectronics Pte Ltd ("**STM**") as a percentage of our total revenue increased as we had the benefit of a full year of business with STM, having passed the qualification process to be an approved supplier to STM in the second half of 2007. Sales to STM decreased in FY2009 due to the transition from old to new products during which time the demand for our services decreased.
- (7) UbiVelox Inc is a new major customer and is in the business of providing smart cards for banking and financial services industry.
- (8) Yosun Singapore Pte Ltd ("**Yosun**") first became a customer of Smartflex in 2006 as Smartflex was one of the OS loading houses authorised by Yosun's OS partners. We have since provided assembly and packaging services to Yosun over the years. For FY2009, our sales to Yosun as a percentage of our total revenue increased due to improvements in Yosun's business resulting from a strategy to partner with OS suppliers to provide solutions.

Save as disclosed above, as at the LPD, our business and profitability are not materially dependent on any industrial, commercial or financial contract (including a contract with a customer).

As at LPD, none of our Directors or Substantial Shareholders and the Associates of our Directors and Substantial Shareholders has any interest, direct or indirect, in any of our major customers listed above.

CREDIT POLICY AND MANAGEMENT

We place emphasis on our credit management policy which includes a credit assessment for all our customers. Our credit assessment is performed on a regular basis for our existing customers. For existing customers who exceed their credit limits, approval from one of our Executive Directors must be sought before additional purchase orders are accepted. For our new customers, a credit assessment is made prior to acceptance of the first purchase order.

Our customers are evaluated based on their payment history, financial strength and market reputation. For existing customers with good credit standing, we typically accept their purchase orders without down payments and offer a credit term of 14 to 60 days. For other customers, we will usually request for a down payment or a full upfront payment.

We manage our credit risk exposure by monitoring the status of payments from customers using the ERP system to control customers' outstanding payments. Accounts that may exceed their approved credit limit will be brought to the attention of management and any further issuance of delivery orders will be subject to the receipt of management's approval. We have a policy of providing an allowance for uncollectible amounts where management is of the view that the Company will not be able to collect the debt. We perform ongoing credit evaluation of our debtors' financial condition and usually for customers with payments outstanding for more than 30 days after the expiration of the credit period, allowance for doubtful trade receivables may be made on a case-by-case basis, depending on the creditworthiness of that customer at the relevant time. Our average trade receivable turnover days for the last three financial years are as follows:

	FY2007	FY2008	FY2009
Average trade receivable turnover (days) ⁽¹⁾	51	48	49

Note:

(1) The average trade receivable turnover days is calculated based on the average of the opening and closing trade receivable balances of the relevant financial year divided by revenue and multiplied by 365 days.

Our average trade receivables turnover days decreased from 51 days in FY2007 to 49 days in FY2009 mainly due to increased efforts in collection.

There were no allowance for doubtful debts, no significant bad debts written off and no allowance for impairment of trade debts in the last three financial years. As at the LPD, the amount of outstanding trade receivables of approximately US\$3.1 million as at 31 December 2009 had been collected.

Credit terms extended by our suppliers

Payment terms granted by our suppliers vary from supplier to supplier and are also dependent on, *inter alia*, our relationship with our suppliers and the size of the transaction. Where suppliers extend credit terms to us, it would usually be in the range of 30 days.

Our average trade payable turnover days for the last three financial years are as follows:

	FY2007	FY2008	FY2009
Average trade payable turnover (days)	71	56	37

Note:

(1) The average trade payable turnover days is calculated based on the average of the opening and closing trade payable balances of the relevant financial year divided by cost of sales and multiplied by 365 days.

Our average trade payable turnover days decreased from 71 days in FY2007 to 56 days in FY2008 mainly due to purchase of new plant and machinery of approximately US\$ 1.1 million as well as increase in inventory of approximately US\$0.8 million at end of FY2007. In FY2009, our trade payable turnover days decreased to 37 days as there was a build up of inventory at end of FY2008 of approximately US\$0.8 million.

MAJOR SUPPLIERS

The following table sets forth our suppliers accounting for 5% or more of our total purchases for each of the past three financial years:

Major Suppliers	Products/ Services Supplier	As a percentage of our total purchases (%)		
		FY2007	FY2008	FY2009
Com Equip Pte Ltd	Gold wire	5.2 ⁽¹⁾	12.4 ⁽¹⁾	12.5 ⁽¹⁾
Delo Industrie Klebstoffe GmbH & Co. KGaA	Glue	7.6 ⁽²⁾	12.3 ⁽²⁾	11.3 ⁽²⁾
FCI Microconnections Asia Pte Ltd	Flex tape	49.6	43.5 ⁽³⁾	37.2 ⁽³⁾
Yosun Singapore Pte Ltd	Wafer	7.1	15.3 ⁽⁴⁾	18.1 ⁽⁴⁾
AV Concept Singapore Pte Ltd	Wafer	19.3	5.7 ⁽⁵⁾	6.3 ⁽⁵⁾
Silicon Plaza Ltd	Wafer	6.8	0.0 ⁽⁵⁾	0.0 ⁽⁵⁾
Perfexa Resources Pte Ltd	Interliner Tape	—1.5	3.2	5.4

The percentage of total purchase for most major suppliers has corresponded to the installed capacity and actual production volume over the three years under review. Where necessary, we have been able to switch our suppliers to take advantage of price differentials without compromising on the quality of supplies.

Notes:

- (1) Our purchase from Com Equip Pte Ltd. has risen from 5.2% in FY2007 to 12.4% in FY2008 due to capacity expansion and increased production volume in FY2008. The level of usage for FY2009 at 12.5% closely approximate that of FY2008.
- (2) Our purchases from Delo increased from 7.6% in FY2007 to 12.3% in FY2008 due to capacity expansion which enabled increased production volume hence the increased in consumption. The slight decrease in FY2009 was due to the higher production volumes of 6 contact smart cards which requires less epoxy.
- (3) Our purchases from FCI decreased in both FY2008 and FY2009 due to the higher utilisation of 6 contact flex tape which costs less than 8 contact flex tape.
- (4) Yosun became one of our suppliers for wafers in 2007 as a result of some of our customers requesting that we assist in the sourcing of wafers for them. Our purchases from Yosun increased in both FY2008 and FY2009 due to their competitive pricing and supply availability.
- (5) Our purchases from AV Concept Singapore Pte Ltd and Silicon Plaza Ltd decreased in both FY2008 and FY2009 as their terms had become less attractive to us.

Save for the supply of flex tape by FCI, our Directors are of the opinion that our Group does not depend on a single supplier.

As at LPD, none of our Directors or Substantial Shareholders and the Associates of our Directors and Substantial Shareholders has any interest, direct or indirect, in any of our major suppliers set out above.

INVENTORY MANAGEMENT

Our inventory comprises raw materials. We typically purchase our raw materials based on industry trends, forecasts and secured orders from customers. Raw materials are typically stored in our warehouse at 20 Tampines Street 92, for a period of up to approximately two months, while finished goods are typically delivered as soon as practicable after production. All inventories are handled on a first-in-first-out manner.

Our sales and marketing, planning and operations team work in tandem and share information to ensure that adequate levels of inventory are maintained to meet our customers' needs. We have in place a computerised inventory management system, which tracks the movement of inventory items on a real-time basis. All material deliveries are planned on a just-in-time principle in order to reduce stock holding level and costs, as well as minimise risk in the unlikely event of calamity. We also monitor gold prices, and from time to time, when the prices are favourable, we may purchase greater quantities of gold wire which is necessary for the manufacture of our products, taking into account orders on hand.

The inventory levels are monitored via an automated system where the ordering of materials is placed against sales forecast. The projected inventory level at the end of the month will indicate either green or red, depending on consumption rate. When it is red, the purchaser will be alerted and will place additional orders to maintain the necessary buffer. Our planning and operations team (which oversees inventory management) also conducts quarterly stock count to monitor inventory levels. Additionally, the planning and operations team, together with personnel from the finance and production teams, will perform an annual stock audit.

We do not provide general allowances for inventory obsolescence. We regularly assess our inventory to identify raw materials which are no longer required for production of the product for which they were procured and we would attempt to redeploy the use of such raw materials for the production of other products. Based on the aforesaid assessment, specific allowances for stock obsolescence are made on a case-to-case basis.

Our inventory turnover (days) and allowance for inventory obsolescence for the last three financial years are as follows:

	FY2007	FY2008	FY2009
Inventories (US\$)	1,173,878	1,436,084	618,438
Inventory Turnover ⁽¹⁾	32	36	28
Allowance for inventory obsolescence (US\$)	Nil	10,748	Nil

Note:

(1) The average inventory stock turnover days are based on the average inventories divided by cost of sales multiplied by 365 days.

Due to implementation of our computerised ERP inventory system since FY2009, we were able to better manage our inventory level. As a result, our inventory turnover days decreased from 36 days in FY2008 to 28 days in FY2009. In FY2008, our inventory turnover days increased by 4 days as compared to FY2007 due to our purchase of a larger quantity of certain raw materials in anticipation of a possible shortage of such raw materials and a possible increase in prices of such raw materials. In FY2009, these raw materials had been fully utilised.

MARKETING AND DISTRIBUTION

We recognise the importance and are committed to maintaining good business relations with our customers. Our CEO and Executive Director, Eric Ng, has overall responsibility for our Company's marketing activities and sales strategies. Eric Ng has more than 10 years of experience in semiconductors and smart card industries.

Our Sales director Pang Sze Yong, who assists our CEO in this regard, is responsible for ensuring that the Group is able to meet the short and mid term, monthly and yearly sales targets set by our CEO and Executive Director. Pang Sze Yong has more than 10 years of experience in smart card industry. As at the LPD, we have a team of four sales and customer service staff to assist our Sales director. Our dedicated sales and customer service staff are tasked to focus on specific customer accounts.

Our management team also actively markets our services to new customers and existing customers in geographic markets and/or product segments where we have not serviced them previously. We rely mainly on direct channels of marketing to our customers and our business associates to promote our services, which would often lead to referrals of new business opportunities from them. Our sales and marketing team regularly keeps in touch with our customers to maintain good relations with them. We regularly obtain feedback on our services, respond to any enquiries they may have and keep abreast of any changes in the market requirements for our services. Our CEO and Executive Director and Sales director, also visit our customers regularly to establish stronger rapport and explore new business opportunities. Through direct interaction with our customers, we are able to have a better understanding of their requirements and be in a better position to provide appropriate solutions to their business concerns, such as cost management and the customisation of the modules to meet their particular product needs.

In addition to liaising with the business and commercial departments of our customers, we are also able to interface with the technical departments of our customers. This has enabled our engineering team to engage the customers and provide pre-sales and post-sales technical support. Our engineering team and our logistics and purchasing team work closely with our sales and customer service team to ensure that the customers' needs are fulfilled on time.

Our overall sales strategy is to leverage on our industry knowledge and expertise, strong technical skills and existing relationships with customers and business partners to increase our market share.

We also attend trade shows such as Cartes Paris in France which we attended in 2009 and 2008, as well as other relevant trade shows such as CommunicAsia, Cards Asia and RFID World Asia trade shows in different countries such as China, Hong Kong and Singapore. We also regularly write to smart card solution providers and smart card IC chip designers and manufacturers to introduce our manufacturing services.

INSURANCE COVERAGE

We have purchased certain insurance policies to cover our operational, human resource and fixed asset risks, including:

Operational risks

1. Marine open cover for the import and export of our IC modules by sea, air and land; and
2. Commercial business package for comprehensive general liability in respect of damages arising from damage to real and physical property, cleanroom plant and machinery, stock in trade, money in transit, loss profit due to business interruption, work injury compensation and public liability.

Human resource risks

1. Group hospital and surgical for the needs of certain employees; and
2. Travel insurance for losses by our employees incurred when while away on business.

Fixed asset risks

1. Machinery (all risks) for any loss or damage from any cause other those specifically excluded for certain equipment.

There have been no material insurance claims made by us over the three FYs ended 31 December 2007, 2008 and 2009 respectively nor up to the LPD. Our Directors believe that the above insurance policies are adequate for the operations of our Group. However, any significant loss, whether as a result of fire or other causes, may still have a material and adverse impact on our results of operations or financial condition.

Our Directors review our Group's insurance coverage at least on an annual basis to ensure that it adequately satisfies both regulatory and business requirements, and may increase the coverage if they deem it necessary and appropriate.

PROPERTIES AND FIXED ASSETS

We do not own any properties.

As at the LPD, our Group leased the following properties:

Description/Location	Tenure/Term	Gross Area (Approximate sq m)	Monthly Rental	Use	Encumbrances
20 Tampines Street 92, Singapore 528875	1 September 2009 to 20 June 2011	723.3 (3 rd floor) 622.3 (4 th floor) Total: 1,345.6	S\$16,367	Production facilities and offices	None
20 Tampines Street 92, Singapore 528875	1 July 2008 to 30 June 2011	622.3 (5 th floor) 229.5 (6 th floor) Total: 851.8	S\$9,839 for the first and second year and S\$10,114 for the third year	Production facilities and offices	None

Our fixed assets consisting of computers, furniture and fittings, office equipment and machinery had a net book value of approximately US\$7.7 million as at 31 December 2009.

INTELLECTUAL PROPERTY

We have not registered any intellectual property which is material to our business.

LICENCES AND PERMITS

Our Company and our Subsidiary have all the necessary licences to carry out our businesses.

Apart from business licenses that are of general application, as at LPD, we have obtained the following specific licences for our Group and business operations:

Entity	Country	Description of licence	Validity Period	Issuing Authority	Licence No.
1. Smartflex Technology Pte Ltd	Singapore	Factory Permit	Valid from 20 April 2009 onwards	Ministry of Manpower	Factory No. F43369X-001
2. Smartflex Technology Pte Ltd	Singapore	Singapore Custom Product Classification	Valid from 4 March 2009 onwards	Singapore Customs	Certificate No. 09C001
3. Smartflex Technology Pte Ltd	Singapore	Approved Contract Manufacturer and Trader	Valid from 15 September 2009 till 15 September 2012	Inland Revenue Authority of Singapore	Nil
4. Smartflex Technology Pte Ltd	Singapore	Major Exporter Scheme	Valid from 26 September 2008 onwards	Inland Revenue Authority of Singapore	Nil

We have obtained all the above mentioned licences. As at the LPD, our Directors are not aware of any reasons that will cause any licences to be revoked.

COMPETITION

We believe that presently, the global smart card IC assembly and test service industry is a fragmented one. Our business is dependent on the demand generated by our customers which service the telecommunications and banking and financial services industries. Our customers are mainly smart card solution providers who are mostly multinational corporations operating at several manufacturing sites located in South America, Europe, CIS, the PRC, India and the South East Asian region.

We believe our primary competitors are independent assembly and test service providers operating in Asia, many of which have production facilities in the PRC. They include:

- Nedcard B.V.;
- Shanghai Chang Feng Smart Card Co Ltd;
- Shanghai Eternal Information Technology Co Ltd;
- China Electronic Smart Card Co Ltd; and
- Shangdong Shanlv Electronic Technology Co Ltd.

We believe that the companies listed above have operations that are similar or larger in size and capacity to us. Moreover, we have observed that they have often competed with us for assignments from our customers.

None of our Directors, Controlling Shareholders or Substantial Shareholders has any interest, direct or indirect, in any of the above competitors.

Even though we operate in a competitive environment, we believe our competitive strengths will enable us to secure and grow our market share in the smart card IC assembly and testing industry.

COMPETITIVE STRENGTHS

Our Directors consider the following to be our Group's competitive strengths:

Comprehensive manufacturing solutions

As a contract manufacturer, we provide the full range of services for the assembly and testing of smart card IC modules, which range from wafer mapping and dicing through to OS loading as a complete manufacturing solution for our customers. We are thus able to provide a one-stop approach to our customers worldwide which include smart card manufacturers, fabless companies and silicon vendors. We believe that many of our competitors are currently unable to provide the same range of services for the assembly and testing of smart card IC modules. Most of our major customers provide leading edge solutions in the fast growing smart card market segments such as the telecommunications and banking and financial services industries.

Application of engineering expertise

We believe that our ability to work with our customers to develop manufacturing processes for their new products differentiates us from our competitors and has been a key factor in attracting customers to utilise our services.

When our customers approach us for the development of a manufacturing process for their new product, we would mobilise our engineering team to work closely with our customers to develop turnkey solutions for the production of the new product. We believe that our ability to provide innovative solutions to our customers for the manufacture of their new products within a relatively short span of time has given us a competitive edge vis-à-vis our competitors. Such engineering and software capabilities have also enable our customers to integrate their manufacturing system into our production processes.

Customer orientated services

We believe that our customers value our ability to provide customised solutions to meet their needs. Our understanding of our customers' business, the responsiveness of our customer support services and the commitment given by our management, are key factors that differentiate us from our competitors. Within our customer service and management team, we have dedicated personnel to service the technical and order fulfilment needs of each customer. These personnel will focus on specific customer accounts. The main objectives of the customer service and management team are to:

1. Manage all sale inquiries and where necessary, transfer the enquiry to our engineering team for further technical evaluation or diagnostics.
2. Understand and keep pace with the rapidly changing demands from our all customers.
3. Manage new product introduction programmes and synchronisation with our manufacturing system prior to the commencement of mass production.
4. Work with our planning and operation team to ensure that deliveries to customers are made on time.

We utilise our ERP system to enhance our ability to provide on-time delivery. We also allow our customers to remotely track the status of the manufacturing process of their products, on a real-time basis.

Experienced management team and a team of dedicated and qualified staff

An experienced and dedicated team, led by our Executive Chairman and our CEO, manages our business. Our Executive Directors and Executive Officers collectively have more than 35 years of experience in the smart card or semiconductor industries. Moreover, as our Executive Directors and Executive Officers are actively involved in our day-to-day operations, management decisions can be made on a timely basis. Please refer to the section entitled “Directors, Management and Staff” in this Offer document for details of our Executive Directors and Executive Officers. Further, our Executive Directors and Executive Officers are assisted by a team of dedicated and qualified professionals including our sales and marketing team, planning and operations team and engineering team to provide relevant and quality service to our customers. We believe that we are able to attract and retain qualified and experienced professionals by offering them a work environment that is both challenging and entrepreneurial.

The emphasis of the sales and marketing team is to understand our existing customers’ requirements and to position our Company to meet the rapid changing market requirements with the support of our engineering team. The planning and operations team will assist our sales and marketing team to address all our customers’ requirements. The planning and operation team consists of planning, production, purchasing, logistics and software IT development departments.

A well diversified and strong group of customers

Our smart card solution and silicon design customers are strategically diversified amongst a wide range of multinational corporations in US, Europe, South America, PRC, India and Asia. Other existing customers include major players in the telecommunications, banking and financial, personal identification card and electronic passport, pay TV and Transportation industries.

This well diversified group of customers will help us to mitigate our risk of exposure to any particular industry in the event of an economic downturn in such an industry.

PROSPECTS AND TRENDS

Prospects

Our revenue has grown from approximately US\$14.6 million for FY2007 to approximately US\$18.1 million for FY2009. Over the same period, our net profit after tax has increased from approximately US\$1.2 million to approximately US\$1.9 million. Our ability to sustain these growth rates will be dependent upon a number of important factors, such as our ability to continue to enhance and develop our products and services on a timely basis to satisfy the increasingly sophisticated requirements of our customers, our ability to manage our growth and to control our costs. In this connection, we wish to draw your attention to the matters which we have highlighted under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offer document.

Notwithstanding, our Directors are confident of our growth potential and barring any unforeseen circumstances, believe that we will continue to see growth in demand for our products and services in the foreseeable future for the following reasons:

Market overview

Increasingly, competition in the industry of smart card providers has resulted in the outsourcing of the manufacturing process to reduce manufacturing cost and time-to-market, as well as the utilisation of

innovative technology and on-time manufacturing to control inventory level. The significant growth of fabless companies and OS development companies has become a trend in industry of smart card providers, particularly in Europe and China.

Fabless and OS customers are taking advantage of this to outsource the production of smart cards, using a contract manufacturer to reduce their risk, capital investment and cost of manufacturing, in order to compete with the major smart card solution providers to the telecommunications, financial and banking, personal identification and transportation industries as well as industries using RFID technology.

In addition, we believe that the increased number of wafer foundries in Asia Pacific, particularly in the PRC and the increase in the number of independent assembly and test houses, have allowed for the accelerated growth and market penetration by such fabless and OS development companies. This in turn has created increased revenue for independent IC assembly test service providers, such as ourselves, in industry of smart card providers.

In 2009, Eurosmart reported a total of 4.4 billion smart card shipments. Our 320 million shipments represent approximately 7.2% of market share¹. Our Directors believe that there is potential increasing convergence of the telecommunications and electronic payment applications and this continues to drive the growing demand for such applications.

GSM SIM smart card market segment

Given the potential for economic and per capita GDP growth in Asia, the increasing sophistication and technological familiarity of consumers and the greater affordability of mobile phones, our Directors are of the view that the demand for mobile telecommunications products and services will continue to grow in the region. In particular, our Directors are of the view that the expansion of mobile telecommunications network coverage and adoption of mobile phones, as well as the increased usage of pre-paid mobile phone cards, especially in countries where the penetration rate is currently relatively low, as a means of communication by consumers, will lead to an increase in demand for mobile telecommunications network operators' services. Based on projections by Eurosmart, the volume of smart card shipments for the telecommunications industry is expected to grow by approximately 9.1% in 2010 year-on-year as compared to 2009². Such factors are expected to drive the demand for our products, particularly smart cards for use in the mobile telecommunications industry, thus enabling our Company to leverage on these significant potential growth markets.

We believe that we will be able to leverage on the growth in the penetration rate of the mobile telecommunications industry in these potential growth markets. Furthermore, the emergence of the near field communication application concept for secured SIM cards will continue to push the growth of telecommunications segment especially the key markets of China and India.

High security smart card market segment

In general, the high security smart card is increasingly being used in applications for the banking and financial services, telecommunication, travel, healthcare sectors and public transport as well as identity applications such as a driving license, passport and identity card.

Based on the Eurosmart report, it is anticipated that in 2010, there will be an increased number of high security smart card shipments to the financial services, healthcare and Pay TV industries, with total

1 Information obtained from the Article, dated 17 November 2009, entitled "2009: The Smart Cards Industry demonstrated resilience to the economic downturn and continued to grow in volume for high-end microprocessor cards. Eurosmart anticipates another year of growth in volume of about 10% for 2010., accessed from the internet website of Eurosmart (<http://www.eurosmart.com/index.php/home.html>).

2 ibid

shipments of at least 1.0 billion units, which would represent approximately a corresponding 12.0% growth to the 2009 forecast reported.

Our Directors believe that the increasing number of unauthorised payments, identity theft and other electronic crimes as well as the proliferation of counterfeit products are posing a threat to end consumer of such smart cards, resulting in financial and other losses. As such, our Directors believe the demand for high security smart cards will continue to increase.

According to Eurosmart, pilot trials of mobile payment and mobile mass transit services will materialise in mass deployments over the next few years⁴. Additionally, our Directors have observed a growing trend in governments implementing digital identification cards and travel documents, and also seeking ways to work with transportation operators and financial services providers in the retail industry to offer seamless electronic payment applications.

Our Directors further believe that the continued adoption of EMV standards will lead to further strong growth in applications of high security smart cards in the financial and banking industry and that we will be able to take advantage of this growth in the demand given the high level of intellectual property protection available to manufacturing industries in Singapore.

Trend Information

The trends observed by our Directors for our business in the current financial year and the foreseeable future are that our revenues are expected to increase in tandem with the prospects of the market segments in which we provide our products and services to. Please refer to the section entitled “Prospects” of this Offer Document for further details. Our costs are expected to increase due to the higher operating costs to be incurred as a result of the expansion of our product range and markets serviced, the increased costs of procuring raw materials such as gold wire, flex tape, silicon wafers, etc, as well as the costs involved in listing on the Catalist and the compliance costs of maintaining such a listing.

To the best of their knowledge and save as disclosed in the Offer Document, our Directors believe that there are no other known trends in our revenue and costs, or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our turnover, profitability, liquidity or capital resources, or that would cause our financial information disclosed in this Offer Document to be misleading.

Order book

From 1 January 2010 to LPD, our order book based on secured contract/confirmed orders, amounted to approximately US\$14.8 million, of which we have completed the production of US\$8.5 million worth of products as at LPD. Our business is generally not secured by long-term or exclusive contracts with our customers. On an average, our customers only provide confirmed purchase orders not more than three months in advance of the delivery date.

4 *ibid*

Each of the persons whose websites and/or articles are set out in footnotes (1) to (4) above and containing information (the “relevant information”) upon which certain statement(s) (the “relevant statement(s)”) in this section entitled “Prospects” of this Offer Document are based, has not been consented to the inclusion of the relevant information and is therefore not liable for the relevant statement(s) under sections 253 and 254 of the Securities and Futures Act.

While our Directors have taken reasonable action to ensure that the relevant information is reproduced in its proper form and context, they have not independently conducted a review of or verified the accuracy of the relevant information.

BUSINESS STRATEGIES AND FUTURE PLANS

Our goal is to be the leading provider of smart card IC manufacturing solutions to customers in various industries. Our primary strategy is to achieve business growth through increasing our technical capabilities in order to provide a broader product range to our customers. Such products include EMV smart cards for financial and banking applications, as well as smart cards used in the secure market segments in transportation, personal identification and RFID industries. In order to achieve our strategy, we intend to implement the following:

Broadening of our range of manufacturing services

Given our experience with smart cards used in the high security smart card market segments, for example EMV smart cards for financial and banking applications, we are presently collaborating with some of our customers to develop manufacturing solutions for higher end products such as dual interface, contactless and RFID smart cards. Such products can be used for financial and banking, transportation and personal identification applications and industries that use RFID technology. Given the current scarcity of independent manufacturers with the capability to provide such manufacturing solutions for these higher end products, the manufacture of the smart card IC modules for such higher end products is expected to provide us with higher margins as compared to the manufacture of IC modules for contact smart cards.

Upgrading of our process capabilities

To cater for our future growth, we intend to upgrade and expand our production facilities at our factory in Singapore. We intend to invest in additional security features so as to provide our manufacturing facilities with greater security protection. We intend to acquire machinery with a value of approximately S\$3.2 million to constitute another production line in order to increase our production capability to meet current demands. Such additional production line will not only be able to meet further increase in demand for the manufacture of existing types of smart card IC modules such as GSM SIM smart cards, but also be able to service any demand from producers of higher end product segments such as dual interface, contactless, EMV and RFID smart cards. It is intended that approximately S\$1.5 million of the proceeds from the Invitation will be used to retire trust receipts which were used for the purchase of machinery for the aforesaid expansion. The maturity date of the aforesaid trust receipts is upon the expiry of 120 days from the date of delivery of the said machinery. Please refer to the section entitled "Use of Proceeds" of this Offer Document for further details.

Expanding our overseas markets

Our Directors are of the view that competition in the smart card IC assembly and test service industry has become more regionalised and globalised. As such, we will market more aggressively to existing and prospective customers worldwide. We believe that there is potential for the further expansion of our business in our existing markets. To this end, we aim to increase our market share in these markets while at the same time endeavour to penetrate new geographical markets.

We also have regular discussions with our customers regarding opportunities on strategic secure projects in highly populated countries such as PRC, in order to determine the new markets we should focus on. In such markets, we will be intensifying our sales, marketing and business development activities as well as actively seeking and exploring business opportunities to supply our products in these markets.

To explore business opportunities and alliances

We may consider entering into strategic investments or alliances or joint ventures with suitable partners and/or acquire companies or assets in related fields, where opportunities arise, to expand our range of products, geographical reach and technological capabilities.

It is our intention that such business opportunities and alliances, if they arise, will be funded from our internal sources of funds.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, Chief Executive Officer or Controlling Shareholders of our Company or the associates of such Directors, Chief Executive Officer or Controlling Shareholders) are known as interested person transactions. The following discussion on interested person transactions (as defined in chapter 9 of the Listing Manual) for the last three financial years ended 31 December 2009 and up to the LPD is based on our Group and interested persons are construed accordingly.

Save as disclosed below and in the section entitled “Restructuring Exercise” of this Offer Document, our Group does not have any other material transactions with any of its interested persons within the last three financial years ended FY2009 and up to the LPD:

Past Interested Person Transactions

1. Loan from TGBPL

Prior to FY2009, a revolving loan was made by our controlling shareholder, TGBPL to Smartflex for working capital purposes at an interest rate of 12.00% p.a. which was negotiated on an arm’s length basis. In FY2007, the largest aggregate amount outstanding to TGBPL was S\$1,393,080 and the loan and interest was either repaid or capitalised in FY2007. In FY2008, the largest aggregate amount outstanding to TGBPL was S\$60,000 and the loan and interest was repaid in FY2008.

As full repayments were made prior to the FY end, there were no outstanding amounts due at the relevant FY ends.

During FY2007 and FY2008, the largest aggregate amount outstanding to TGBPL was approximately S\$1,393,080. The loan has been fully repaid as at the LPD.

Present and On-going Interested Person Transactions

1. Corporate guarantees extended by our controlling shareholder, TGBPL

Between FY2007 and up to LPD, our controlling shareholder, TGBPL had provided guarantees and/or indemnities to secure our Group’s obligations under certain credit facilities, details of which are set out below:

Bank	Credit Facilities and Amount	Facilities for use by	Amount guaranteed	Amount outstanding as at the LPD (approximately)
OCBC	Banking facility: — US\$1,100,000 for overdraft, trade financing	Smartflex	US\$3,100,000	US\$1,042,000
UOB	Banking facility: — S\$4,769,000 for overdraft, trade financing — US\$2,923,000 for term loan	Smartflex	S\$9,222,000	US\$1,827,000

Bank	Credit Facilities and Amount	Facilities for use by	Amount guaranteed	Amount outstanding as at the LPD (approximately)
SCB	Banking facility: — US\$1,425,000 for term loan — US\$1,000,000 for trade financing	Smartflex	All monies due and payable under the facilities	US\$1,744,000
DBS	Banking facility: — US\$1,000,000 for trade financing — US\$1,410,000 for term loan	Smartflex	All monies due and payable under the facilities	US\$712,000

As at the LPD, the loans to which the above guarantees relate to have not been repaid. The largest aggregate outstanding amount guaranteed and secured by TGBPL during the period from FY2007 up to LPD, based on month-end balances, was approximately US\$6.6 million. The interest rate applicable to our above facilities ranges from 1.24% to 7.01% per annum.

We have not and will not pay any form of consideration for the guarantees provided by TGBPL. Accordingly, the Directors are of the view that the transactions are not on an arm's-length basis, but the terms are beneficial to our Group.

Upon the listing of our Shares on Catalist, we intend to procure the discharge of all of the aforesaid corporate guarantees. Our Directors are of the view that revisions to the terms and conditions of the banking facilities, if any, are unlikely to be material and would not affect our operations and financial condition. However, in the event that we are unable to procure the discharge of the joint and several guarantees or in the unlikely event that the revisions would adversely affect our operations and financial condition, the relevant Directors and/or Shareholders will continue to provide such joint and several guarantees.

After our admission to Catalist, all transactions made between our Group and TGBPL will be entered into in accordance with such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" in this Offer Document and Chapter 9 of the Listing Manual.

2. Personal guarantee extended by Goh Hun Keng

Between FY2007 and up to LPD, Goh Hun Keng, the then controlling shareholder of our controlling shareholder, Smartron, had provided guarantees to secure our Group's obligations under certain credit facilities, details of which are set out below:

Bank	Credit Facilities and Amount	Facilities for use by	Amount guaranteed	Amount outstanding as at the LPD (approximately)
OCBC	Banking facility: — US\$1,100,000 for overdraft, trade financing	Smartflex	US\$3,100,000	US\$1,042,000
UOB	Banking facility: — S\$4,769,000 for overdraft, trade financing — US\$2,923,000 for term loan	Smartflex	S\$9,222,000	US\$1,827,000

Bank	Credit Facilities and Amount	Facilities for use by	Amount guaranteed	Amount outstanding as at the LPD (approximately)
SCB	Banking facility: — US\$1,425,000 for term loan — US\$1,000,000 for trade financing	Smartflex	All monies due and payable under the facilities	US\$1,744,000
DBS	Banking facility: — US\$1,000,000 for trade financing — US\$1,410,000 for term loan	Smartflex	All monies due and payable under the facilities	US\$712,000

As at the LPD, the loans to which the above guarantees relate to have not been repaid. The largest aggregate outstanding amount guaranteed and secured by Goh Hun Keng during the period from FY2007 up to LPD, based on month-end balances, was approximately US\$6.6 million. The interest rate applicable to our above facilities ranges from 1.24% to 7.01% per annum.

We have not and will not pay any form of consideration for the guarantees provided by Goh Hun Keng. Accordingly, the Directors are of the view that the transactions are not on an arm's-length basis, but the terms are beneficial to our Group.

Upon the listing of our Shares on Catalist, we intend to procure the discharge of all of the aforesaid personal guarantees. Our Directors are of the view that revisions to the terms and conditions of the banking facilities, if any, are unlikely to be material and would not affect our operations and financial condition. However, in the event that we are unable to procure the discharge of the joint and several guarantees or in the unlikely event that the revisions would adversely affect our operations and financial condition, Goh Hun Keng will continue to provide such joint and several guarantees.

After our admission to Catalist, all transactions made between our Group and Goh Hun Keng will be entered into in accordance with such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" in this Offer Document and Chapter 9 of the Listing Manual.

3. Personal guarantee extended by Tan Tong Guan

Between FY2009 and up to LPD, our Executive Chairman, Tan Tong Guan had provided guarantees and/or indemnities to secure our Group's obligations to Liberty Insurance Pte. Ltd. which had provided performance bonds to guarantee the satisfactory and due performance by our Group of its obligations to the Ministry of Manpower and due compliance with any rule or regulation set by the Ministry of Manpower for the approval of work passes for foreign workers.

As at the LPD, the performance bonds to which the above guarantees relate to have not been discharged. The guarantee is interest free. Based on the number of foreign workers employed by the Smartflex as at the end of each of the financial years under review and until the LPD, the aggregate largest outstanding amount guaranteed and secured by Tan Tong Guan is approximately S\$95,000. As at the LPD, Smartflex employs 19 foreign workers and accordingly, the amount of the performance bond guaranteed and secured is approximately S\$95,000.

We have not and will not pay any form of consideration for the guarantees provided by Tan Tong Guan. Accordingly, the Directors are of the view that the transactions are not on an arm's-length basis, but the terms are beneficial to our Group.

Upon the listing of our Shares on Catalist, we intend to procure the discharge of all of the aforesaid personal guarantees. Our Directors are of the view that revisions to the terms and conditions of the bonds, if any, are unlikely to be material and would not affect our operations and financial condition. However, in the event that we are unable to procure the discharge of such personal guarantees or in the unlikely event that the revisions would adversely affect our operations and financial condition, Tan Tong Guan will continue to provide such personal guarantees.

After our admission to Catalist, all transactions made between our Group and Tan Tong Guan will be entered into in accordance with such guidelines as described in the section entitled “Review Procedures for Future Interested Person Transactions” in this Offer Document and Chapter 9 of the Listing Manual.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review all interested person transactions to ensure that they are transacted on an arm’s length basis, on normal commercial terms and will not be prejudicial to the interests of our Shareholders. It will adopt the following procedures when reviewing interested person transactions:

- (i) when purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained for comparison, when available and practicable, to ensure that the interests of minority Shareholders are not disadvantaged. The purchase price or fee for services will not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration;
- (ii) when selling items or supplying services to an interested person, the price and terms of two other successful sales of a similar nature with non-interested persons will be used for comparison, when available and practicable, to ensure that the interests of minority shareholders are not disadvantaged. The sale price or fee for the supply of services will not be lower than the lowest sale price or fee of the two other successful transactions with non-interested persons; and
- (iii) when renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures, such as, making relevant inquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (as necessary). The rent payable will be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant inquiries.

Our Audit Committee will review all interested person transactions, if any, at least quarterly to ensure that they are carried out at arm’s length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not suitable or insufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders’ approval if deemed necessary by the Listing Manual.

POTENTIAL CONFLICTS OF INTERESTS

Save as disclosed above and in the section entitled “Interested Person Transactions” of this Offer Document:

- (a) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has had any interest, direct or indirect, in any transactions to which our Company was or is to be a party;
- (b) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and
- (c) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any company that is our customer or supplier of goods and services.

None of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our Subsidiary, taken as a whole.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

The Board of Directors is entrusted with the responsibility for the overall management of our Company. Our Directors' particulars are listed below:

Name	Age	Address	Principal Occupation	Country of Principal Residence
Tan Tong Guan	47	35 Kovan Road #07-42 Singapore 545019	Executive Chairman	Singapore
Eric Ng	39	24 Paya Lebar Street Singapore 535980	CEO and Executive Director	Singapore
Tan Geok Moey	49	Block 66 Mei Hwan Drive #13-09, Goldenhill Park Condo Singapore 568429	Director	Singapore
Chan Kum Kit	57	3 Siglap Road #06-31, Mandarin Gardens Singapore 448907	Public Accountant	Singapore
Teo Zee Vee	41	Block 779 Pasir Ris Street 71 #08-570, Singapore 510779	Investor	Singapore

The working, business experience and areas of responsibility of our Directors are set out below:

Tan Tong Guan, a co-founder of our Company and our Executive Chairman, was appointed to the Board on 17 February 2010. He will be responsible for providing the corporate direction and business strategy for our Group. Mr Tan will determine the overall strategic and expansion plan of our Group. Since his appointment as managing director of the Company in 2006, the Company has grown its revenue from US\$4.75 million to US\$18.1 million in 2009 (an increase of 280% over 3 years). The net profit before tax has also grown from US\$36,516 in 2006 to US\$2.29m in 2009. 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 subsidiaries in Singapore, Malaysia, China and New Zealand ranging from manufacturing, trading, property developments to property investments, and investment holding. Mr Tan has also been an executive director of Nanyang Finance Limited, a finance company operating under the Finance Companies Act of Singapore, which was subsequently known as Nanyang Seasons Limited, from December 1991 to March 2003. Further, he had also gained experience financial matters, being an auditor at KPMG Peat Marwick, a public accounting firm, from May 1987 to January 1991. Mr Tan is presently an independent director and the 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 in 1987. He also is a non-practising member (FCPA) of The Institute of Certified Public Accountants of Singapore.

Eric Ng, a co-founder of our Company and our CEO and Executive Director, was appointed to the Board on 17 February 2010. Under Eric Ng's management, Smartflex's production capacity had increased approximately 3 fold in the past 3 years and has extensive developed major customer include top players in smart card and semiconductor industries in US, Europe, Africa and Asia. Over a few years, Dr Ng had transformed a 20 persons company into a medium size enterprise, achieved numerous International certifications and received multiple awards. Eric Ng is responsible for managing the sales and business development as well as the operations of our Group which he currently oversees. Eric Ng brings with him over 10 years of experience in the smart card and semiconductor industries. Prior to joining our Company, Eric Ng was a project and technology manager at Smartron Technologies Pte Ltd from 2001 to 2003, where he managed projects and/or investment in

manufacturing technology as well as assisted to develop business in the area of smart card IC assembly and testing. Prior to that he was a senior engineer at HongGuan Technologies Pte Ltd from 1999 to 2001, where he was responsible for developing solutions using lased and photonic applications in the semiconductor area and the developing market potential. Eric Ng graduated from Glasgow University in Scotland with a First Class Honours Degree in Engineering in 1995. He subsequently obtained a Doctor of Philosophy (Ph.D.) in Mechanical Engineering from Glasgow University in Scotland.

Tan Geok Moey is our Non-Executive Director and 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 Company, a position which she has held since June 1988, where she is responsible for the administration of TGBPL. She is also a director of Regent Oil & Foodstuffs (1990) Pte Ltd, a position she has held since April 1990, where she is responsible for the finance administration of the company. Ms Tan graduated with a Bachelor of Accountancy from the National University of Singapore in 1983.

Chan Kum Kit is our Independent Director and was appointed to the Board on 15 March 2010. He is also the chairman of the Audit Committee. He is currently the co-founder and managing partner of Verity Partners, a four member public accounting practice, providing services in auditing and liquidation. Mr Chan brings over 25 years of experience as an accountant having been a partner of C.N. Tiew & Co. since January 1985 to September 2009, and holding the position of managing partner in the said public accounting firm since 1998. He is also a partner in the public accounting practice Fok Oi Leng & Co. from October 2006 to the present. Mr Chan holds various directorships and is an independent director as well as the chairman of the audit committee and a member of the nominating and remuneration committees of Sing Holdings Limited, a company which is listed on the main board of the SGX-ST. Mr Chan also serves on the Board of the Methodist Welfare Services from 1994 to the present as well as the treasurer for General Conference of the Methodist Church in Singapore, a post which he has held since 2004 to the present. Mr Chan obtained a Bachelor of Accountancy from the University of Singapore in 1974. He is also a Fellow Certified Public Accountant with the Institute of Certified Public Accountants in Singapore, obtaining this in 2004.

Teo Zee Vee is our Independent Director and 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. He was the Assistant General Manager at Oberthur Card Systems Asia Pte Ltd from 2007 to 2008, responsible for the mobile product marketing and research and development for the global market. Mr Teo co-founded I'M Technologies in 2000 and was responsible for setting the strategic direction and the day-to-day management of the company. In 2007, Oberthur Technologies SA acquired I'M Technologies. Prior to founding I'M Technologies, Mr Teo headed the sales and marketing department of Giesecke & Devrient Asia Pte Ltd, a German company engaged in the smart card business, from 1997 to 2000. Other companies he has worked at include Asia Chip Cards Pte Ltd and Trio-Tech International Pte Ltd, which were engaged in the business of IC modules and smart cards as well as the trading of production equipment for the electronics industry, where he held positions as Sales Engineer. Mr Teo holds a Bachelor of Engineering (Electrical) from the University of Singapore, obtained in 1993.

Our Independent Director, Teo Zee Vee, was the former CEO and executive director of I'M Technologies, a company that was listed on the SGX-ST. I'M Technologies was acquired by Oberthur Technologies SA in 2007. I'M Technologies was one of the Company's major customers in 2007. With the acquisition of I'M Technologies by Oberthur Technologies SA in 2007, the past business relationship between the Company and I'M Technologies and Teo Zee Vee had ceased since then and would not be continued in the future. As such the Directors are of the view that Teo Zee Vee is capable of exercising independent judgment as an Independent Director of the Company.

Mr Tan Tong Guan (our Executive Chairman) is the brother of Ms Tan Geok Moey (our Non-Executive Director). Mr Tan Tong Guan and Ms Tan Geok Moey have the following shareholding in our Controlling Shareholder, TGBPL:

Name	Percentage of TGBPL (%)
Tan Tong Guan (including the interest of 14.8% held by his spouse, Lim Choong Kuen Stephenie)	49.1
Tan Geok Moey	22.5

Save as disclosed in the sections entitled “Directors, Management and Staff” and “Shareholders” of this Offer Document, none of our Directors are related to each other or the Substantial Shareholders.

Our Executive Chairman, Tan Tong Guan as well as our Independent Director, Chan Kum Kit, are currently directors of companies listed on the SGX-ST. Our Independent Director, Teo Zee Vee was the former CEO and executive director of I'M Technologies Limited, a company that was listed on the SGX-ST. Our CEO and Executive Director, Eric Ng and Non-Executive Director, Tan Geok Moey, do not have any prior experience as directors of public listed companies in Singapore. However, both Eric Ng and Tan Geok Moey have received relevant training to familiarize themselves with the roles and responsibilities of a director of a company listed in Singapore.

The list of present and past directorships of each Director over the last five years excluding those held in our Company, is set out below:

Name	Present Directorships	Past Directorships
Tan Tong Guan	<p><i>Group corporations</i> Smartflex</p> <p><i>Other corporations</i> TGBPL TEC Developments Limited Regent Oil & Foodstuffs (1990) Pte Ltd Teck Gee Investments (International) Pte Ltd Gui Yang Teak Gee Zinc Co. Ltd TGB Properties Pte Ltd Golden Vale Sdn Bhd Fu Guan Construction (S) Sdn Bhd Perusahaan TGB Sdn Bhd First Lap (M) Sdn Bhd Centrepont Tiara (M) Sdn Bhd Golden Vale Realty Sdn Bhd Meyer Developments Pte. Ltd. Cosmos Investment Pte Ltd Tan Gee Beng (Hong Kong) Limited Suzhou Hongchang Packing Materials Co., Ltd Sing Investments & Finance Ltd</p>	<p><i>Group corporations</i> Nil</p> <p><i>Other corporations</i> DSJ Pte Ltd Sing Realty (Singapore) Pte Ltd Nanyang Nominees (Private) Ltd Wally (Suzhou) Wooden Works Co., Ltd TGB Technology Pte Ltd TGB Shipping & Investments Pte Ltd TGB Land (NZ) Pte Ltd Hope Centre Pte. Ltd.</p>
Eric Ng	<p><i>Group corporations</i> Smartflex</p> <p><i>Other corporations</i> Nil</p>	<p><i>Group corporations</i> Nil</p> <p><i>Other corporations</i> Nil</p>

Name	Present Directorships	Past Directorships
Tan Geok Moey	<i>Group corporations</i> Smartflex	<i>Group corporations</i> Nil
	<i>Other corporations</i> TGBPL Regent Oil & Foodstuffs (1990) Pte Ltd TGB Properties Pte Ltd Cosmos Investment Pte Ltd Tan Gee Beng (Hong Kong) Limited	<i>Other corporations</i> TGB Land (NZ) Pte Ltd DSJ Pte Ltd TGB Technology Pte Ltd
Chan Kum Kit	<i>Group corporations</i> Nil	<i>Group corporations</i> Nil
	<i>Other corporations</i> Sing Holdings Limited K K Chan Pte Ltd F C Solution Pte Ltd	<i>Other corporations</i> Jit Shen Investment Pte Ltd Eastern Tankshore Pte Ltd
Teo Zee Vee	<i>Group corporations</i> Nil	<i>Group corporations</i> Nil
	<i>Other corporations</i> Nil	<i>Other corporations</i> I'M Technologies I'M Technologies (S) Pte Ltd I'M Technologies (China) Pte Ltd PT IM Technologies IM Synergy Sdn Bhd IM Synergy II Sdn Bhd I'M Technologies Ltd – Noida Branch Office I'M Technologies (Beijing) Co., Ltd I'M Synergy, Inc.

EXECUTIVE OFFICERS

The day-to-day operations are entrusted to our Executive Directors who are assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:

Name	Age	Address	Principal Occupation	Country of Principal Residence
Pang Sze Yong	38	Block 112B, Depot Road, #07-123 Singapore 102112	Sales director	Singapore
Yeo Choon Tat	57	4 Springleaf Drive Singapore 788252	Financial Controller	Singapore

The working, business experience and areas of responsibility of our Executive Officers are set out below:

Pang Sze Yong is our Sales director. He is mainly responsible for Sales and Business Development of our Group. His responsibilities include Sales and Marketing, Software Development and IT and security. Mr Pang joined our Group in October 2005 and brings with him over 10 years of experience relevant experience in sales and business development in the smart card industry. He has held roles in our Group such as General Manager (Business Development and Special Projects), Senior Manager (Business Development), Senior Manager and Sales director, all dealing with the sales and marketing as well as business development of the smart card IC assembly services. Prior to joining our Group,

Mr Pang was at Smartron Technology Pte Ltd, from September 2003 to October 2005, where he was responsible for the sales and marketing as well as business operations of smart card manufacturing services in his roles as Sales and Marketing Manager and General Manager. Prior to that, Mr Pang was at ATMI Pte Ltd (Emosyn Division) from March 2001 to May 2003, where he held the position as Business Development Manager, responsible for smart card IC sales and marketing as well as business development. Prior to that, he was a consultant at AU Systems Singapore Pte Ltd from May 2000 to April 2001, where he dealt with SIM-based Mobile Internet Consultancy as well as Project Management in his role as a consultant. Prior to AU Systems Singapore Pte Ltd, Mr Pang worked at Giesecke & Devrient Asia from March 1998 to March 2000 as a Pre-sales Consultant & Application Engineer, responsible for dealing with smart card solutions pre-sales consultancy and smart card software applications development respectively. Mr Pang obtained a Diploma in Electronics and Communications with Merit from Singapore Polytechnic in 1991. He graduated from the Nanyang Technological University in 1997 with a Bachelor Degree in Applied Science (Computer Engineering). He subsequently obtained a Graduate Diploma in Marketing Management at the Singapore Institute of Management in 1999.

Yeo Choon Tat is our Financial Controller. He is mainly responsible for the finance and administration of our Group with the overall management of our Group's financial reporting, internal control and accounting processes. He has been responsible for helping to manage the growing business, focusing on the revamp of financial as well as budget system and reporting, implementing the ERP management information system, and working with factory personnel on the cost reduction/saving initiatives. Mr Yeo joined Group in September 2008 and brings with him over 30 years of Finance, Accounting and Management experience, at various senior positions. Prior to joining our Company, Mr Yeo was executive director at ASA Fortune Co. Ltd. (Shanghai), the main subsidiary of ASA Group Holdings, a company listed on the SGX-ST from June 2007 to February 2008. He was responsible for looking into the corporate governance and best practice of the group, particularly in the establishment of financial disciplines within the company and enforcement of performance accountabilities of various sub-business units, which included amongst, *inter alia*, the identification and rectification of internal control procedures and the establishment of credit control procedures. Prior to that, he was general manager at Possehl Electronics Group (Shenzhen) from August 2006 to May 2007 where he was responsible for finance, human resources and general administration. The company was at that time, involved in labour disputes which had caused frequent strikes and work stoppages. He was able to rebuild core middle management team, regained 'ownership' of the company, restored work discipline, rebuilt the financial system and control procedure during the post strike period. Prior to that, he was the Senior Vice President of the Jolimark Group of Companies from February 2004 to July 2006, where he established corporate financial reporting routines, monitoring system and procedures to meet regulatory compliance requirements. He revamped the management accounting system to accurately reflect the financial performance of business units in accordance with IFRA standards and was responsible for the reorganisation of the Group's structure in preparation for its listing on the Hong Kong Stock Exchange in 2005. Before his appointment to Jolimark, he was at Vertex Management Pte Ltd from August 1999 to January 2004, where as Senior Vice President, he was given charge of the investment activities of Greater China region with primary focus being Mainland China. He was responsible for the supervision and preparation of two Vertex China portfolio companies for an 'A' Share listing in the PRC in 2003. Since his graduation in 1977 and up to 1999, he has worked at various organisations including Tritech Microelectronics Ltd, Pacven Walden Management Singapore Pte Ltd, Creative Technology Ltd, Lam Soon Group of Companies, North Atlantic Industries (S) Pte Ltd, Archive Singapore Pte Ltd, CIS Superior Supply Pte Ltd, Woodward & Dickerson (S) Pte Ltd and Coopers & Lybrand, where Mr Yeo held various positions in finance and/or investments. Mr Yeo had been the Chief Financial Officer of Tritech Microelectronic Ltd as it prepared for a NASDAQ listing and as Vice President of Finance, carried out the capital restructuring of Creative Technology Ltd prior to its listing on the NASDAQ in 1992 and its dual listing on the SGX-ST in 1994.

Mr Yeo graduated from the University of Singapore, with a Bachelor of Accountancy in 1977. He is a Fellow Member of a number of professional accounting bodies, such as The Institute of Certified Public Accountants of Singapore, CPA Australia (FCPA Australia) and the ACCA U.K (FACCA).

Save as disclosed in the sections entitled “Directors Management and Staff” and “Shareholders” of this Offer Document, none of our Executive Officers are related to each other or the Substantial Shareholders.

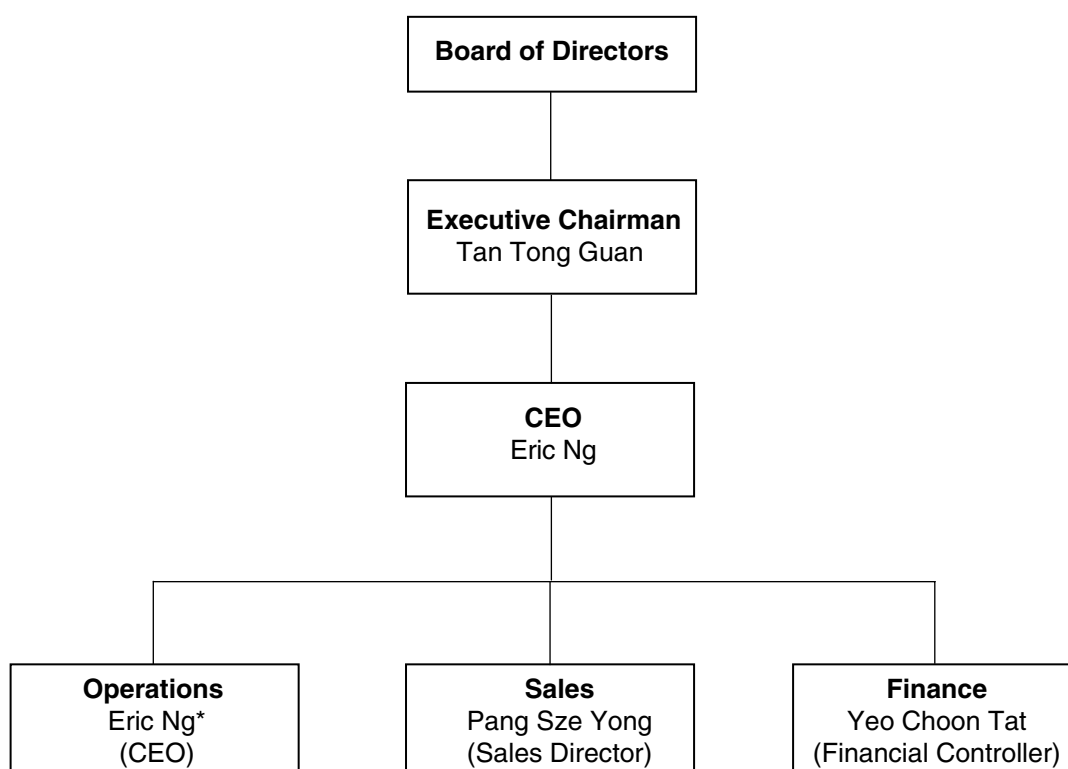
The list of present and past directorships of each Executive Officer over the last five years excluding those held in our Company, is set out below:

Name	Present Directorships	Past Directorships
Pang Sze Yong	<i>Group corporations</i> Nil	<i>Group corporations</i> Nil
	<i>Other corporations</i> Atokara Pte Ltd	<i>Other corporations</i> Nil
Yeo Choon Tat	<i>Group corporations</i> Nil	<i>Group corporations</i> Nil
	<i>Other corporations</i> Nil	<i>Other corporations</i> ASA Group Holdings Limited Phoenix Digital Technology (Shanghai) Ltd Beijing Stone Business Information Technology Ltd

There is no arrangement, or understanding with a Substantial Shareholder, customer or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the LPD.



* The Company is looking to recruit a full time Senior Operations Manager, a role which is currently being fulfilled by Eric Ng, our CEO and Executive Director. Please refer to the section entitled “Directors” of this Offer Document for further details.

DIRECTORS’ AND EXECUTIVE OFFICERS’ REMUNERATION

The remuneration (including salary, bonus, contributions to CPF, directors’ fees and benefits-in-kind) paid or payable to our Directors and Executive Officers on a pro forma basis and in remuneration bands for FY2008 and FY2009, and the estimated remuneration payable to them on a pro forma basis and in remuneration bands for FY2010 are as follows:

	FY2008	FY2009	Estimated for FY2010 ⁽²⁾
Directors			
Tan Tong Guan	Band A ⁽¹⁾	Band A ⁽¹⁾	Band A ⁽¹⁾
Eric Ng	Band A ⁽¹⁾	Band A ⁽¹⁾	Band A ⁽¹⁾
Tan Geok Moey	—	—	Band A ⁽¹⁾
Chan Kum Kit	—	—	Band A ⁽¹⁾
Teo Zee Vee	—	—	Band A ⁽¹⁾
Executive Officers			
Pang Sze Yong	Band A ⁽¹⁾	Band A ⁽¹⁾	Band A ⁽¹⁾
Yeo Choon Tat	Band A ⁽¹⁾	Band A ⁽¹⁾	Band A ⁽¹⁾

Notes:

(1) “Band A” refers to remuneration of up to \$250,000.

(2) The estimated remuneration for FY2010 does not include any incentive bonus payable under the Service Agreements of our Executive Directors.

Other than amounts set aside or accrued in respect of the relevant laws, no amounts have been set aside or accrued by our Company to provide for pension, retirement or similar benefits for any of our employees.

SERVICE AGREEMENTS

Our Company has entered into Service Agreements with our Executive Chairman and CEO and Executive Director, Tan Tong Guan and Eric Ng respectively (collectively, the “**Appointees**”) dated 13 April 2010. Each Service Agreement is valid for an initial period of three (3) years with effect from 16 April 2010 (the “**Initial Term**”). Upon the expiry of the Initial Term, the employment of each Appointee shall be reviewed by the Board (in consultation with the Remuneration Committee) and renewed on such terms and conditions as the parties may agree. After the Initial Term, each of the respective Service Agreements may be terminated by either party giving the other party not less than three (3) months’ notice in writing or the payment of an amount equal equivalent to three (3) months’ salary in lieu of notice. Our Company may also terminate the employment of the Appointee without notice or payment in lieu of notice, if the Appointee, in the reasonable opinion of the Board, shall:

- (a) be guilty of any gross misconduct;
- (b) breach any of the material provisions of the Service Agreement;
- (c) commit any act of criminal breach of trust or dishonestly;
- (d) become bankrupt or make any arrangement or composition with his creditors generally; or
- (e) suffer or may be suffering from a mental disorder or ill health (such ill health affecting his ability to perform his duties).

Under the terms of the Service Agreements, Tan Tong Guan and Eric Ng are entitled to monthly salaries of S\$11,000 and S\$18,000, respectively, subject to annual review by the Remuneration Committee.

In addition, the Appointees will each be paid an additional performance bonus based on the Appointee’s and the Company’s performance in respect of the relevant calendar year under review.

The performance bonus is calculated on the PBT as follows:

<u>PBT</u>	<u>Rate of performance bonus</u>
(a) Where the PBT is up to US\$3.0 million	1.0% of the PBT
(b) Where the PBT is more than US\$3.0 million or more but not more than US\$3.5 million	the aggregate of the performance bonus calculated in (a) above AND 2.0% on the amount in excess of US\$3.0 million or more but not more than US\$3.5 million
(c) Where the PBT is in excess of US\$3.5 million	the aggregate of the performance bonus calculated in (b) above AND 3.0% on the amount in excess of US\$3.5 million

All travelling, hotel, entertainment and expenses reasonably incurred by the Appointees, Tan Tong Guan and Eric Ng, in the process of discharging their duties on behalf of our Company will be borne by our Company.

Under the Service Agreements, the remuneration of the Appointees is subject to review by the Remuneration Committee on an annual basis. The relevant Appointee shall abstain from voting in respect of any resolution or decision to be made by our Board in relation to the terms and renewal of his Service Agreement.

Subject to the approvals of our Shareholders, the SGX-ST and other regulatory authorities, where necessary, each Appointee shall be eligible to participate in any performance share plan implemented by our Company on such terms as may be determined by our Remuneration Committee at its sole and absolute discretion.

Under the Service Agreements, each Appointee agrees with the Company that he shall not during his employment hereunder and within a period of twelve (12) months upon his ceasing to be Executive of the Company within Singapore or any country in which the Company has operations (hereinafter jointly referred to as the “**Territory**”) directly or indirectly, except with the Company’s prior written consent:

- (i) either on his own account or for any other person directly or indirectly solicit, interfere with or endeavour to entice away from the Company any person who to his knowledge is now or has been a client, customer or employee of, or in the habit of dealing with, the Company,
- (ii) save for his current interests either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested in any business similar to any Relevant Business at the date hereof; and
- (iii) act as a director or otherwise of any other person, firm or company engaging directly or indirectly in the Relevant Business which is in competition with the business of the Company.

Had the Service Agreements mentioned above been in place for FY2009, the aggregate remuneration (including contributions to the CPF and other benefits if any) paid or provided to our Tan Tong Guan and Eric Ng would have been approximately S\$412,713 instead of S\$275,013 and the combined profit before income tax would be approximately US\$2.2 million instead of US\$2.3 million.

There are no existing or proposed service agreements entered into or to be entered into by our Directors with the Company or our Subsidiary which provide benefits upon termination of employment.

Save as disclosed above, there are no other existing or proposed service contracts entered into or to be entered into between our Company with any of our Directors or Executive Officers.

EMPLOYEES

The functional and geographical distribution of our employees as at the end of each of the past three financial years are as follows:

The functional distribution of our employees as at the end of each of the past three financial years are as follows:

As at the LPD, we have 127 employees, of which none are temporary staff.

	Number of Employees			
	FY2007	As at end of FY2008	FY2009	As at end of LPD
Segmented by Job Function				
Management	3	4	5	5
Sales	3	5	5	5
Finance, HR and Administrative	5	8	7	7
Logistics and Purchasing	3	3	4	5
Engineers and Technicians	17	25	22	23
Production workers	42	72	70	82
	73	117	113	127

All our employees are employed in Singapore.

Save for 2008, when we hired 4 temporary employees to assist in data input during the implementation of the ERP system, we do not employ any temporary employees. Our employees are not covered by any collective bargaining agreements and are not unionised.

The relationship and co-operation between the management and staff have been good and are expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which affect our operations.

STAFF TRAINING

We view our human resource as one of our key assets and provide staff training that not only imparts job skills but also inculcates desirable working attitudes.

We emphasise on technical and product knowledge which are conducted by both internal and external trainers. Training aspects include manufacturing process and quality management system based on our ISO 9001:2000 procedures.

We usually undertake our staff training through the following methods:

(a) On-Job-Training and In-Housing Training

On-Job-Training and In-Housing Training for our employees are conducted by our trainers who are assigned by the respective departmental heads of department ("**HOD(s)**"). These training programs focus on building up relevant skills and job competencies of our staff, as well as bridging any gaps in knowledge and skills.

After each course, every trainee would be appraised by their respective departmental HOD(s). If the trainee fails to pass, a new course would be scheduled and conducted. The respective departmental HOD(s) may also determine the need for refresher courses and the frequency it is to be conducted.

(b) External training by equipment suppliers

Often when we purchase new equipment, our staff will receive training from the suppliers of the new equipment on the use of such equipment. In addition, our engineers at times will receive advance training from such suppliers in order to equip our engineers with the necessary skills to troubleshoot problems which may arise from time to time from the use of such equipment. This enables us to be less reliant on our equipment suppliers to deal with equipment maintenance and repair especially after the expiry of the relevant warranty periods and also to reduce downtime for such equipment.

Our staff training costs as a proportion of our total salary costs in FY2007, FY2008 and FY2009 were not significant.

CORPORATE GOVERNANCE

The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company, and will follow closely the best practice outlined in the Best Practices Guide issued by SGX-ST.

Our Board of Directors has formed three committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee.

Nominating Committee

Our Nominating Committee comprises by Messrs Teo Zee Vee, Chan Kum Kit and Tan Geok Moey. The Chairman of our Nominating Committee is Teo Zee Vee.

Our Nominating Committee will be responsible for:

- (a) re-nomination of our Directors having regard to our Director's contribution and performance;
- (b) determining annually whether or not a director is independent; and
- (c) deciding whether or not a director is able to and has been adequately carrying out his duties as a director.

Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our Share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Our Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

Remuneration Committee

Our Remuneration Committee comprises Messrs Teo Zee Vee, Chan Kum Kit and Tan Geok Moey. The Chairman of our Remuneration Committee is Teo Zee Vee.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director.

The recommendations of our Remuneration Committee should be 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 shall be covered by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package.

Audit Committee

Our Audit Committee comprises our independent Directors, Messrs Chan Kum Kit and Teo Zee Vee and our non-executive director Ms Tan Geok Moey. The Chairman of our Audit Committee is Chan Kum Kit.

Our Audit Committee shall meet periodically to perform the following functions:

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;
- (b) review with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to our Board for approval prior to the incorporation of such results in our annual report (if applicable);
- (c) review the financial statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and any other statutory or regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (f) consider and evaluate the performance of external auditors, and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (g) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual;
- (h) review the procedures by which employees of our Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigations and follow-up actions in relation thereto;
- (i) review potential conflicts of interests (if any);
- (j) undertake such other reviews and projects as may be requested by our board of Directors and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (k) generally to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall 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 our Company's operating results and/or financial position.

In the event that a member of our Audit Committee is interested in any transaction being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

Our Audit Committee shall also commission an annual internal control audit until such time as our Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our

Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Our Audit Committee, after having (a) conducted an interview with Yeo Choon Tat; (b) considered the qualifications and past working experiences of Yeo Choon Tat (as described in the section entitled "Directors, Management and Staff" of this Offer Document); (c) observed Yeo Choon Tat's abilities, familiarity and diligence in relation to the financial matters and information of our Group is of the view that Yeo Choon Tat is suitable for the position of Financial Controller of our Group.

BOARD PRACTICES

Our Directors are appointed by our shareholders at a general meeting, and an election of Directors takes place annually. One third (or the number nearest one third) of our Directors, are required to retire from office at each annual general meeting. Further all our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in **Appendix II** of this Offer Document.

DESCRIPTION OF ORDINARY SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles of Association (“**Articles**”). These statements summarize the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of 6 months from the date of this Offer Document.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company’s issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognize any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days’ notice and the SGX-ST at least ten clear Market Days’ notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other

evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held.

In addition, two or more shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Memorandum of Association and our Articles of Association, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing.

The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid pro rata among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or monies carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Takeovers

Under the Singapore Code on Take-overs and Mergers (“**Singapore Take-over Code**”), issued by the Authority pursuant to section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any 6 month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer’s equity share capital;

- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
 - (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in “**Voting Rights**” and “**Takeovers**” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations where:

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or

- (b) we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's Shares by our other shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

EXCHANGE CONTROLS

The following is a description of the exchange controls that exist in the jurisdictions which our Group operates in.

Singapore

Currently, no foreign exchange control restrictions exist in Singapore.

TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

Singapore Taxation

The following is a discussion of certain tax matters arising under the current tax laws in Singapore on the tax consequences in relation to the purchase, ownership and disposal of the Shares. The discussion is based on current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice.

While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Offer Document, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such law, which may be retrospective, will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares.

Prospective investors should consult their own tax advisors regarding the tax and other consequences of owning and disposing our Shares. It is emphasised that neither our Company, the Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

Singapore Income Tax

Corporate income tax

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on:

- (i) income accrued in or derived from Singapore; and
- (ii) foreign sourced income received or deemed received in Singapore, unless otherwise exempted.

Foreign income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer are exempted from Singapore tax subject to meeting the qualifying conditions. A special concession has been granted whereby during the one-year period from 22 January 2009 to 21 January 2010, all foreign income earned prior to 22 January 2009 can be received in Singapore free from Singapore taxation.

A non-Singapore tax resident corporate taxpayer, subject to certain exceptions, is subject to Singapore income tax on income accrued in or derived from Singapore, and on foreign income received or deemed received in Singapore.

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore.

The corporate tax rate in Singapore is 17.0% with effect from the Year of Assessment 2010. Further corporate tax exemption will apply to the first S\$300,000 of a company's chargeable income as follows:

- (i) 75% of up to the first S\$10,000 of a company's chargeable income; and
- (ii) 50% of up to the next S\$290,000 of a company's chargeable income.

Certain companies will, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income of up to S\$100,000 a year for each of the company's first three Years of Assessment falling in or after Year of Assessment 2008. The conditions which a new company must satisfy in order to claim this exemption for a Year of Assessment include (a) it must be incorporated in Singapore; (b) it must be tax resident in Singapore for that Year of Assessment; and (c) it must have no more than 20 shareholders all of whom are individuals or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for that Year of Assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income received or deemed received by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 20.0%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20.0% except that Singapore employment income is taxed at a flat rate of 15.0% or at resident rates, whichever yields a higher tax.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the Year of Assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Dividend Distributions

Singapore adopts a one-tier corporate tax system. Under the one-tier corporate tax system, the tax paid by a Singapore resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt (one-tier) dividends.

As the Company will be tax resident in Singapore, dividends paid by our Company will be exempt from tax in the hands of Shareholders, regardless of the tax residence status or the legal form of the Shareholders. However, foreign Shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Capital gains tax

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterization of capital gains. Hence, gains or profits derived from

the disposal of our Shares may be construed to be of an income nature and subject to tax if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore, unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the gains or profits will be taxable as trading income.

Adoption of FRS 39 treatment for Singapore income tax purposes

On 30 December 2005, the IRAS issued a circular entitled "Income Tax Implications arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement" ("**FRS 39 Circular**"). Legislative amendments to give effect to the FRS 39 Circular have been enacted via the Income Tax (Amendment) Act 2006, with such amendments having been deemed to come into operation on 1 January 2005.

Prospective investors should consult their own accounting and tax advisors regarding FRS 39 and the related Singapore income tax consequences of their acquisition, holding or conversion of our Shares.

Stamp duty

There is no stamp duty payable on the subscription, allotment or holding of our Shares.

Stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof, computed on the consideration paid or market value of the Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is, however, not applicable in respect of electronic transfers of the Shares through the Central Depository system.

Estate Duty

Singapore estate duty has been abolished with effect from 15 February 2008.

Goods and Services Tax

The sale of our Shares by an investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Where our Shares are sold by the investor to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this zero-rated supply in the course or furtherance of a business may be recovered from the Comptroller of GST, subject to satisfying the input tax conditions.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7.0%. Similar services rendered to an investor belonging outside Singapore would generally be zero-rated i.e. subject to GST at zero percent.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through the Catalist will be effected in accordance with the terms and conditions for the operation of Securities Accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding the Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10 for each withdrawal of 1,000 Shares or less and a fee of S\$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10 is payable upon the deposit of each instrument of transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the Catalist is payable at the rate of 0.04 per cent. of the transaction value subject to a maximum of S\$600 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax of 7 per cent..

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. Saved as disclosed below, none of our Directors, Executive Officers and Controlling Shareholders:
 - (a) at any time during the last ten years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
 - (b) at any time during the last ten years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) any unsatisfied judgement against him;
 - (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment for three months or more or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware of) for such purpose;
 - (e) been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings of which he is aware) for such breach;
 - (f) at any time during the last ten years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving the breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part in any way directly or indirectly in the management of any entity or business trust;
 - (i) been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (j) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

- (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Our Independent Director, Teo Zee Vee, was a director of I'M Technologies, which had been investigated for non-compliance with the export documentation requirement for goods and services tax ("**GST**") purposes for the periods between FY2000 to FY2004. The issue was resolved satisfactorily in 2007 with the non-refund of approximately S\$25,000 in GST input tax.

On 25 November 2009, our Sales director, Pang Sze Yong received a letter from IRAS indicating that he was required to furnish IRAS with certified audited accounts and supporting schedules for Atokara Pte Ltd ("**Atokara**") for the years of assessment from 2004 to 2008, within 35 days of the receipt of the said letter. Pang Sze Yong was a director of Atokara from 13 September 2002, but has not been involved in the affairs of Atokara and had no knowledge of its management since September 2003. He had previously understood that Atokara had ceased operations on 28 February 2004 and had filed the waiver to submit Atokara's income tax returns (Form C) with IRAS for 2004 and had received an approval on 25 February 2010. Subsequently on 17 March 2010, the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") issued a letter to Pang Sze Yong, indicating that a summons would be issued against him in his capacity as director of Atokara in respect of its failure to hold its annual general meeting in 2005 and its failure to file its annual returns for 2005. The ACRA officer had informed him that ACRA was agreeable to compounding the offences, given that Atokara was dormant, provided Atokara was struck off before 28 April 2010. In response to this matter, Pang Sze Yong has sent IRAS an application for waiver to submit Atokara's Income Tax Return (Form C) for 2005. Furthermore, he has paid the fine for the late submission in respect of 2005 and is currently awaiting IRAS's response to the aforesaid application for waiver. On 26 April 2010, Pang Sze Yong has applied to ACRA for the striking off of Atokara and ACRA has on 1 May 2010 informed Pang Sze Yong that if there are no objections raised to the aforesaid striking off within one (1) month, upon the expiration of three (3) months, the company will be struck off the register.

Our Financial Controller, Yeo Choon Tat joined Tritech Microelectronics Ltd ("**Tritech**"), a subsidiary of Singapore Technologies Pte Ltd as a chief financial officer in November 1997. Tritech, a fabless IC design and product company specialising in Mixed Signal Multimedia Audio Technology, subsequently became insolvent as a result of an intellectual property dispute with Crystal Semiconductor Inc., USA ("**Crystal**"). Yeo Choon Tat was on 1 August 1998 appointed as a director of Tritech and was tasked to carry out the restructuring of the group, as well as to manage the law suit. He was not involved in the operations and/or the events leading up to the commencement of the suit by Crystal in the USA in January 1997. The case was subsequently settled amicably between the two parties, resulting in a new joint venture formed by the parties involved. Tritech has since been wound up by way of court order.

Yeo Choon Tat was appointed a director of Electras Technologies Pte Ltd ("**Electras**") in October 2000, a distributor of battery products which became insolvent in June 1998 as a result of creditors' petition to wind up the company. Yeo Choon Tat's role as a director was to handle the

winding down activities on behalf of Vertex Management Pte Ltd, which was a shareholder in Electras. He was never involved in the operations of Electras, and the events leading up to the commencement of the creditors' winding up petition. Electras has since been successfully wound up.

Mr Goh Hun Keng, who was the controlling shareholder of Smartron, which is in turn the controlling shareholder of our Company, was a director of Eastgate Technology Ltd's ("**Eastgate**") Hong Kong subsidiary, Wealth Fair Technologies Limited ("**Wealth**") since July 2007 to present. Wealth was served with a winding up petition on 18 August 2009 on the grounds of outstanding bank loan. Subsequently, a winding up order was made against Wealth on 2 September 2009. The winding up of Wealth is currently still pending at the LPD.

In 24 July 2000, Eastgate invested in Sunderland Technologies Ltd ("**Sunderland**"). Mr Goh Hun Keng was appointed as one of Eastgate's two nominee directors in Sunderland and its subsidiary Sunderland Technologies Labs Pte Ltd on 17 October 2000 ("**Labs**"). Neither Eastgate nor its nominee directors were involved in the management of either of the companies. On 25 January 2002, Sunderland was put under compulsory winding up (insolvency). Both nominee directors resigned from the board of directors of Sunderland on 25 January 2002. However, due to an oversight in documentation processing, Mr Goh Hun Keng did not resign from the board of Labs, until 11 December 2003. On 6 October 2003, he was interviewed by the Commercial Affairs Department ("**CAD**") to assist in their investigation relating to the non-fulfilment by Sunderland of an order to one of Sunderland's customers. Following that interview Mr Goh Hun Keng was not subsequently contacted by the CAD.

2. The aggregate remuneration paid to our Directors for services rendered in all capacities to our Company and our Subsidiary for the last financial year ended 31 December 2009 was S\$275,013. For the current financial year ending 31 December 2010, the aggregate remuneration payable to Directors by our Group is estimated to be S\$400,000, excluding any incentive bonus payable under the Service Agreements of our Executive Directors.
3. There is no shareholding qualification for Directors under the Articles of Association of our Company.
4. No option to subscribe for shares in, or debentures of, our Company or our Subsidiary has been granted to, or was exercised by, any of our Directors or Executive Officers within the last financial year.
5. Save as disclosed in this Offer Document, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Offer Document, been acquired or disposed of by or leased to, our Company or our Subsidiary, or are proposed to be acquired or disposed of by or leased to our Company or our Subsidiary.
6. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

SHARE CAPITAL

7. As at the LPD, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles of Association of our Company.

8. Save as disclosed below and in the section entitled “Share Capital” of this Offer Document, there are no changes in the issued and paid-up share capital of our Company and our Subsidiary within the last three years preceding the date of this Offer Document.

	Date of issue	Number of shares issued	Issue Price/ Consideration (\$\$)	Purpose	Resultant issued share capital (\$\$)
Company	17 February 2010	2	1.00/2	On incorporation	2
Company	13 April 2010	69,440,000	0.15/10,110,917	On restructuring	10,110,919
Smartflex	30 May 2007	10,535,000	0.11/1,158,850	Capitalisation issue	3,435,350
Smartflex	31 October 2007	120,000	0.10/12,000	Working capital	3,447,350
Smartflex	31 October 2007	1,500,000	0.10/150,000	Working capital	3,597,350
Smartflex	31 October 2007	120,000	0.10/12,000	Working capital	3,609,350
Smartflex	31 October 2007	30,000	0.10/3,000	Working capital	3,612,350
Smartflex	31 October 2007	50,000	0.10/5,000	Working capital	3,617,350

9. Save as disclosed in **paragraph 8** above, no shares in, or debentures of, our Company or our Subsidiary have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three years.
10. No person has been, or is entitled to be, given an option to subscribe for any shares in or debentures of our Company or our Subsidiary.

MEMORANDUM AND ARTICLES OF ASSOCIATION

11. (a) The nature of our Company’s business has been stated earlier in this Offer Document. Our objects can be found in our Memorandum of Association which is available at our registered office as set out in the section entitled “Documents Available for Inspection” of this Offer Document.
- (b) An extract of our Articles of Association providing for, *inter alia*, transferability of shares, directors’ voting rights, borrowing powers of directors, and dividend rights are set out in **Appendix II** of this Offer Document. The Articles of Association of our Company is available for inspection at our registered office in accordance with the “Documents Available for Inspection” section of this Offer Document.

MATERIAL CONTRACTS

12. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our Subsidiary within the two years preceding the LPD and are or may be material:
- (a) Lease Agreement dated 1 July 2008 between Eastgate Technology Ltd (“**Eastgate**”) and Smartflex whereby Eastgate agreed to lease the premises located at 20 Tampines Street 92, Singapore 528875 (3rd and 4th floor with a gross area of 1,345.6 sq m) from 1 September 2009 to 20 June 2011 at a monthly rent of S\$16,367;
- (b) Lease Agreement dated 1 July 2008 between Eastgate and Smartflex whereby Eastgate agreed to lease the premises located at 20 Tampines Street 92, Singapore 528875 (5th and

6th floor with a gross area of 851.8 sq m) from 1 July 2008 to 30 June 2011 at a monthly rent of S\$9,839 for the first and second years and S\$10,114 for the third year;

- (c) Restructuring Agreement dated 13 April 2010 entered into between our Company, Smartflex, TGBPL, Smartron, Yeo Choon Tat, Tan Tong Guan, Lim Meng Jug, Eric Ng and Pang Sze Yong, pursuant to which our Company acquired the entire issued and paid up share capital of Smartflex with effect from 13 April 2010.

LITIGATION

- 13. Neither our Company nor our Subsidiary is engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated which may have or have had in the last 12 months before the date of lodgement of this Offer Document, a material effect on the financial position or the profitability of our Company or our Subsidiary.

MANAGEMENT, SPONSORSHIP, UNDERWRITING AND PLACEMENT ARRANGEMENTS

- 14. Pursuant to the Management and Sponsorship Agreement entered into between our Company and CIMB, our Company appointed CIMB to manage and sponsor the Invitation. CIMB will receive a management fee from our Company for such services rendered.
- 15. Pursuant to the Underwriting and Placement Agreement, our Company appointed CIMB Securities as the Underwriter to underwrite our offer of Offer Shares, for a commission of 3.50% of the Issue Price for each Offer Share ("**Underwriting Commission**"), payable by our Company pursuant to the Invitation. CIMB Securities may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.
- 16. Pursuant to the Underwriting and Placement Agreement, our Company appointed CIMB Securities as the Placement Agent to subscribe or procure subscribers for a placement commission of 3.50% of the Issue Price for each Placement Share, to be paid by our Company. CIMB Securities may, at its absolute discretion, appoint one or more secondary sub-placement agents for the New Shares.
- 17. Brokerage will be paid by our Company to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications at their respective ATMs or IB websites at the rate of 0.25% of the Issue Price for each Offer Share or in the case of DBS Bank, 0.50% of the Issue Price for each Offer Share. This brokerage has been included in the Underwriting Commission stated in paragraph 15 above. In addition, DBS Bank will levy a minimum brokerage fee of S\$10,000.

Subscribers of the Placement Shares may be required to pay a brokerage fee of up to 1.00% of the Issue Price to the Placement Agent (and the prevailing GST, if applicable).

- 18. The Management and Sponsorship Agreement may, subject to the terms and conditions thereof, be terminated by CIMB at any time prior to or on the date of the commencement of trading of our Shares on the Catalist, on the occurrence of certain events, including amongst other things:
 - (a) the issue of a Stop Order by the Authority, or other competent authority in accordance with Section 242 of the SFA (notwithstanding that a supplementary or replacement offer document is subsequently registered with the SGX-ST on behalf of the Authority pursuant to Section 241 of the SFA);

- (b) there shall come to the knowledge of CIMB any breach of the warranties or undertakings in the Management and Sponsorship Agreement or that any of the warranties or undertakings in the Management and Sponsorship Agreement is untrue or incorrect in any material respect;
- (c) the occurrence of certain specified events (described in the Management and Sponsorship Agreement) which comes to the knowledge of CIMB;
- (d) there shall have been, since the date of the Management and Sponsorship Agreement:
 - (i) any adverse change, or any development or event involving a prospective adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or our Subsidiary or of our Group as a whole; or
 - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore, the SGX-ST or any other relevant authorities) in Singapore or elsewhere or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere; or
 - (iii) any change, or any development involving a prospective change or any crisis in local, national, regional or international financial markets (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including, without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST (including the Catalist) due to exceptional financial circumstances or otherwise); or
 - (iv) any imminent threat or occurrence of any local, national, regional or international outbreak or escalation of hostilities whether war has been declared or not, or insurrection or armed conflict (whether or not involving financial markets); or
 - (v) any regional or local outbreak of disease that may have an adverse effect on the financial markets; or
 - (vi) any other occurrence of any nature whatsoever,

which event or events shall in the opinion of CIMB (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or (2) be likely to materially prejudice the success of the offer, subscription or placement of the New Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Sponsorship Agreement; or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or (5) result or be likely to result in the issue of a Stop Order by the Authority, or other competent authority pursuant to the SFA; or

- (e) without limiting the generality of the foregoing, if it comes to the notice of CIMB (1) any statement contained in this Offer Document or the Application Forms which in the reasonable opinion of CIMB has become untrue, incorrect or misleading in any material respect or (2) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute in the reasonable opinion of CIMB, a material omission of material information, and our Company fails to lodge a

supplementary or replacement offer document within a reasonable time after being notified of such material misrepresentation or omission or fails to promptly take such steps as CIMB may reasonably require to inform investors of the lodgement of such supplementary offer document or document. In such event, CIMB reserves the right, at its absolute discretion to inform the SGX-ST and to cancel the Invitation and (if applicable) subject to the terms and conditions of the Offer Document, any application monies received in connection with the Invitation will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the New Shares by ordinary post, telegraphic transfer or such other means as CIMB may deem appropriate at the applicant's own risk within 14 days of the termination of the Invitation; or

- (f) The Underwriting and Placement Agreement is terminated pursuant to clause 11 (“**Termination**”) (of the Underwriting and Placement Agreement).

In the event that the Management and Sponsorship Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Invitation.

19. The Underwriting and Placement Agreement is conditional upon, among other things, the Management and Sponsorship Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Sponsorship Agreement.
20. Save as disclosed in this Offer Document, we do not have any material relationship with any of the Sponsor, Underwriter or Placement Agent.

MISCELLANEOUS

21. The nature of the business of our Company has been stated earlier in this Offer Document. The corporations which by virtue of Section 6 of the Companies Act are deemed to be related to our Company are set out in the section entitled “Group Structure” of this Offer Document.
22. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Offer Document.
23. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred during the last and current financial year.
24. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the LPD or is proposed or intended to be paid or given to any promoter at any time.
25. Save as disclosed in the section entitled “Management, Sponsorship, Underwriting and Placement Arrangements” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the LPD or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our Subsidiary.
26. No expert is employed on a contingent basis by our Group or has an interest, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the LPD, been acquired or disposed of by or leased to our Company or our Subsidiary or are proposed to be acquired or disposed of by or leased to our Company or our Subsidiary.
27. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with CIMB Bank Berhad, Singapore Branch (the “**Receiving Bank**”). In the

ordinary course of business, the Receiving Bank will deploy these monies in the inter-bank money market. All profits derived from the deployment of such monies will accrue to the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.

28. Save as disclosed in this Offer Document, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our Subsidiary.
29. Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
30. Details, including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Company for the last three financial years are as follows:

Period	Name, membership and address	Professional body	Partner-in-charge/ Professional qualification
2007 to 2009	Ernst & Young LLP Public Accountants and Certified Public Accountants One Raffles Quay Level 18, North Tower Singapore 048583	Institute of Certified Public Accountants of Singapore	Tan Chian Khong/ (Certified Public Accountant)

We currently have no intention of changing our auditors after the listing of our Company on the Catalist.

31. Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since 31 December 2009 which may have a material effect on the financial information provided in the combined financial statements of our Group as set out in **Appendix I** of this Offer Document.

CONSENTS

32. Ernst & Young LLP, the Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of the Report of the Independent Auditors in relation to the audited combined financial statements of Smartflex Holdings Ltd. and its subsidiary company for the financial years ended 31 December 2007, 2008 and 2009, in the form and context in which they are respectively included and references to their name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

33. The Sponsor, the Underwriter and Placement Agent, the Solicitors to the Invitation and the Share Registrar and the Share Transfer Office, have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation to this Offer Document.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

34. This Offer Document has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Offer Document misleading and that this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group.

DOCUMENTS AVAILABLE FOR INSPECTION

35. The following documents or copies thereof may be inspected at our registered office at 20 Tampines Street 92, Singapore 528875 during normal business hours for a period of six months from the date of registration of this Offer Document by the SGX-ST acting as agent on behalf the Authority:
- (a) the Memorandum and Articles of Association of our Company;
 - (b) the Report of the Independent Auditors in relation to the audited combined financial statements of Smartflex Holdings Ltd. and its subsidiary company for the financial years ended 31 December 2007, 2008 and 2009 set out in **Appendix I** of this Offer Document;
 - (c) the audited financial statements of Smartflex for each of the three financial years ended 31 December 2009, 31 December 2008 and 31 December 2007;
 - (d) the material contracts referred to in this Offer Document;
 - (e) the letters of consent referred to in this Offer Document; and
 - (f) the Service Agreements referred to in this Offer Document.

This page has been intentionally left blank.

**REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
AUDITED COMBINED FINANCIAL STATEMENTS OF SMARTFLEX HOLDINGS
LTD. AND ITS SUBSIDIARY COMPANY FOR THE YEARS ENDED 31 DECEMBER
2007, 2008 AND 2009**

**Report from the Independent Auditors in relation to the
Audited Combined Financial Statements of
Smartflex Holdings Ltd. and its subsidiary company
For the financial years ended 31 December 2007, 2008 and 2009**

Date: 7 July 2010

The Board of Directors
Smartflex Holdings Ltd.
20 Tampines Street 92
Singapore 528875

Dear Sirs:

We have audited the accompanying combined financial statements of Smartflex Holdings Ltd. (formerly known as Smartflex Holdings Pte. Ltd.) (the "Company") and its subsidiary company (collectively the "Group") set out on pages I-4 to I-42, which comprise the combined balance sheets of the Group as at 31 December 2007, 2008 and 2009, the combined statements of comprehensive income, statements of changes in equity and cash flow statements of the Group for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 judgement, 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 and fair presentation of the financial statements 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.

**Report from the Independent Auditors in relation to the
Audited Combined Financial Statements of
Smartflex Holdings Ltd. and its subsidiary company
For the financial years ended 31 December 2007, 2008 and 2009**

Opinion

In our opinion, the combined financial statements of the Group present fairly, in all material respects, the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and the results, changes in equity and cash flows of the Group for the financial years ended on those dates in accordance with Singapore Financial Reporting Standards.

This report has been prepared for the inclusion in the offering document of Smartflex Holdings Ltd to be issued in connection with the proposed listing of the Company's shares on the Singapore Exchange Securities Trading Limited.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore

Partner-in-Charge: Tan Chian Khong

Smartflex Holdings Ltd and its subsidiary company

Combined Balance Sheets as at 31 December 2007, 2008 and 2009

	Note	2009 US\$	2008 US\$	2007 US\$
Non-current assets				
Property, plant and equipment	3	7,725,264	8,816,145	4,640,406
Current assets				
Inventories	4	618,438	1,436,084	1,173,878
Trade and other receivables	5	3,176,778	1,978,300	3,101,278
Prepayments		73,839	16,764	5,568
Cash and cash equivalents	6	1,904,984	1,689,861	417,767
		5,774,039	5,121,009	4,698,491
Current liabilities				
Bank overdraft	6	—	—	8,637
Trade payables	7	1,539,531	1,224,736	2,918,047
Other payables and accruals	8	499,127	328,953	333,913
Loans and borrowings	9	1,251,900	3,324,468	1,470,765
Finance leases	10	—	—	174,876
		3,290,558	4,878,157	4,906,238
Net current assets/(liabilities)		2,483,481	242,852	(207,747)
Non-current liabilities				
Loans and borrowings	9	(2,150,834)	(3,291,814)	(834,887)
Finance leases	10	—	—	(38,164)
Deferred tax liability	11	(860,503)	(491,348)	(91,484)
Deferred capital grants		—	(2,262)	—
Net assets		7,197,408	5,273,573	3,468,124
Share capital	12	7,197,408	7,197,408	7,197,408
Revenue reserves		4,988,397	3,064,562	1,259,113
Merger reserve	13	(4,988,397)	(4,988,397)	(4,988,397)
Total equity		7,197,408	5,273,573	3,468,124

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

Smartflex Holdings Ltd and its subsidiary company

**Combined Statements of Comprehensive Income for the financial years ended
31 December 2007, 2008 and 2009**

	Note	2009 US\$	2008 US\$	2007 US\$
Revenue	14	18,102,441	17,509,181	14,621,873
Cost of sales		<u>(13,600,071)</u>	<u>(13,386,360)</u>	<u>(12,011,841)</u>
Gross profit		4,502,370	4,122,821	2,610,032
Other operating income	15	100,720	4,720	14,629
Selling and distribution expenses		(41,853)	(49,632)	(34,864)
Administrative expenses		(2,136,265)	(1,632,156)	(1,166,754)
Finance expense	16	<u>(131,982)</u>	<u>(240,440)</u>	<u>(206,743)</u>
Profit before taxation	17	2,292,990	2,205,313	1,216,300
Taxation	18	<u>(369,155)</u>	<u>(399,864)</u>	<u>(7,575)</u>
Profit representing total comprehensive income attributable to equity holders of the Company		<u><u>1,923,835</u></u>	<u><u>1,805,449</u></u>	<u><u>1,208,725</u></u>
Earnings per share (in cents)				
Basic and diluted	19	2.77	2.60	1.74

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

Smartflex Holdings Ltd and its subsidiary company

**Combined Statements of Changes in Equity for the financial years ended
31 December 2007, 2008 and 2009**

	Note	2009 US\$	2008 US\$	2007 US\$
Share capital				
Balance at beginning and end of year	12	7,197,408	7,197,408	7,197,408
Revenue reserves				
Balance at beginning, as previously reported		3,064,562	1,259,113	177,013
Prior year adjustment	2.2	—	—	(53,416)
Balance at beginning, as restated		3,064,562	1,259,113	123,597
Profit representing total comprehensive income for the year		1,923,835	1,805,449	1,208,725
Dividends paid	23	—	—	(73,209)
Balance at end of year		4,988,397	3,064,562	1,259,113
Merger reserve				
Balance at beginning and end of year	13	(4,988,397)	(4,988,397)	(4,988,397)
Total equity		<u>7,197,408</u>	<u>5,273,573</u>	<u>3,468,124</u>

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

Smartflex Holdings Ltd and its subsidiary company

**Combined Cash Flow Statements for the financial years ended
31 December 2007, 2008 and 2009**

	2009	2008	2007
	US\$	US\$	US\$
Cash flows from operating activities			
Profit before taxation	2,292,990	2,205,313	1,216,300
Adjustments for:			
Depreciation of property, plant and equipment	1,219,118	942,967	470,034
(Writeback of)/allowance for inventory obsolescence	(758)	10,748	(3,982)
Property, plant and equipment written off	6,843	215	2,324
Interest income	(407)	(1,666)	(14,629)
Interest expense	131,982	240,440	206,743
Operating profit before working capital changes	<u>3,649,768</u>	<u>3,398,017</u>	<u>1,876,790</u>
(Increase)/decrease in trade and other receivables	(1,255,553)	1,111,782	(1,833,932)
Decrease/(increase) in inventories	818,404	(272,954)	(267,636)
Increase/(decrease) in trade and other payables	482,707	(1,696,009)	1,355,438
Decrease in loans and amount due to related party and holding company	—	—	(273,995)
Cash generated from operations	<u>3,695,326</u>	<u>2,540,836</u>	<u>856,665</u>
Interest received	407	1,666	14,629
Interest paid	(131,982)	(234,046)	(206,743)
Net cash generated from operating activities	<u>3,563,751</u>	<u>2,308,456</u>	<u>664,551</u>
Cash flows from investing activity			
Purchase of property, plant and equipment	(135,080)	(5,118,921)	(2,413,472)
Net cash used in investing activity	<u>(135,080)</u>	<u>(5,118,921)</u>	<u>(2,413,472)</u>
Cash flows from financing activities			
Repayment of finance lease obligations	—	(219,434)	(160,933)
Proceeds from term loans	—	4,310,630	1,222,011
Proceeds from issuance of shares	—	—	883,651
Repayment of term loan	(3,213,548)	—	—
Dividends paid	—	—	(73,209)
Net cash (used in)/generated from financing activities	<u>(3,213,548)</u>	<u>4,091,196</u>	<u>1,871,520</u>
Net increase in cash and cash equivalents	215,123	1,280,731	122,599
Cash and cash equivalents at beginning of year (Note 6)	<u>1,689,861</u>	<u>409,130</u>	<u>286,531</u>
Cash and cash equivalents at end of year (Note 6)	<u><u>1,904,984</u></u>	<u><u>1,689,861</u></u>	<u><u>409,130</u></u>

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

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

1. Corporate information

1.1 *The Company*

Smartflex Holdings Ltd (the “Company”) was incorporated in the Republic of Singapore on 17 February 2010 as a exempt private company limited by shares under the name of “Smartflex Holdings Pte. Ltd.”. On 5 May 2010, the Company changed its name to “Smartflex Holdings Ltd” in connection with its conversion to a public company limited by shares. The Company was incorporated for the purpose of acquiring the subsidiary company pursuant to the Group Restructuring Exercise as described in Note 1.2 to the combined financial statements.

The registered office of the Company is located at No. 20 Tampines St. 92, Singapore 528875. The principal activity of the Company is investment holding.

1.2 *Restructuring exercise*

Pursuant to an agreement dated 13 April 2010, the Company acquired the entire issued and paid up capital of Smartflex Technology Pte Ltd, comprising of 34,720,000 ordinary shares with effect from 13 April 2010. The purchase consideration was satisfied by the issue of 69,440,000 ordinary shares credited as fully paid in the capital of the Company to Mr Tan Tong Guan, Dr Ng Eng Seng, Mr Yeo Choon Tat, Mr Lim Meng Jug, Mr Pang Sze Yong, Tan Gee Beng Private Limited and Smartron Technology Pte Ltd. Pursuant to the agreement, Smartflex Technology Pte Ltd became a wholly owned subsidiary of the Company.

As at the date of this Report, the details of the subsidiary is as shown below:

Name of Subsidiary (Country of incorporation)	Principal activities	Proportion of ownership interest %
Smartflex Technology Pte Ltd (Singapore)	Fabrication and packaging of smart card chip modules	100

2. Summary of significant accounting policies

2.1 *Basis of preparation*

Although the Company was incorporated subsequent to 31 December 2009 upon which the restructuring exercise was completed on 13 April 2010, the financial statements presented for the years ended 31 December 2007, 2008 and 2009 for the purpose of inclusion in the offering document are that of the Company and its subsidiary company prepared in accordance with RAP 12 Merger Accounting for Common Control Combinations for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

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

2.1 Basis of preparation (cont'd)

The combined financial statements of the Group presented for financial years ended 31 December 2007, 2008 and 2009, have been prepared using the pooling of interest method as the Company and its subsidiary company were under common control before and after the Restructuring Exercise as described in Note 1.2 above. Under the pooling of interest method, the combined financial statements of the Group for the financial years ended 31 December 2007, 2008 and 2009 have been presented as if the Group had been in existence for all periods presented and the assets and liabilities are brought into the combined financial statements at their existing carrying amounts. The revenue reserves recognised in the combined financial statements are the revenue reserves of Smartflex Technology Pte Ltd immediately before the combination.

The financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in United States Dollars (USD or US\$).

2.2 Prior year adjustment

Prior to 31 December 2006, all transactions in currencies other than Singapore Dollars (SGD) were treated as transactions in foreign currencies and were recorded, on initial recognition, in SGD using the exchange rate at the transaction date. FRS 21 (revised), *The Effects of Changes in Foreign Exchange Rates* requires all transactions in currencies other than the functional currency to be treated as transactions in foreign currencies and to be recorded, on initial recognition, in the functional currency using the exchange rate at the transaction date.

In FY 2007, management had assessed the functional currency of the subsidiary company to be United States dollar for the previous financial years as the subsidiary company mainly trades in USD. The adoption of FRS 21 (revised) *The Effects of Changes in Foreign Exchange Rates* on 1 January 2007 had resulted in a decrease in opening revenue reserves for the previous financial years of approximately US\$53,000. The financial effect of this change on reserves was disclosed in the statement of changes in equity.

2.3 Changes in accounting policies

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 *Presentation of Financial Statements* (Revised)
- Amendments to FRS 18 *Revenue*
- Amendments to FRS 23 *Borrowing Costs*

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

2.3 Changes in accounting policies (cont'd)

- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements* — Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 *First-time Adoptions of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements* - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 *Share-based Payment* - Vesting Conditions and Cancellations
- Amendments to FRS 107 *Financial Instruments: Disclosures*
- FRS 108 *Operating Segments*
- Improvements to FRSs issued in 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* - Embedded Derivatives
- INT FRS 118 *Transfers of Assets from Customers*

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

The principal effects of these changes are as follows:

FRS 1 *Presentation of Financial Statement* — Revised Presentation

The revised FRS 1 separates owner and non-owner change in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements.

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

2.3 Changes in accounting policies (cont'd)

Improvements to FRS issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of Group:

- FRS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with FRS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy and this did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- FRS 16 *Property, Plant and Equipment*: Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- FRS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one - the interest expenses calculated using effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any changes in its financial position.

2.4 Standards issued but not yet effective

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

	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Item	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
Improvements to FRSs issued in 2009:	
— Amendments to FRS 38 Intangible Assets	1 July 2009
— Amendments to FRS 102 Share-based Payment	1 July 2009
— Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009

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

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

	<i>Effective for annual periods beginning on or after</i>
— Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
— Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
— Amendments to FRS 7 Statement of Cash Flows	1 January 2010
— Amendments to FRS 17 Leases	1 January 2010
— Amendments to FRS 36 Impairment of Assets	1 January 2010
— FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
— Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
— Amendments to FRS 108 Operating Segments	1 January 2010
— Amendments to FRS 102 Share-based Payment	1 January 2010
— Amendments FRS 32 Financial Instruments: Disclosures and Presentation	1 February 2010
— Amendments INT FRS 114 FRS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2011
— Amendments FRS 24 (R) Related Party Disclosures	1 January 2011
— Amendments FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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.

2.5 Significant accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

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

2.5 Significant accounting estimates and judgements (cont'd)

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

(i) Useful lives of plant and equipment

The cost of 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 plant and equipment to be within 5 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 and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the plant and equipment at 31 December 2007, 2008 and 2009 are disclosed in Note 3 to the financial statements.

(ii) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the loans and receivables at 31 December 2007, 2008 and 2009 are disclosed in Note 5 to the financial statements.

(b) Critical judgement made in applying accounting policies

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

Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group is in a non-taxable position as at 31 December 2007, 2008 and 2009.

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

2.6 *Basis of consolidation*

The combined financial statements comprise the financial statements of the Company and its subsidiary as at the balance sheet date. The financial statements of the subsidiary company used in the preparation of the combined 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.

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. The profit and loss account reflects the results of the combining entities for the full year, irrespective of when the combination takes place.

2.7 *Foreign currency*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.8 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

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

2.8 *Property, plant and equipment (cont'd)*

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 residual values, 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.

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 the income statement in the year the asset is derecognised.

2.9 *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 such 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 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. In assessing value in use, the estimated future cash flow 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples quoted public traded securities or other available fair value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

2.9 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in the income statement 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. 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 be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits which are subject to an insignificant risk of changes in value.

Cash and bank balances as well as short term deposits carried in the balance sheet are accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

2.12 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 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Company 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 2.13.

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

2.13 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in 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. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.14 *Derecognition of financial assets*

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the profit and loss account.

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.

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.

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

2.16 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

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

2.16 *Financial liabilities (cont'd)*

A financial liability is derecognised when the obligations under liability is extinguished. 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 a 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 amount is recognised in the 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 the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources 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 the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

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

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.

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 effectively 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 the income statement. 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 the income statement 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 compensation expenses in the period in which the related service is performed.

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

2.22 Employees benefits (cont'd)

(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 balance sheet date.

2.23 Income taxes

(a) Current tax

Current 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 balance sheet date.

Current taxes are recognised in profit and loss except to the extent that the tax relates to items recognised outside profit and loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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, associate and interest 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.

Deferred income 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 assets or liability in a transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2.23 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred income tax relating to items recognised outside profit and loss is recognised outside profit and 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

(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 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.

2.24 Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Interest income is recognised using the effective interest method.

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

2.25 Government grants

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

2.26 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.

2.27 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.

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

3. Property, plant and equipment

Cost	Computers US\$	Office equipment US\$	Furniture and fittings US\$	Renovation US\$	Plant and machinery US\$	Factory equipment US\$	Total US\$
At 1 January 2007	11,033	8,553	9,726	92,591	3,275,086	—	3,396,989
Additions	60,468	54,569	10,383	58,014	2,229,051	987	2,413,472
Written off	(1,117)	(1,209)	(2,713)	—	—	—	(5,039)
At 31 December 2007 and 1 January 2008	70,384	61,913	17,396	150,605	5,504,137	987	5,805,422
Additions	27,538	18,993	16,154	253,512	4,752,196	50,528	5,118,921
Written off	(644)	—	—	—	—	—	(644)
At 31 December 2008 and 1 January 2009	97,278	80,906	33,550	404,117	10,256,333	51,515	10,923,699
Additions	11,515	9,509	—	89,154	24,902	—	135,080
Written off	(2,586)	(1,752)	(7)	—	(15,004)	(42)	(19,391)
At 31 December 2009	106,207	88,663	33,543	493,271	10,266,231	51,473	11,039,388

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

3. Property, plant and equipment (cont'd)

	Computers US\$	Office equipment US\$	Furniture and fittings US\$	Renovation US\$	Plant and machinery US\$	Factory equipment US\$	Total US\$
Accumulated depreciation							
At 1 January 2007	1,569	5,714	1,657	36,182	652,575	—	697,697
Charge for the year	7,953	11,277	5,753	21,419	423,492	140	470,034
Written off	(403)	(1,209)	(1,103)	—	—	—	(2,715)
At 31 December 2007 and 1 January 2008	9,119	15,782	6,307	57,601	1,076,067	140	1,165,016
Charge for the year	23,247	23,064	8,560	53,906	825,440	8,750	942,967
Written off	(429)	—	—	—	—	—	(429)
At 31 December 2008 and 1 January 2009	31,937	38,846	14,867	111,507	1,901,507	8,890	2,107,554
Charge for the year	33,695	27,088	10,128	96,608	1,034,431	17,168	1,219,118
Written off	(1,548)	(1,709)	(7)	—	(9,253)	(31)	(12,548)
At 31 December 2009	64,084	64,225	24,988	208,115	2,926,685	26,027	3,314,124
Net book value							
At 31 December 2009	42,123	24,438	8,555	285,156	7,339,546	25,446	7,725,264
At 31 December 2008	65,341	42,060	18,683	292,610	8,354,826	42,625	8,816,145
At 31 December 2007	61,265	46,131	11,089	93,004	4,428,070	847	4,640,406

3. Property, plant and equipment (cont'd)

Assets held under finance leases

The carrying amount of plant and machinery held under finance leases at the balance sheet date is US\$ Nil (2008: US\$ Nil, 2007: US\$541,310).

For the financial year ended 31 December 2007, leased assets were pledged as security for the related finance lease liabilities (Note 10).

Assets pledged as security

In addition to assets held under finance leases, the Group's plant and machinery with carrying amounts of approximately US\$5,925,857 (2008:US\$6,635,929, 2007: US\$2,849,000) are subject to a fixed charge as security for bank facilities (Note 9).

4. Inventories

	2009	2008	2007
	US\$	US\$	US\$
Balance sheet:			
At cost:			
Raw materials	469,408	1,355,869	1,086,727
Consumables	70,040	80,215	87,151
Spare parts	78,990	—	—
	<u>618,438</u>	<u>1,436,084</u>	<u>1,173,878</u>
Income statement:			
Inventories recognised as an expense in cost of sales	11,136,107	11,031,067	10,788,535
Inclusive of the following charge/(credit):			
— Allowance for inventory obsolescence	—	10,748	—
— Writeback of allowance for inventory obsolescence	<u>(758)</u>	<u>—</u>	<u>(3,982)</u>

5. Trade and other receivables

	2009	2008	2007
	US\$	US\$	US\$
Trade receivables	3,136,879	1,764,691	2,885,187
GST recoverable	3,374	154,528	194,224
	<u>3,140,253</u>	<u>1,919,219</u>	<u>3,079,411</u>
Deposits	36,525	59,081	21,867
Total trade and other receivables	<u>3,176,778</u>	<u>1,978,300</u>	<u>3,101,278</u>
Add: Cash and bank balances	1,904,984	1,689,861	417,767
Total loans and receivables	<u>5,081,762</u>	<u>3,668,161</u>	<u>3,519,045</u>

5. Trade and other receivables (cont'd)

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

	2009	2008	2007
	US\$	US\$	US\$
Singapore dollar	40,186	417,095	216,091
Euro	—	15,921	—

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 45 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\$553,346 (2008: US\$895,577, 2007: US\$1,348,857) that are past due date at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at balance sheet date is as follows:

	2009	2008	2007
	US\$	US\$	US\$
Trade receivables past due:			
Less than 30 days	543,864	875,179	1,142,003
30 to 60 days	9,482	—	206,854
61–90 days	—	4,000	—
More than 90 days	—	16,398	—
	<u>553,346</u>	<u>895,577</u>	<u>1,348,857</u>

Receivables that are impaired

The Group does not have any receivables that are impaired as at 31 December 2007, 2008 and 2009.

6. Cash and cash equivalents

	2009	2008	2007
	US\$	US\$	US\$
Fixed deposits	—	626,036	—
Cash at banks and in hand	1,904,984	1,063,825	417,767
	<u>1,904,984</u>	<u>1,689,861</u>	<u>417,767</u>

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

6. Cash and cash equivalents (cont'd)

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

	2009	2008	2007
	US\$	US\$	US\$
Singapore dollar	374,046	668,471	—
Euro	5,141	22,164	25,308

Bank overdrafts

For the financial year ended 31 December 2007, the Group had bank overdrafts facilities with two banks.

The bank overdrafts were denominated both in SGD and USD, borne interest from 3.25% to 5% per annum and were secured by a personal guarantee by a director of the subsidiary company, corporate guarantee by the holding company, Tan Gee Beng Private Limited and fixed charges over fixed assets (Note 3).

For the purpose of the cash flow statement, cash and cash equivalents comprised:

	2009	2008	2007
	US\$	US\$	US\$
Cash and short term deposits	1,904,984	1,689,861	417,767
Bank overdraft	—	—	(8,637)
	<u>1,904,984</u>	<u>1,689,861</u>	<u>409,130</u>

7. Trade payables

	2009	2008	2007
	US\$	US\$	US\$
Trade payables	1,539,531	1,224,736	2,918,047
Deposits received and other payables (Note 8)	16,176	22,500	122,352
Bank overdraft (Note 6)	—	—	8,637
Loans and borrowings (Note 9)	3,402,734	6,616,282	2,305,652
Finance leases (Note 10)	—	—	213,040
Total financial liabilities carried at amortised cost	<u>4,958,441</u>	<u>7,863,518</u>	<u>5,567,728</u>

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

7. Trade payables (cont'd)

Trade payables denominated in foreign currencies included in the Group's trade creditors at 31 December are as follows:

	2009	2008	2007
	US\$	US\$	US\$
Singapore dollar	118,417	203,853	201,937
Euro	134,994	423,539	258,860

8. Other payables and accruals

	2009	2008	2007
	US\$	US\$	US\$
Accruals	480,689	304,191	211,561
Deposits received and other payables	16,176	22,500	122,352
Deferred capital grants (current)	2,262	2,262	—
	499,127	328,953	333,913

9. Loans and borrowings

	Maturity	2009	2008	2007
		US\$	US\$	US\$
Current:				
Bank loans:				
— Euro loan	2010	140,229	136,150	—
— USD loans	2010	1,013,587	1,013,586	269,966
— USD trust receipts payable to banks	2010	—	1,948,708	1,200,799
— Euro trust receipts payable to banks	2010	98,084	226,024	—
		1,251,900	3,324,468	1,470,765
Non-current:				
Bank loans				
— USD loans	2011-2012	1,849,859	2,863,446	834,887
— Euro loan	2011-2012	300,975	428,368	—
		2,150,834	3,291,814	834,887
Total loans and borrowings		3,402,734	6,616,282	2,305,652

Included in the US denominated loans is a loan secured by a fixed charge over the plant and machinery, a personal guarantee by a director of the subsidiary company as well as a corporate guarantee by Tan Gee Beng Private Limited. The loans which are at floating rates bear interest ranging from 2.77% to 6.075% (2008: 2.99% to 7.01%, 2007: 6.2% to 7.37%) per annum.

10. Finance leases

For the financial year ended 31 December 2007, the Group had finance leases for certain items of plant and equipment. The finance leases were fully repaid as at 31 December 2008. As at 31 December 2007, the Group had the following future minimum lease payments under finance leases together with the present value of the net minimum lease payments as follows:

	2009		2008		2007	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US\$	US\$	US\$	US\$	US\$	US\$
Not later than one year	—	—	—	—	181,259	174,876
Later than one year but not later than five years	—	—	—	—	39,664	38,164
Total minimum lease payments	—	—	—	—	220,923	213,040
Less: Amounts representing finance charges	—	—	—	—	(7,883)	—
Present value of minimum lease payments	—	—	—	—	213,040	213,040

For the financial year ended 31 December 2007, the effective interest rate ranged from 5.23% to 5.90% per annum.

The finance leases did not contain any escalation clauses and did not provide for any contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or entering into other lease agreements.

11. Deferred tax liability

	2009	2008	2007
	US\$	US\$	US\$
Deferred tax liability	860,503	491,348	91,484
This can be analysed as follows:			
Differences in depreciation	867,605	495,966	165,419
Unabsorbed capital allowances	—	—	(73,935)
Provision for accrued leave	(7,102)	(4,618)	—
	860,503	491,348	91,484

Tax consequence of proposed dividends

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

12. Share capital

For the purpose of preparing the combined financial statements, the share capital for the financial years ended 31 December 2007, 2008 and 2009 of US\$7,197,408 which represents 69,440,002 shares relates to the paid-up capital of Smartflex Holdings Ltd which was incorporated on 17 February 2010.

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 is accounted for under the pooling of interest method of accounting.

14. Revenue

	2009	2008	2007
	US\$	US\$	US\$
Sale of goods	18,102,441	17,509,181	14,621,873

15. Other operating income

	2009	2008	2007
	US\$	US\$	US\$
Finance income	407	1,666	14,629
Other income	2,678	3,054	—
Income from Jobs Credit Scheme	97,635	—	—
	100,720	4,720	14,629

16. Finance expense

	2009	2008	2007
	US\$	US\$	US\$
Interest expense on:			
— bank loans and bank overdrafts	131,982	233,964	133,677
— obligations under finance leases	—	6,394	35,466
— shareholder's loan	—	82	37,600
	131,982	240,440	206,743

17. Profit before taxation

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

	2009	2008	2007
	US\$	US\$	US\$
Depreciation of property, plant and equipment	1,219,118	942,967	470,034
Property, plant and equipment written off	6,843	215	2,324
(Writeback of)/allowance for inventory obsolescence	(758)	10,748	(3,982)
Rental expense - operating lease	214,826	185,391	101,556
Exchange differences, net	33,725	(244,313)	(24,294)
Personnel and related costs			
— salaries and bonus	2,230,431	1,973,505	1,087,940
— directors' fees	—	—	125,871
— employer's contributions to Central Provident Fund	147,696	114,520	84,085
	<u>147,696</u>	<u>114,520</u>	<u>84,085</u>

18. Taxation

(a) **Major components of income tax expense**

The major components of income tax expense for the years ended 31 December are:

	2009	2008	2007
	US\$	US\$	US\$
Deferred income tax:			
Origination and reversal of temporary differences	396,585	431,012	240,951
Overprovision in respect of prior years	—	(31,148)	(233,376)
Effect of reduction in tax rate	(27,430)	—	—
	<u>369,155</u>	<u>399,864</u>	<u>7,575</u>
Income tax expense recognised in the income statement	<u>369,155</u>	<u>399,864</u>	<u>7,575</u>

18. Taxation (cont'd)

(b) *Relationship between tax expense and accounting profit*

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

	2009	2008	2007
	US\$	US\$	US\$
Accounting profit before income tax	<u>2,292,990</u>	<u>2,205,313</u>	<u>1,216,300</u>
Tax expense on profit before taxation at 17% (2008: 18%, 2007: 18%)	389,808	396,956	218,934
Income not subject to tax	(17,053)	—	—
Non-deductible expenses	22,667	53,405	40,531
Effect of partial tax exemption	—	(10,122)	—
Effect of tax rate change	(27,430)	—	(18,514)
Overprovision of deferred tax in prior year	—	(31,148)	(233,376)
Others	<u>1,163</u>	<u>(9,227)</u>	<u>—</u>
Tax expense	<u>369,155</u>	<u>399,864</u>	<u>7,575</u>

The corporate income tax rate applicable to the Company and its subsidiary company was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2008 and 2009.

19. 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 based on Pre-Invitation share capital for the years ended 31 December:

	2009	2008	2007
	US\$	US\$	US\$
Profit net of tax attributable to shareholders	<u>1,923,835</u>	<u>1,805,449</u>	<u>1,208,725</u>
	Number of shares	Number of shares	Number of shares
	'000	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	<u>69,440,002</u>	<u>69,440,002</u>	<u>69,440,002</u>

20. 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 2007, 2008 and 2009 are as follows:

(a) *Revenue*

	2009		2008		2007	
	US\$'000	%	US\$'000	%	US\$'000	%
Europe	4,606	25	4,641	27	1,976	14
East Asia	5,073	28	5,936	34	6,105	42
South Asia	8,261	46	6,634	38	5,792	40
Others	162	1	298	1	749	4
Total	<u>18,102</u>	<u>100</u>	<u>17,509</u>	<u>100</u>	<u>14,622</u>	<u>100</u>

(b) *Non-current assets*

Non-current assets of US\$7,725,264 (2008: US\$8,816,145, 2007: US\$4,640,406) which consist of property, plant and equipment are located in South Asia for the years ended 31 December 2007, 2008 and 2009.

(c) *Information about major customers*

Revenues from four customers of the Group's single segment represent approximately US\$12,372,000 of the Group's total revenues. These customers are located in East Asia, South Asia and Europe respectively.

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

21. Related party transactions

	2009	2008	2007
	US\$	US\$	US\$
(a) Sales and purchases of goods and services			
Holding company:			
Loan interest paid	—	82	37,600
Related party:			
Rental expense paid to a company related to a director	206,492	176,927	98,352
Utilities expense	240,615	265,562	73,166
(b) Compensation of key management personnel			
Salaries and related costs paid to directors	189,245	275,215	239,818
Contributions to Central Provident Fund	13,802	15,015	17,240
Directors fees	—	—	125,871
	<u> </u>	<u> </u>	<u> </u>

22. Commitments

(a) **Capital commitments**

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	2009	2008	2007
	US\$	US\$	US\$
Capital commitments in respect of property, plant and equipment	—	—	602,000
	<u> </u>	<u> </u>	<u> </u>

(b) **Operating lease commitments**

At the balance sheet date, the Group has outstanding rental commitments for premises under non-cancellable operating leases falling due as follows:

	2009	2008	2007
	US\$	US\$	US\$
Within 1 year	229,734	225,377	127,000
Between 2 and 5 years	121,051	349,692	93,000
	<u> </u>	<u> </u>	<u> </u>

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.

23. Dividends paid

	2009	2008	2007
	US\$	US\$	US\$
<i>Declared and paid during the financial year</i>			
Final exempt (one-tier) dividend for 2007 of S\$0.3273 cents per ordinary share	—	—	73,209
<i>Proposed and not recognised as a liability as at 31 December:</i>			
<i>Dividends on ordinary shares, subject to shareholders approval at the AGM Final exempt (one-tier) dividend for 2009 of S\$0.025 cents per ordinary shares</i>	617,943	—	—

24. 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. The Group does not hold any foreign exchange forward contracts for trading or speculative purposes.

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

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

Foreign currency risk

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

24. Financial risk management objectives and policies (cont'd)***Foreign currency risk (cont'd)***Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% (2008: 1%, 2007: 1%) change in SGD and EUR, with all other variables held constant, on the Group's profit after taxation.

		2009	2008	2007
		US\$	US\$	US\$
		Profit after tax	Profit after tax	Profit after tax
Against USD				
SGD	Strengthened	590	11,165	4,297
	Weakened	(590)	(11,165)	(4,297)
EUR	Strengthened	(5,554)	(9,211)	924
	Weakened	5,554	9,211	(924)

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 balance sheet date 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.

24. 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 receivables at the balance sheet date is as follows:

	2009		2008		2007	
	US\$	% of total	US\$	% of total	US\$	% of Total
By geographical segments:						
South Asia	2,351,005	75	1,139,782	64	1,105,889	38
East Asia	178,196	6	10,734	1	1,640,385	57
Europe	607,237	19	586,257	33	108,684	4
Others	441	—	27,918	2	30,229	1
Total	<u>3,136,879</u>	<u>100</u>	<u>1,764,691</u>	<u>100</u>	<u>2,885,187</u>	<u>100</u>

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 bank balances 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 5.

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 from the holding company and bank deposits.

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

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to 1% (2008: 1%, 2007: 1%) change in the interest rates lower/higher with all other variables held constant on the Group's profit after tax.

	2009	2008	2007
	US\$	US\$	US\$
	Profit after tax	Profit after tax	Profit after tax
Increase in 1% interest rate	(1,337)	(1,575)	(550)
Decrease in 1% interest rate	1,337	1,575	550

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 balance sheet date, approximately 37% (2008: 50%, 2007: 64%) of the Group's loans and borrowings (Note 9) will mature in less than one year based on the carrying amount reflected in the financial statements.

Smartflex Holdings Ltd and its subsidiary company

Notes to the Combined Financial Statements — 31 December 2007, 2008 and 2009

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

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

	2009			2008			2007		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets:									
Trade and other receivables	3,176,778	—	—	1,978,300	—	—	3,101,278	—	—
Cash and cash equivalents	1,904,984	—	—	1,689,861	—	—	417,767	—	—
Total undiscounted financial assets	5,081,762	—	—	3,668,161	—	—	3,519,045	—	—
Financial liabilities:									
Trade payables	1,539,531	—	—	1,224,736	—	—	2,918,047	—	—
Other payables	16,176	—	—	22,500	—	—	122,352	—	—
Finance leases	—	—	—	—	—	—	181,259	39,664	—
Loans and borrowings	1,251,900	2,150,834	—	3,324,468	3,291,814	—	1,470,765	834,887	—
Bank overdraft	—	—	—	—	—	—	8,637	—	—
Total undiscounted financial liabilities	2,807,607	2,150,834	—	4,571,704	3,291,814	—	4,701,060	874,551	—
Total net undiscounted financial assets/(liabilities)	2,274,155	(2,150,834)	—	(903,543)	(3,291,814)	—	(1,182,015)	(874,551)	—
									(2,056,566)

25. 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.

Finance leases

The fair value of lease obligations is determined by discounting the relevant cash flow using the current interest rate of similar instruments as of balance sheet date.

The fair value of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table:

	2009		2008		2007	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	US\$	US\$	US\$	US\$	US\$	US\$
Finance leases (Note 10)	—	—	—	—	213,040	191,000

26. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating 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 2007, 2008 and 2009.

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% (2008: 150%, 2007: 200%) and net worth not less than SGD\$4,500,000 (2008: SGD\$4,000,000, 2007: SGD\$4,000,000). 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.

26. Capital management (cont'd)

The Group is in net debt position as at 31 December 2007, 2008 and 2009. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	2009 US\$	2008 US\$	2007 US\$
Total gross debt:			
Loans and borrowings	<u>3,402,734</u>	<u>6,612,282</u>	<u>2,305,652</u>
Shareholders' funds:			
Share capital	7,197,408	7,197,408	7,197,408
Revenue reserves	4,988,397	3,064,562	1,259,113
Merger reserve	<u>(4,988,397)</u>	<u>(4,988,397)</u>	<u>(4,988,397)</u>
	<u>7,197,408</u>	<u>5,273,573</u>	<u>3,468,124</u>
Gross debt equity ratio	0.47	1.25	0.66
Cash and cash equivalents	1,904,984	1,689,861	417,767
Less: Total gross debt	<u>(3,402,734)</u>	<u>(6,612,282)</u>	<u>(2,305,652)</u>
Net debt position	<u>(1,497,750)</u>	<u>(4,922,421)</u>	<u>(1,887,885)</u>

27. Events occurring after balance sheet date

Subsequent to 31 December 2008

(a) Change of corporate tax rate

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. In accordance with FRS 12, Income Taxes, and FRS 10, Events After the Balance Sheet Date, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 December 2009 financial year.

(b) Introduction of Jobs Credit Scheme

On 22 January 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme. Under this scheme, employers will receive a 12% cash grant on the first S\$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Jobs Credit is for one year, and employers will receive the Jobs Credit in 4 payments: March, June, September and December 2009. For each payment, employers will receive Jobs Credit on the employees that are on their CPF payrolls at the start of the quarter in which payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12% cash credit that employers will receive.

According to FRS 10, this is a non adjusting subsequent event and the financial effect of the Jobs Credit scheme will be reflected in the 31 December 2009 financial year. Applying the Jobs Credit cash grant of 12% would result in an estimated US\$44,114 cash grants receivable.

27. Events occurring after balance sheet date (cont'd)

Subsequent to 31 December 2009

- (a) Incorporation of the Company and restructuring exercise

Please refer to Note 1.1 and Note 1.2 for details.

28. Authorisation of financial statements

The audited combined financial statements as at and for the three years ended 31 December 2007, 2008 and 2009 were authorised for issue in accordance with a resolution of directors on 7 July 2010.

SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Registrar of Companies and Businesses. Our Company registration number is 201003501R. Our Memorandum of Association sets out the objects for which our Company was formed, including full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and for the said purposes, full rights powers and privileges.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested directors to vote

A director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, be determined by the Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally.

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum (but not by way of commission on or percentage of turnover) and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of the Company.

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

A Managing Director shall, subject to terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as the Directors may determine.

(c) Borrowing

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as a collateral for any debt, liability, or obligation of the Company or of any third party.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the Company or authorised to continue in office as a director of the Company by way of an ordinary resolution passed at an annual general meeting of the Company.

(e) Shareholding Qualification

A Director need not be a Member and shall not be required to hold any share qualification in the Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders are recognized as our shareholders. In cases where the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares are recognized as our shareholders.

(a) Dividends and distribution

The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

No dividend shall be paid otherwise than out of profits or shall bear interest against the Company. All dividends are paid *pro-rata* amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to the Company but the Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the Depository will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

The Company may by ordinary resolution change the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital). The Company may by Special Resolution, reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. For the passing of an ordinary resolution, at least fourteen (14) days' notice in writing of a general meeting shall be given to Shareholders. For the passing of a special resolution, at least twenty-one (21) days' notice in writing of a general meeting shall be given to Shareholders.

4. Variation of rights of existing shares or classes of shares

Subject to the Act, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within

two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS AND ACCEPTANCE

Applications are invited for the subscription of the New Shares at the Issue Price, subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 NEW SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of the printed **WHITE** Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks ("**ATM Electronic Applications**") or through Internet Banking ("**IB**") websites of the relevant Participating Banks ("**Internet Electronic Applications**", which together with ATM Electronic Applications, shall be referred to as "**Electronic Applications**").

Your application for Placement Shares may only be made by way of printed Placement Shares Application Forms or such other forms of application as the Sponsor deems appropriate.

YOU MAY NOT USE CENTRAL PROVIDENT FUND ("CPF") FUNDS TO APPLY FOR THE NEW SHARES.

3. **You (other than an approved nominee company) are allowed to submit ONLY one application in your own name for:**
 - (a) **the Offer Shares by any one of the following:**
 - **Offer Shares Application Form;**
 - **ATM Electronic Application; or**
 - **Internet Electronic Application, or**
 - (b) **the Placement Shares by any one of the following:**
 - **Placement Shares Application Form; or**
 - **Such other forms of application as the Sponsor deems appropriate.**

If more than one application is submitted for either the Offer Shares or the Placement Shares, such separate applications shall be deemed to be multiple applications and may be rejected.

If you have made an application for Placement Shares, you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected.

Joint or multiple applications may be rejected. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, (Chapter 289) of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications (other than as provided herein) may be liable to be rejected

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and applicants whose addresses (furnished in their printed Application Forms) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies, in each case, after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT NOMINEE APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of application, your application will be rejected. If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected.

Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number nationality, permanent residence status and CDP Securities Account number, provided in your Application Form, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.**
9. **Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and this Offer Document or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Offer Document or, in the case of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company, the Sponsor and the Underwriter and Placement Agent further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Form and this Offer Document (including the instructions set out in the Electronic Applications), and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and our Company will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms or such other forms of application as the Sponsor deems appropriate

and by way of Electronic Applications. In deciding the basis of allotment, which shall be at the discretion of our Company, due consideration will be given to the desirability of allotting the New Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you if your application is successful. This will be the only acknowledgment of application monies received and is not an acknowledgment by our Company. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted to you. This authorisation applies to applications made by way of printed Application Forms, or such other forms of application as the Sponsor may deem appropriate and by way of Electronic Applications.

You hereby consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residency status, CDP Securities Account number, CPF Investment Account number (if applicable) and Shares application amount from your account with the relevant Participating Bank to the Share Registrar, SCCS, SGX-ST, CDP, CPF, our Company, the Sponsor and the Underwriter and Placement Agent.

12. In the event that our Company lodges a supplementary or replacement offer document (“**Relevant Document**”) pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Invitation, and the New Shares have not been issued, we will (as required by law) at our Company’s sole and absolute discretion either:
 - (i) within seven days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
 - (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the Relevant Document.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 12(i) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the New Shares without interest or any share of revenue or other benefit arising there from and at your own risk, within seven days from the receipt of such notification.

In the event that at any time at the time of the lodgement of the Relevant Document, the New Shares have already been issued but trading has not commenced, we will (as required by law) either:

- (iii) within seven days of the lodgement give you a copy of the Relevant Document and provide you with an option to return the New Shares; or
- (iv) deem the issue of the New Shares as void and refund your application monies for the New Shares (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the Relevant Document.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 12(iii) to return the New Shares issued to you, you shall return all documents, if any, purporting to be evidence of title to those New Shares, whereupon we shall pay to you all monies paid by you on account of your application for the New

Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within seven days from the receipt of such notification and documents.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement offer document, including instructions on how you can exercise the option to withdraw your application or return the New Shares, may be found in the Relevant Document.

13. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for the number of Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Sponsor and the Underwriter and Placement Agent and approved by the SGX-ST, if required.

In all the above instances, the basis of allotment of the New Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily newspaper.

14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted to you pursuant to your application, to our Company, the Sponsor, the Underwriter and Placement Agent and any other parties so authorised by the foregoing persons.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “**Enter**” or “**OK**” or “**Confirm**” or “**Yes**” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “**Submit**” or “**Continue**” or “**Yes**” or “**Confirm**” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Offer Document, you:
 - (a) irrevocably offer, agree and undertake to subscribe for the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Offer Document and those set out in the IB websites or ATMs of the relevant Participating Banks, the terms and conditions set out in this Offer Document shall prevail;
 - (c) agree that the aggregate Issue Price for the New Shares applied for is due and payable to our Company forthwith;
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information,

representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allocate any New Shares to you; and

- (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Sponsor, and the Underwriter and Placement Agent, will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendor being satisfied that:
- (a) permission has been granted by the Sponsor and/or SGX-ST to deal in, and for quotation of, the New Shares, all our existing Shares (including the Vendor Shares) on the Catalist;
 - (b) the Management and Sponsorship Agreement and the Underwriting and Placement Agreement referred to in the section entitled “Management, Sponsorship, Underwriting and Placement Arrangements” of this Offer Document have become unconditional and have not been terminated; and
 - (c) the Monetary Authority of Singapore (the “**Authority**”) has not served a stop order which directs that no or no further Shares to which this Offer Document relates be allotted or issued (“**Stop Order**”).
17. In the event that a Stop Order in respect of the New Shares is served by the Authority or other competent authority, and:
- (a) the New Shares have not been issued, we will (as required by law) deem all applications to have been withdrawn and cancelled and our Company shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom and at your own risk) to you within 14 days of the date of the Stop Order; or
 - (b) if the New Shares have already been issued but trading has not commenced, the issue will (as required by law) be deemed void, and:
 - (i) if documents purporting to evidence title had been issued to you, our Company shall, inform you to return such documents to our Company within 14 days from that date; and
 - (ii) we will refund (at your own risk) the application moneys (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the date of receipt of those documents (if applicable) or the date of the Stop Order, whichever is later.

This shall not apply where only an interim Stop Order has been served.

18. In the event that an interim Stop Order in respect of the New Shares is served by the Authority or other competent authority, no New Shares shall be issued to you until the Authority revokes the interim Stop Order.
19. The Authority is not able to serve a Stop Order in respect of the New Shares if the New Shares have been issued and listed on the SGX-ST and trading has commenced.
20. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a local English newspaper.

21. We will not hold any application in reserve.
22. We will not allot any Shares on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the Authority.
23. Additional terms and conditions for applications by way of Application Forms are set out in the section entitled “Additional Terms and Conditions for Applications Using Printed Application Forms” of this Offer Document.
24. Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled “Additional Terms and Conditions for Electronic Applications” of this Offer Document.
25. Any reference to “**you**” or the “**Applicant**” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of a Application Form or by way of Electronic Application, a person applying for Placement Shares through the Placement Agent such other forms of application as the Sponsor deems appropriate.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out under the section on “**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**” of this Offer Document, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares, and **WHITE** official envelopes “**A**” and “**B**”, accompanying and forming part of this Offer Document. Applications for the Placement Shares by way of Application Forms must be made using the **BLUE** Application Forms for Placement Shares or Application Forms accompanying and forming part of this Offer Document or such other forms of application as the Sponsor may deem appropriate. Without prejudice to the rights of our Company, the Sponsor is authorised to accept, for and on behalf of our Company, such other forms of applications as the Sponsor deems appropriate. We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed.

Our Company reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state

the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete Sections A and B and sign page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the New Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**SMARTFLEX SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name, CDP Securities Account Number and address written clearly on the reverse side. **Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED.** We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement or receipt will be issued by our Company or the Sponsor for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Sponsorship Agreement and/or the Underwriting and Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a Stop Order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.

9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Sponsor, and the Underwriter and Placement Agent and/or any other party involved in the Invitation, and if, in any such event, our Company and/or the Sponsor does not received your Application Form, you shall have no claim whatsoever against our Company, the Sponsor, the Underwriter and Placement Agent and/or any party involved in the Invitation for the New Shares applied for or for any compensation, loss or damage.
11. By completing and delivering the Application Form, you agree that:
 - (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 15 July 2010 or such other time or date as our Company may, in consultation with the Sponsor, decide and by completing and delivering the Application Form:
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) neither our Company, the Sponsor, the Underwriter and Placement Agent nor any other party involved in the Invitation shall be liable for any delays failures or inaccuracies in the recording, storage or in the transmission or delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
 - (c) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (d) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
 - (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (f) in making your application, reliance is placed solely on the information contained in this Offer Document and that neither of our Company, the Sponsor, the Underwriter and Placement Agent, or any other person involved in the Invitation shall have any liability for any information not so contained;
 - (g) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account Number (if applicable) and the share application amount from you account with the relevant Participating Bank to our Share Registrar, CDP, SCCS, SGX-ST, CPF, our Company, the Sponsor, the Underwriter and Placement Agent, or other authorised operators; and
 - (h) you irrevocably agree to subscribe for the number of New Shares applied for as stated in the Application Form or any smaller number of such New Shares that may be allotted to you in respect of your application. In the event that we decide to allot a smaller number of New Shares or not to allot any New Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “**A**” and “**B**”. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Offer Document in the **WHITE** envelope “**A**” provided;
 - (b) in the appropriate spaces on **WHITE** envelope “**A**”:
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) SEAL **WHITE** ENVELOPE “**A**”;
 - (d) write, in the special box provided on the larger **WHITE** envelope “**B**” addressed to **Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623**, the number of Offer Shares you have applied for; and
 - (e) insert **WHITE** envelope “**A**” into **WHITE** envelope “**B**”, seal **WHITE** envelope “**B**” and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623**, to arrive by **12.00 noon on 15 July 2010 or such other time as our Company may, in consultation with the Sponsor, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittances which are not honoured upon their first presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms or such other forms of application as the Sponsor may deem appropriate. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed and signed **BLUE** Placement Shares Application Form or such other forms of application as the Sponsor may deem appropriate and the correct remittance in full (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to CIMB Securities (Singapore) Pte. Ltd. at 50 Raffles Place, #19-00 Singapore Land Tower, Singapore 048623**, to arrive by **12.00 noon on 15 July 2010 or such other time as our Company may, in consultation with the Sponsor, decide. Local Urgent**

Mail or Registered Post must NOT be used. No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittances which are not honoured upon their first presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgment of receipt will be issued for any application or remittance received.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB Group are set out respectively in the **“Steps for Electronic Applications through ATMs of UOB Group”** and the **“Steps for Internet Electronic Applications through the IB website of the UOB Group”** (collectively, the **“Steps”**) in this Offer Document. The Steps set out the actions that you must take at an ATM or the IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Offer Document, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to **“you”** in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (**“User ID”**) and a Personal Identification Number/Password (**“PIN”**) given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (**“Transaction Record”**), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation (**“Confirmation Screen”**) of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own CDP Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own CDP Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own CDP Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected. In this connection, you will be asked to declare that you are in Singapore at the time when you make the application.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below and those set out under the section on “**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**” of this Offer Document as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:
 - (a) **that you have received a copy of this Offer Document (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Offer Document prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residence status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the “Relevant Particulars”) with the relevant Participating Bank to the Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Sponsor or other authorised operators (the “Relevant Parties”); and**
 - (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “**Enter**” or “**Confirm**” or “**Yes**” or “**OK**” or any other relevant key in the ATM or click “**Confirm**” or “**OK**” or “**Submit**” or “**Continue**” or “**Yes**” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER OR PLACEMENT SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Offer Document or on the screens of the ATM or the IB website of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.**

For Offer Shares, you may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank

using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application.

In the event that our Company decide to allot any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

In the event that the Invitation is cancelled by us following the termination of the Management and Sponsorship Agreement and the Underwriting and Placement Agreement pursuant to the Management and Sponsorship Agreement and the Underwriting and Placement Agreement, on and subject to the terms and conditions of this Offer Document, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by being automatically credited to you in Singapore currency within 14 days of the termination of the Invitation. In the event that the Invitation is cancelled following the issuance of a stop order by the SGX-ST, acting as agent on behalf of the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to you in Singapore currency within 14 days from the date of the stop order.

Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you, if any, before trading the Offer Shares on SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon application for the service) and keying in the stock code (that will be made available together with the results of the allotment via announcement through SGX-ST and by advertisement in a local English newspaper). To sign up for the service,

you may contact CDP Customer Service Officers. Neither SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Sponsor nor the Underwriter and Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make Electronic Applications through the ATMs or IB websites of the following Participating Banks, you may check the results of your Electronic Applications as follows:

Bank	Telephone	Available at ATM	Operating Hours	Service expected from
UOB	1800 222 2121	ATM (Other Transactions Group "IPO Enquiry") ⁽¹⁾ http://www.uobgroup.com ⁽¹⁾⁽²⁾	24 hours a day	Evening of the balloting day
DBS	1800 339 6666 (for POSB Account holders) 1800 111 1111 (for DBS Account holders)	Internet Banking http://www.dbs.com ⁽²⁾	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	ATM/Internet Banking/ Phone Banking http://www.ocbc.com ⁽³⁾	ATM/Phone Banking – 24 hours a day	Evening of the balloting day

Notes:

- (1) If you make your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB Phone Banking Services.
- (2) If you make your Internet Electronic Application through the IB website of UOB Group or DBS, you may also check the result of your application through the same channels listed in the table above in relation to ATM Electronic Application made at ATMs of UOB Group or DBS Bank.
- (3) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the results of your application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking Services.

7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Sponsor, the Underwriter and Placement Agent and CDP, and if, in any such event, our Company, the Sponsor, the relevant Participating Bank and/or CDP do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Sponsor, the Underwriter and Placement Agent, the relevant Participating Bank and/or CDP for Offer Shares applied for or for any compensation, loss or damage. CDP shall not be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to the electronic application.
8. Electronic Applications shall close at **12.00 noon on 15 July 2010** or such other time as our Company may, in consultation with the Sponsor, decide. Subject to the paragraph above, an Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.

9. You are deemed to have irrevocably requested and authorised our Company to:
- (a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated shares issue account; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated shares issue account.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee, except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and other correspondences from the CDP will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
- (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks acting as our agents, at the ATMs and IB websites (if any):
 - (i) your Electronic Application is irrevocable; and
 - (ii) your Electronic Application, the acceptance by us and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) neither our Company, the Sponsor, the Underwriter and Placement Agent, the Participating Banks, nor the CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;

- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that neither our Company, the Sponsor, the Underwriter and Placement Agent, nor any other person involved in the Invitation shall have any liability for any information not so contained.

INSTRUCTIONS FOR ELECTRONIC APPLICATIONS THROUGH ATMS AND THE IB WEBSITE OF THE UOB GROUP

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB Group's ATM screens, the following terms will appear in abbreviated form:

"&"	:	and
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	:	CPF INVESTMENT ACCOUNT
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO" or "NO."	:	NUMBER
"PERSONAL NO"	:	PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	:	SHARE REGISTRARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"SGX"	:	SINGAPORE EXCHANGE SECURITIES TRADING (PTE) LTD
"UOB/ICB CPFIS"	:	UOB OR ICB CPF INVESTMENT SCHEME
"YR"	:	YOUR

Steps for Electronic Application through the ATMs of UOB Group

- Step 1: Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.
- 2: Select **“CASH CARD/OTHER TRANSACTIONS”**.
- 3: Select **“SECURITIES APPLICATION”**.
- 4: Select **“ESA-FIXED”**.
- 5: Select the share counter which you wish to apply for.
- 6: Read and understand the following statements which will appear on the screen:
- **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS**
(Press **“ENTER”** to continue)
 - **PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
 - **WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
(Customer to press **“ENTER”** key to confirm that you have read and understood the above statements.)
- 7: Read and understand the following terms which will appear on the screen:
- **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENTS/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION**
 - **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YOUR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST AND ISSUER**
 - **THIS IS YOUR ONLY FIXED PRICE APPLN & IS IN YOUR NAME & AT YOUR RISK**
(Customer to press **“ENTER”** to continue)
- 8: Screen will display:
- NRIC/Passport No. XXXXXXXXXXXXX**
- IF YOUR NRIC NO/PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**
(Customer to press **“CANCEL”** or **“CONFIRM”**)

- 9: Select mode of payment i.e. **“CASH ONLY”**. You will be prompted to select Cash Account type to debit (i.e., **“CURRENT ACCOUNT/I-ACCOUNT”**, **“CAMPUS”** OR **“SAVINGS ACCOUNT/TX ACCOUNT”**). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.
- 10: After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). For customers using UOB’s ATM for the first time to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.
- 11: Read and understand the following terms which will appear on the screen:
1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 2. **PLEASE USE YOUR OWN ATM CARD**
 3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
 5. **PRESS ENTER KEY**
- 12: Key in your CDP Securities Account number (12 digits) and press the **“ENTER”** key.
- 13: Select your nationality status.
- 14: Key in the number of Shares you wish to apply for and press the **“ENTER”** key.
- 15: Check the details of your Electronic Application on the screen and press **“ENTER”** key to confirm your Electronic Application.
- 16: Select **“NO”** if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB Group’s IB website screens, the following terms will appear in abbreviated form:

“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“NRIC” or “IC”	:	National Registration Identity Card
“PR”	:	Permanent Resident
“SGD” or “\$”	:	Singapore Dollars
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

Steps for a Internet Electronic Application through the IB website of UOB Group

- Step 1: Connect to UOB website at <http://www.uobgroup.com>
- 2: Locate the Login icon at the top title bar of the Home Page
- 3: Click on Login > to UOB Personal Internet Banking
- 4: Enter your Username and Password and click **“Submit”**
- 5: Select Investment Services (IPO Application should be the default transaction that appears, if not click IPO Application)
- 6: Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
- 7: Click **“Continue”**
- 8: Select your country of residence (you must be residing in Singapore to apply), and click **“Continue”**
- 9: Select the IPO counter from the drop list (if there are concurrent IPOs), and click **“Continue”**
- 10: Check the share counter and select the mode of payment and account number to debit and click on **“Continue”**
- 11: Read the important instructions and click on **“confirm”** to confirm that:
- 1. You have read, understood and agreed to all the terms and conditions of this application and Prospectus/Document or Supplementary Document;**
 - 2. You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, CDP, SGX-ST, SCCS, CPF Board, issuer/and the Sponsor.**
 - 3. This application is made in your own name and at your own risk.**
 - 4. For FIXED/MAX price share application, this is your only application. For TENDER price share application, this is your only application for this share at the selected tender price.**
 - 5. For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in \$, based on the Bank’s prevailing board rates at the time of application. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in \$ at the same exchange rate.**
 - 6. For 1st-Come-1st Serve securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**

12: Check your personal details, details of the share counter you wish to apply for and account to debit.

Enter

(a) Nationality;

(b) your CDP securities account number; and

(c) the number of shares applied for.

13: Check details of your application, your NRIC/Passport number, CDP securities account number and the number of shares applied for, share counter, payment mode and account to debit.

14: Click "**Confirm**", "**Edit**" or "**Cancel**".

15: Print the Confirmation Screen (optional) for your reference and retention only.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.



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

Principal Place of Business:
20 Tampines Street 92, Singapore 528875
Tel : + 65 6787 7133 Fax : + 65 6787 7163