



SMARTFLEX HOLDINGS LTD.

ANNUAL
REPORT
2016



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This Annual Report and its contents have been reviewed by the Company's sponsor, RHT Capital Pte Ltd ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") this being the SGXST Listing Manual Section B: Rules of the Catalist ("Catalist Rules"). The Sponsor has not independently verified the contents of this Annual Report. This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr Khong Choun Mun, Registered Professional, RHT Capital Pte Ltd, 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, telephone (65) 6381 6757.

CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|---------------|---------------------------|
| Tan Tong Guan | Executive Chairman & CEO |
| Teo Yi-Dar | Lead Independent Director |
| Tan Geok Moey | Non-Executive Director |
| Chan Kum Kit | Independent Director |

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Wong Chuen Shya

REGISTERED OFFICE

95 Amoy Street
Singapore 069915
Telephone: (65) 6222 2188
Fax: (65) 6222 2892

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619
Telephone: (65) 6381 6888
Fax: (65) 6381 6899

SPONSORS

RHT Capital Pte Ltd
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619
Telephone: (65) 6381 6757
Fax: (65) 6381 6899

AUDITORS

Ernst & Young LLP
One Raffles Quay
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Singapore 048583
Telephone: (65) 6535 7777
Fax: (65) 6532 7662

Partner-in-charge: Yeow Hui Cheng
(Appointed from the financial year ended
31 December 2016)

PRINCIPAL BANKERS

CIMB Bank Berhad
RHB Bank Berhad
United Overseas Bank Limited

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to present the results of Smartflex Holdings Ltd ("Smartflex") for the financial year ended 31 December 2016 ("FY2016") as we transit into another phase of development.

The global economy and political situation have been filled with increasing uncertainties over the years. As the Group's smartcard IC module business has been under consistent pressure over the years due to a persistently competitive market and weak consumer sentiments, the Group has on 6 May 2016 entered into a conditional sale and purchase agreement to dispose of the entire issued share capital of Smartflex Technology Pte Ltd ("SFT") and Smartflex Innovation Pte Ltd ("SFI") to Novoflex Pte Ltd for a consideration of up to S\$26.1 million ("the Disposal"). The Disposal, which was approved in the Extraordinary General Meeting held on 8 July 2016, was completed on 20 July 2016.

FINANCIAL PERFORMANCE

As a result of the Disposal, the Group does not have any turnover and gross profit from continuing operations in FY2016. The revenue and gross profit attributable to subsidiaries that have been disposed has been classified as the profit from the discontinued operations. Together with US\$2.7 million of gain on disposal of subsidiaries, the overall profit from the discontinued operations was approximately US\$3.8 million. This was offset by the loss from continuing operations, which brought the overall profit after tax for FY2016 to US\$2.6 million.

Following the Disposal, there were neither non-current assets nor non-current liabilities in the Company as at 31 December 2016. The company's current assets mainly comprised of cash of US\$12.6 million, which was held in the escrow accounts.

MOVING FORWARD

As the Group is now deemed a cash company, the Board of Directors is currently exploring various acquisition opportunities and options available to maximise value for its shareholders. Shareholders will be duly informed whenever a material decision has been made.

DIVIDEND

With available cash held in within the Group, we have paid a special tax exempt (one-tier) dividend of S\$0.085 per ordinary share on 10 October 2016 and declared a final tax exempt (one-tier) dividend of S\$0.010 per ordinary share, which would be paid out on 12 May 2017.

IN APPRECIATION

I would like to extend our appreciation to our loyal shareholders who have been staunchly supportive and patient with the Group as we work towards consolidating our business and look forward to your continued support as we explore new opportunities moving ahead.



OPERATING & FINANCIAL REVIEW

FINANCIAL PERFORMANCE

On 6 May 2016, the Company announced that it had entered into a conditional sale and purchase agreement in respect of the disposal of the entire issued share capital of Smartflex Technology Pte Ltd ("SFT") and Smartflex Innovation Pte Ltd ("SFI") held by the Company (the "Disposal") for a consideration of up to S\$26,080,000.

The Disposal was approved in the Extraordinary General Meeting held on 8 July 2016 and was completed on 20 July 2016. Accordingly, the comparative figures have been re-presented to report the profit and loss items of the continuing and discontinued operations separately.

Continuing operations Turnover and gross profit

The Group did not have any turnover and gross profit from continuing operations as the Company became a cash company upon the completion of the disposal of all of the subsidiaries.

Other income

Other income in FY2016 stood at US\$71,000 as compared to US\$1,000 in FY2015 mainly due to the interest income earned on the fixed deposit balances of the Group.

Administrative expenses

Administrative expenses, the Group's only operating costs, rose from US\$206,000 in FY2015 to US\$1.2 million in FY2016. The increase was mainly attributable to US\$897,000 foreign exchange loss as a result of SGD depreciation on the Group's SGD cash equivalents against USD.

Taxation

The Group did not incur any taxation for FY2016 as it did not generate any taxable business income from continuing operations.

Discontinued operations Profit from the discontinued operations

The discontinued operations have generated US\$1.1 million of operating profit after tax for the period up to the date of disposal in FY2016. Together with US\$2.7 million gain on disposal of subsidiaries, the overall profit after tax from the discontinued operations was approximately US\$3.8 million.

OPERATING & FINANCIAL REVIEW

FINANCIAL POSITION

Non-current assets and non-current liabilities

Following the Disposal, the Group did not hold any non-current assets or non-current liabilities as at 31 December 2016.

Current assets

The Group's current assets increased by US\$9.2 million to US\$14.0 million as at 31 December 2016. The current assets mainly comprised of other receivables of US\$1.4 million and cash and cash equivalents of US\$12.6 million. Other receivables pertained mainly to the retention sum withheld by Novoflex Pte. Ltd. from the disposal of its subsidiaries, while cash and cash equivalents mainly comprised of cash obtained from the Disposal.

Current liabilities

The Group's current liabilities increased by US\$17,000 from US\$105,000 as at 31 December 2015 to US\$122,000 as at 31 December 2016 due to expenses incurred in relation to the Disposal.

CASH FLOW

Net cash flow used in operating activities stood at US\$3.4 million in FY2016 as compared to a net cash flow generated from operating activities of US\$6.4 million in FY2015. The decrease was mainly due to shorter operating period in FY2016 as compared to the full year operations in FY2015.

Net cash flow generated from investing activities was US\$12.7 million against net cash used in investing activities of US\$3.4 million the year before due to the disposal of discontinued operations.

Net cash used in financing activities in FY2016 was US\$6.7 million against net cash flow generated from financing activities of US\$371,000 in FY2015, which was mainly due to a special dividend payout during the year after the Disposal.

Cash and cash equivalents amounted to US\$12.6 million as at 31 December 2016.

DIRECTORS PROFILE



TAN TONG GUAN

Co-founder, Executive Chairman and CEO

Tan Tong Guan, 53, co-founder, Executive Chairman and CEO, was appointed to the Board on 17 February 2010 and was last reappointed on 25 April 2014. He is responsible for providing the corporate direction and business strategy for our Group. Mr Tan brings over 20 years of experience in business strategy, having been an executive director of our holding company and controlling shareholder, TGBPL, from February 1991 to the present. TGBPL was formed in 1967 by Mr Tan's family and has grown from a trading company to an investment holding company that has businesses, ranging from manufacturing, trading, property investments and investment holding. Mr Tan is currently an independent director and Chairman of the audit committee of Sing Holdings Limited. Mr Tan was previously the lead independent director and chairman of the audit committee of Sing Investments and Finance Limited. Mr Tan graduated from the National University of Singapore with a Bachelor Degree in Accountancy and is a Fellow Chartered Accountant of Singapore with Institute of Singapore Chartered Accountants (ISCA). Mr Tan is the brother of Ms Tan Geok Moey (our Non-Executive Director).

CHAN KUM KIT

Independent Director

Chan Kum Kit, 64, Independent Director, was appointed to the Board on 15 March 2010 and was last reappointed on 25 April 2014. He is also the Chairman of the Audit Committee. He is a founding partner of Verity Partners, and has been a public accountant for more than 25 years. Mr Chan was previously an independent director and Chairman of the audit committee of Sing Holdings Limited. Mr Chan holds a Bachelor of Accountancy from the University of Singapore and is a Fellow Chartered Accountant of Singapore with ISCA.

DIRECTORS PROFILE



TAN GEOK MOEY

Non-Executive Director

Tan Geok Moey, 56, Non-Executive Director, was appointed to the Board on 15 March 2010 and was last reappointed on 28 April 2016. Ms Tan is currently a director of TGBPL, the holding company and controlling shareholder of our Group, a position she held since June 1988, where she is responsible for the administration of TGBPL. She is also a director of TGB Properties Pte Ltd, Cosmos Investment Pte Ltd, Tan Gee Beng (Hong Kong) Limited and TGB Properties (NZ) Pte Ltd. Ms Tan holds a Bachelor of Accountancy from the National University of Singapore.

TEO YI-DAR

Lead Independent Director

Teo Yi-Dar, 46, was appointed as Independent Director of the Company on 22 February 2013 and was last reappointed on 24 April 2015. He is the Chairman of the Remuneration Committee and Nominating Committee. Mr Teo also sits on the boards of several SGX-listed companies. He is currently the lead independent director and both remuneration committee and nominating committee chairmen for Yangzijiang Shipbuilding (Holdings) Ltd, the lead independent director and audit committee chairman for China YuanBang Property Holdings Ltd and a non-executive director for HG Metal Manufacturing Ltd. Mr Teo is also the non-executive director for HKEx-listed Denox Environmental & Technology Holdings Ltd. Mr Teo was, in preceding three years, a non-executive director of SGX-listed Net Pacific Financial Holdings Limited.

Mr Teo currently manages a Private Equity business that focuses on Asian buyout transactions in the electronics, chemical, engineering and technology segments. Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics and moved on to Keppel Corporation Ltd, conducting business development activities for Keppel's offshore and marine businesses. In 1999, he joined Boston-based Advent International private equity group to conduct direct investments into Asian based businesses.

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

KEY MANAGEMENT PROFILE

XUE RU

Chief Financial Officer

Xue Ru, 42, was appointed as Chief Financial Officer on 20 July 2016. She is responsible for all the financial matters for the Group. She has 15 years of experience in finance, accounting and risk management. Prior to joining the Group, she held various managerial positions, including Finance Director of Hyin Engineering Pte Ltd, Chief Financial Officer of Hu An Cable Holdings Ltd. and Finance/Admin Manager in Aztech Heat Exchangers Pte Ltd.

Ms Xue holds a Bachelor of Economics from Nanjing University of Aeronautics and Astronautics and a Master of Business Administration (Finance) from National University of Singapore. She is a fellow member of the Association of Chartered Certified Accountant and a Chartered Accountant of Singapore with ISCA.



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REPORT ON CORPORATE GOVERNANCE

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

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

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

Principle 1: The Board's Conduct of Affairs

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

The Board's principal functions include:

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

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

The attendance of the Directors at meetings of the Board and Board Committees for the financial year ended 31 December 2016 is set out as follows:

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

* Attended by invitation.

** Attended 1 meeting by invitation and 1 meeting as a member of Remuneration Committee.

(1) Resigned as Director with effect from 20 July 2016.

(2) Appointed as a member of Remuneration Committee with effect from 20 July 2016.

REPORT ON CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

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

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

| | |
|---------------|--|
| Tan Tong Guan | Executive Chairman and Chief Executive Officer |
| Tan Geok Moey | Non-Executive Director |
| Teo Yi-Dar | Non-Executive and Lead Independent Director |
| Chan Kum Kit | Non-Executive and Independent Director |

In view of the fact that the Chairman and the Chief Executive Officer is the same person, the Board noted that the Company is in compliance with the requirement of the Code which recommends that the Independent Directors make up at least half of the Board.

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

The Company has in place a Nominating Committee which determines the independence of each Director annually based on the definition of independence as set out in the Code. The Nominating Committee will periodically review the competencies of the Directors to ensure it can govern the Company effectively. To address the dynamic business environment, the Nominating Committee will recommend the Board to consider the appointment of new Director(s) that has/have the required skillset, expertise, experience and knowledge as and when it deems necessary.

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

A brief profile of each Director is set out on pages 5 and 6 in the Annual Report. The Directors, as a group, provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge required for the Board to be effective. None of the Directors has served on the Board beyond nine years from the date of his/her appointment.

Principle 3: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are currently held by Mr Tan Tong Guan. The Board is of the opinion that it is not necessary to separate the roles of the Chairman and Chief Executive Officer after taking into account the size, scope and the nature of the operations of the Company together with the strong presence of Independent Directors. There is an appropriate balance of power and authority given that all Board Committees are chaired by Independent Directors and half of the Board consists of Independent Directors.

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

REPORT ON CORPORATE GOVERNANCE

Although the roles of Chairman of the Board and Chief Executive Officer are not separated, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance.

For good corporate governance, Mr Teo Yi-Dar has been appointed as the Lead Independent Director of the Company. As the Lead Independent Director, he is available to address the concerns of the Shareholders of the Company and when contact through the normal channels to the Chairman and Chief Executive Officer or the Chief Financial Officer has failed to satisfactorily resolve their concerns or when such contact is inappropriate.

The Independent Directors led by the Lead Independent Director, are encouraged to meet periodically without the presence of the Executive Director where necessary. The Lead Independent Director will also provide feedback to the Chairman after such meetings.

Principle 4: Board Membership

The Nominating Committee has written terms of reference that sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:-

- reviewing board succession plans for Directors, in particular, the Executive Chairman and the Chief Executive Officer;
- creating a formal and transparent process for the appointments and re-nominations of members of the Board and to assess the effectiveness of the Board as a whole, its Board Committees and the contribution of individual Directors to the effectiveness of the Board;
- affirming annually the independence of the Directors; and
- reviewing training and professional development programs for the Board.

The written terms of reference will describe the responsibilities of the members of the Nominating Committee.

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

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

The Chairman of the Nominating Committee, Mr Teo Yi-Dar is also the Lead Independent Director.

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

Currently, there is no alternate Director on the Board.

Principle 5: Board Performance

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

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

The Nominating Committee had decided unanimously, that the Directors will not be evaluated individually as it is more appropriate and effective to assess the performance of the Board as a whole, bearing in mind that each Director contributes in different ways to the success of the Company and Board decisions are made collectively. In addition, the factors taken into consideration for each Director's re-nomination are the extent of his/her attendance, participation and contribution in the proceedings of the meetings.

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

Principle 6: Access to Information

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

REPORT ON CORPORATE GOVERNANCE

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

Principle 7: Procedures for Developing Remuneration Policies

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

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

The Chairman of the Remuneration Committee, Mr Teo Yi-Dar is also the Lead Independent Director.

The Remuneration Committee has written Terms of Reference that sets out its duties and responsibilities. Amongst them, the Remuneration Committee is responsible for:-

- recommending to the Board a general framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Executive Director, and the recommendations of the Remuneration Committee are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind will be covered by the Remuneration Committee; and
- performing an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. It will also review and approve any bonuses, pay increases and/or promotions for these employees.

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

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

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

REPORT ON CORPORATE GOVERNANCE

Principle 8: Level and Mix of Remuneration

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

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

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

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

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

Policy in respect of Non-Executive Directors' remuneration

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

Principle 9: Disclosure on Remuneration

The level and mix of remuneration (including remuneration at any of the Company's subsidiary) of the Company's Directors and key management personnel (who are not also Directors) for the financial year ended 31 December 2016 are as follows:

| Remuneration band and Name of Director | Base/Fixed salary (%) | Bonus (%) | Directors' fees (%) | Benefits-in-kind (%) | Total (%) |
|--|-----------------------|-----------|---------------------|----------------------|-----------|
| Directors | | | | | |
| S\$250,000 to below S\$500,000 | | | | | |
| Tan Tong Guan | 100 | – | – | – | 100 |
| Below S\$250,000 | | | | | |
| Chan Kum Kit | – | – | 100 | – | 100 |
| Eric Ng Eng Seng ⁽¹⁾ | 100 | – | – | – | 100 |
| Goh Hun Keng ⁽¹⁾ | – | – | 100 | – | 100 |
| Tan Geok Moey | – | – | 100 | – | 100 |
| Teo Yi-Dar | – | – | 100 | – | 100 |

(1) Resigned as Director with effect from 20 July 2016.

REPORT ON CORPORATE GOVERNANCE

| Remuneration band and Name of Key Management Personnel | Base/Fixed salary (%) | Bonus (%) | Benefits- in-kind (%) | Total (%) |
|---|-----------------------------|--------------|-----------------------------|--------------|
| Below S\$250,000 | | | | |
| Andy Gong Shengjun ⁽²⁾ | 100 | – | – | 100 |
| Ang Wui Khoo ⁽³⁾ | 100 | – | – | 100 |
| Mok Wai Ping ⁽²⁾ | 100 | – | – | 100 |
| Pang Sze Yong ⁽²⁾ | 100 | – | – | 100 |
| Vincent Sim Chee Hui ⁽²⁾ | 100 | – | – | 100 |
| Xue Ru ⁽⁴⁾ | 100 | – | – | 100 |

(2) Remuneration payable up to 20 July 2016, the date of the completion of the disposal of the Group's subsidiaries, namely Smartflex Technology Pte. Ltd. and Smartflex Innovation Pte. Ltd. to Novoflex Pte. Ltd.

(3) Ceased as Financial Controller with effect from 20 July 2016.

(4) Appointed as Chief Financial Officer with effect from 20 July 2016.

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the Chief Executive Officer) for the financial year ended 31 December 2016 is approximately S\$467,000.

Due to the very competitive nature of the industry the Group operates in, the Board believes it is not in the best interests of the Company to disclose the remuneration breakdown of the Directors and key management personnel.

There is no employee of the Group who is an immediate family member of any Director and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2016. "Immediate family member" means the Director's spouse, child, adopted child, stepchild, brother, sister and parent.

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

None of the Directors (including the Chief Executive Officer) and the top five key management personnel (who are not Directors or the Chief Executive Officer) of the Group has received any termination, retirement, post-employment benefits for the financial year ended 31 December 2016.

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to SGX-ST and press releases. The Company makes announcement of its financial results on a six monthly basis and monthly valuation of assets and utilization of cash in accordance with Rule 1017(1)(b) of the Listing Manual Section B: Rules of Catalist of SGX-ST on a monthly basis. The management provides the Board with management accounts on a monthly basis. Such reports keep the Board informed of, on a balanced and understandable basis, the Company's performance, position and prospects and enable the Board to discharge its duties effectively and efficiently.

As disclosed in its announcement on 20 July 2016, the Company had ceased to have any operating business and is deemed a cash company under Rule 1017 of the Listing Manual Section B: Rules of Catalist of SGX-ST. Accordingly, the Company had opened an escrow account with a bank licensed and approved by the Monetary Authority of Singapore and 90% of the cash balance of the Company has been deposited into the said escrow account.

REPORT ON CORPORATE GOVERNANCE

Principle 11: Risk Management and Internal Controls

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

For FY2016, the Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and the Company's risk management and internal control systems are sufficiently effective.

The Board and the Audit Committee have reviewed the adequacy of the Company's internal controls that address the Group's financial, operational, compliance and information technology risks. As part of the annual statutory audit of the financial statements, the external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weaknesses noted during their audit and recommendations, if any, by the external auditors are reported to the Audit Committee. The AC will follow up on the actions taken by the management in response to the recommendations made by the external auditors. Based on the review conducted, the Board and the Audit Committee are of the opinion that the system of internal controls and risk management system in place are adequate in meeting the current scope of the Company's business operations.

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

Based on the internal controls established and maintained by the Company, work performed by the external auditors, reviews performed by the management and assurance received from the Chief Executive Officer and Chief Financial Officer, the Board with the concurrence of the Audit Committee is of the opinion that the Company's internal control systems in addressing the financial, operational, compliance and information technology risks and risk management systems of the Company are adequate and effective for FY2016.

Principle 12: Audit Committee

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

The Audit Committee has written terms of reference that sets out its duties and responsibilities. Amongst them, the Audit Committee is responsible for:-

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

REPORT ON CORPORATE GOVERNANCE

The Audit Committee will meet with the independent external auditors at least annually, without the presence of management. Going forward, the Audit Committee will also have direct access to the internal auditors and will meet them without the presence of management once it has operating business and/or subsidiary(ies). The Audit Committee will review the independence and objectivity of independent external auditors annually after taking into account all audit and non-audit services provided to the Company. Having considered the breakdown of fees paid to the independent external auditors as detailed on page 21, as well as the nature and extent of such services, the Audit Committee is satisfied that such services will not prejudice the independence and objectivity of the independent external auditors. The Audit Committee shall also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the operating results and/or financial position of the Company. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Audit Committee is kept abreast by the independent external auditors on regulatory changes and accounting standards during the Audit Committee meetings.

The Audit Committee has reviewed the key audit matters disclosed in the independent external auditors' report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent external auditors and the management's assessment.

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

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

In appointing the auditing firms for the Company and its subsidiaries, the Company has complied with Listing Rules 712 and 715 for FY2016.

Principle 13: Internal Audit

The Company appointed an external professional consulting firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, to perform internal audit review. The Company would assess the need to resume internal audit once it has operating business and/or subsidiary(ies). The size and current operations of the Company does not warrant the Company having an in-house internal audit function. However, the Company acknowledges the need to establish an internal audit function once it has operating business and/or subsidiary(ies).

Principles 14 and 15: Shareholder Rights and Communication with Shareholders

The Board believes in regular, timely and effective communication with shareholders. Shareholders are kept informed of all important developments concerning the Company through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary.

Principle 16: Conduct of Shareholder Meetings

The shareholders are encouraged to attend the Company's general meetings of shareholders to participate effectively in and vote at general meetings of shareholders to ensure a high level of accountability and to stay informed of the Company's strategies and growth plans and establish and maintain regular dialogue between the Company and

REPORT ON CORPORATE GOVERNANCE

shareholders, to gather views and inputs, and address shareholders' concerns. The chairpersons and/or members of the Board, Audit Committee, Remuneration Committee and Nominating Committee and the external auditors are normally available at the shareholders' meetings to address any shareholders' queries, including those relating to the conduct of audit and the preparation and content of the auditors' report.

Presently, the Company does not have an investor policy or protocol in place.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's Constitution currently does not allow a member to appoint more than two proxies to attend and vote at the same general meetings. With effect from 3 January 2016, the Companies Act, Cap. 50 was amended, amongst others, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF Investors.

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

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

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

The Company does not have a policy on payment of dividends. The issue of payment of dividend is deliberated by the Board annually having regard to various factors. The Company has declared a special dividend of S\$0.085 on 23 September 2016 and a final dividend of S\$0.01 on 24 February 2017 for FY2016.

Dealings in Securities

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

The Company issues circulars or electronics mails to its Directors, key management personnel and employees that they must not trade in the shares of the Company during the period commencing 1 month before the release of the half year and year-end results and ending on the date of such announcements. In addition, Directors and key management personnel are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are discouraged from dealing in the Company's shares on short term considerations.

Interested Person Transactions

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

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

REPORT ON CORPORATE GOVERNANCE

Material Contracts

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

Fees Paid to Independent External Auditors

Ernst & Young LLP, the independent external auditors, rendered the following services (and charged the fees) set out below for the financial year ended 31 December 2016:

| | Group | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Audit fees – Current year | 31 | 50 |
| – Over-provision in prior year | (2) | (7) |
| Non-audit fees: | | |
| Tax returns compliance service – Current year | 2 | 15 |
| – Over provision in prior year | (1) | (3) |
| Total audit and non-audit fees | <u>30</u> | <u>55</u> |

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

Non-Sponsorship fees

No fees relating to non-sponsoring activities or services were paid to the Company's sponsor for the financial year ended 31 December 2016.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Smartflex Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| Name of director | Number of ordinary shares | | | |
|---------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------|
| | Direct interest | | Deemed interest | |
| | At the beginning of financial year | At the end of financial year | At the beginning of financial year | At the end of financial year |
| The Company | | | | |
| Tan Tong Guan ⁽¹⁾ | 565,001 | 565,001 | 57,139,331 | 57,139,331 |
| Tan Geok Moey ⁽¹⁾ | – | – | 57,139,331 | 57,139,331 |
| Ultimate holding company | | | | |
| Tan Gee Beng Pte Ltd | | | | |
| Tan Tong Guan ⁽²⁾ | 16,975 | 16,975 | 7,333 | 7,333 |
| Tan Geok Moey | 11,120 | 11,120 | – | – |

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

(2) Tan Tong Guan is deemed to have an interest in the 7,333 shares held by his spouse.

DIRECTORS' STATEMENT

Tan Tong Guan and Tan Geok Moey are deemed to have an interest in the shares of the Company's subsidiaries in proportion to the Company's interest in the subsidiaries by virtue of their interest in more than 20% of the issued share capital of the Company as provided by section 7 of the Companies Act, Chapter 50.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

AUDIT COMMITTEE

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

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

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

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

OPTIONS

No share options have been granted by the Company since its incorporation.

AUDITOR

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

On behalf of the board of directors:

Tan Tong Guan
Director

Chan Kum Kit
Director

Singapore
28 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Smartflex Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheet of the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

OPINION

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Disposal of shares in subsidiaries

On 20 July 2016, the Company disposed of its wholly-owned subsidiaries, Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd. Note 19 to the financial statements discloses the gain on disposal of subsidiaries of US\$2,691,366, as well as the results from and cash flows attributable to the discontinued operations. The subsidiaries are significant to the Company and this disposal, being a material transaction, has been identified as a key audit matter.

Our audit procedures include obtaining and reviewing the Sale & Purchase Agreement to understand the terms and conditions of the agreement, including representations and warranties given to the acquirer. We evaluated management's computation of the gain on disposal of subsidiaries and reviewed management's consolidation of the results of Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd up to the date of disposal. We evaluated management's assessment of whether any provision needs to be made for representations and warranties given to the acquirer. We verified the cash consideration received during the year and assessed the presentation and disclosures in Note 19 relating to the discontinued operations.

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2016

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2016

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Yeow Hui Cheng.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 March 2017

BALANCE SHEETS

As at 31 December 2016

| | Note | Company | | Group ⁽¹⁾ |
|-------------------------------------|------|-------------------|-------------------|----------------------|
| | | 2016 US\$ | 2015 US\$ | 2015 US\$ |
| Non-current assets | | | | |
| Property, plant and equipment | 3 | – | – | 10,108,408 |
| Investment in subsidiaries | 4 | – | 8,291,920 | – |
| Goodwill | 5 | – | – | 254,100 |
| Intellectual property | 5 | – | – | 4,200,000 |
| | | – | 8,291,920 | 14,562,508 |
| Current assets | | | | |
| Inventories | 6 | – | – | 2,522,933 |
| Trade and other receivables | 7 | 1,352,416 | – | 5,106,055 |
| Prepayments | | 2,965 | 4,233 | 133,318 |
| Cash and cash equivalents | 8 | 12,639,325 | 4,811,120 | 9,984,660 |
| | | 13,994,706 | 4,815,353 | 17,746,966 |
| Total assets | | 13,994,706 | 13,107,273 | 32,309,474 |
| Current liabilities | | | | |
| Trade payables | 9 | – | – | 3,721,598 |
| Other payables and accruals | 10 | 122,133 | 105,464 | 1,540,815 |
| Amount due to subsidiary | | – | 20 | – |
| Loans and borrowings | 11 | – | – | 4,475,406 |
| Tax payable | | – | – | 53,045 |
| | | 122,133 | 105,484 | 9,790,864 |
| Net current assets | | 13,872,573 | 4,709,869 | 7,956,102 |
| Non-current liabilities | | | | |
| Loans and borrowings | 11 | – | – | 1,286,365 |
| Deferred tax liabilities | 12 | – | – | 1,077,154 |
| Provision for reinstatement | 13 | – | – | 251,825 |
| | | – | – | 2,615,344 |
| Total liabilities | | 122,133 | 105,484 | 12,406,208 |
| Net assets | | 13,872,573 | 13,001,789 | 19,903,266 |
| Share capital | 14 | 12,913,670 | 12,913,670 | 12,913,670 |
| Revenue reserves | | 958,903 | 88,119 | 11,977,993 |
| Merger reserve | 15 | – | – | (4,988,397) |
| Total equity | | 13,872,573 | 13,001,789 | 19,903,266 |
| Total equity and liabilities | | 13,994,706 | 13,107,273 | 32,309,474 |

Note:

(1) Upon the disposal of all of its subsidiaries on 20 July 2016, the Company became a cash company with no subsidiaries. As such, only the Company's financial position as at 31 December 2016 was presented.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

| | Note | 2016 US\$ | 2015 (Restated) US\$ |
|---|------|--------------------|----------------------------|
| Continuing operations | | | |
| Other income | 16 | 70,770 | 1,247 |
| Administrative expenses | | (1,186,381) | (206,504) |
| Loss before tax from continuing operations | 17 | (1,115,611) | (205,257) |
| Income tax expense | 18 | - | - |
| Loss from continuing operations, net of tax | | (1,115,611) | (205,257) |
| Discontinued operations | | | |
| Profit from discontinued operations, net of tax | 19 | 3,754,972 | 5,431,969 |
| Profit for the year | | 2,639,361 | 5,226,712 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income attributable to owners of the Company | | 2,639,361 | 5,226,712 |
| Earnings per share (in US cents) | | | |
| Basic and diluted | 20 | 2.09 | 4.13 |

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| Group | Share capital (Note 14) US\$ | Revenue reserves US\$ | Merger reserve (Note 15) US\$ | Total equity US\$ |
|---|---|----------------------------------|--|------------------------------|
| Opening balance at 1 January 2016 | 12,913,670 | 11,977,993 | (4,988,397) | 19,903,266 |
| Profit for the year, representing total comprehensive income for the year | - | 2,639,361 | - | 2,639,361 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividends on ordinary shares (Note 23) | - | (8,670,054) | - | (8,670,054) |
| Total transactions with owners in their capacity as owners | - | (8,670,054) | - | (8,670,054) |
| <u>Changes in ownership interests in subsidiaries</u> | | | | |
| Disposal of subsidiaries | - | (4,988,397) | 4,988,397 | - |
| Closing balance at 31 December 2016 | <u>12,913,670</u> | <u>958,903</u> | <u>-</u> | <u>13,872,573</u> |
| Opening balance at 1 January 2015 | 12,913,670 | 7,846,688 | (4,988,397) | 15,771,961 |
| Profit for the year, representing total comprehensive income for the year | - | 5,226,712 | - | 5,226,712 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividends on ordinary shares (Note 23) | - | (1,095,407) | - | (1,095,407) |
| Total transactions with owners in their capacity as owners | - | (1,095,407) | - | (1,095,407) |
| Closing balance at 31 December 2015 | <u>12,913,670</u> | <u>11,977,993</u> | <u>(4,988,397)</u> | <u>19,903,266</u> |

| Company | Share capital (Note 14) US\$ | Revenue reserves US\$ | Total equity US\$ |
|---|---|----------------------------------|------------------------------|
| Opening balance at 1 January 2016 | 12,913,670 | 88,119 | 13,001,789 |
| Profit for the year, representing total comprehensive income for the year | - | 9,540,838 | 9,540,838 |
| <u>Contributions by and distributions to owners</u> | | | |
| Dividends on ordinary shares (Note 23) | - | (8,670,054) | (8,670,054) |
| Total transactions with owners in their capacity as owners | - | (8,670,054) | (8,670,054) |
| Closing balance as at 31 December 2016 | <u>12,913,670</u> | <u>958,903</u> | <u>13,872,573</u> |
| Opening balance at 1 January 2015 | 12,913,670 | 86,783 | 13,000,453 |
| Profit for the year, representing total comprehensive income for the year | - | 1,096,743 | 1,096,743 |
| <u>Contributions by and distributions to owners</u> | | | |
| Dividends on ordinary shares (Note 23) | - | (1,095,407) | (1,095,407) |
| Total transactions with owners in their capacity as owners | - | (1,095,407) | (1,095,407) |
| Closing balance at 31 December 2015 | <u>12,913,670</u> | <u>88,119</u> | <u>13,001,789</u> |

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

| | 2016 US\$ | 2015 US\$ |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Loss before tax from continuing operations | (1,115,611) | (205,257) |
| Profit before tax from discontinued operations | 3,871,412 | 5,306,969 |
| Profit before tax | 2,755,801 | 5,101,712 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 183,410 | 1,894,240 |
| Gain on disposal of property, plant and equipment | – | (149) |
| Gain on disposal of subsidiaries, net of transaction costs | (2,691,366) | – |
| Gain on investment | – | (2,341,452) |
| Interest income | (74,659) | (128,015) |
| Interest expense | 50,502 | 56,466 |
| Unrealised exchange loss | 59,081 | 139,348 |
| Share of results of joint venture | – | 358,691 |
| Operating cash flows before working capital changes | 282,769 | 5,080,841 |
| Increase in trade and other receivables | (2,865,196) | (1,910,617) |
| (Increase)/decrease in prepayments | (27,520) | 439,406 |
| (Increase)/decrease in inventories | (376,378) | 931,367 |
| (Decrease)/increase in trade and other payables | (357,793) | 2,029,395 |
| Cash (used in)/generated from operations | (3,344,118) | 6,570,392 |
| Interest received | 73,165 | 14,602 |
| Interest paid | (41,428) | (50,467) |
| Income tax paid | (17,004) | (110,873) |
| Net cash flows (used in)/generated from operating activities | (3,329,385) | 6,423,654 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | – | 149 |
| Purchase of property, plant and equipment | (328,549) | (2,502,707) |
| Loan to joint venture | – | (1,073,493) |
| Acquisition of subsidiary, net of cash acquired | – | 205,891 |
| Disposal of subsidiaries, net of cash disposed of (Note A) | 13,047,723 | – |
| Net cash flows generated from/(used in) investing activities | 12,719,174 | (3,370,160) |
| Cash flows from financing activities | | |
| Proceeds from finance leases | 1,000,440 | – |
| Repayment of obligations under finance leases | (74,317) | – |
| Proceeds from loans and borrowings | – | 718,308 |
| Repayment of loans and borrowings | (601,754) | (915,749) |
| Proceeds from trade finance facilities | 9,056,819 | 11,824,429 |
| Repayment of trade finance facilities | (7,446,258) | (10,160,222) |
| Dividends paid | (8,670,054) | (1,095,407) |
| Net cash flows (used in)/generated from financing activities | (6,735,124) | 371,359 |
| Net increase in cash and cash equivalents | 2,654,665 | 3,424,853 |
| Cash and cash equivalents at beginning of the year (Note 8) | 9,984,660 | 6,559,807 |
| Cash and cash equivalents at end of the year (Note 8) | 12,639,325 | 9,984,660 |

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

Note A: The net assets and liabilities arising from the disposal of subsidiaries and the cash flow effects of the disposal are as follows:–

| | Group 2016 US\$ |
|--|--------------------------------|
| Property, plant and equipment | 10,253,547 |
| Goodwill | 254,100 |
| Intellectual property | 4,200,000 |
| Inventories | 2,899,311 |
| Trade and other receivables | 8,152,071 |
| Prepayments | 160,398 |
| Cash and cash equivalents | 4,448,388 |
| Trade payables | (4,018,991) |
| Other payables and accruals | (915,739) |
| Loans and borrowings | (7,696,702) |
| Tax payable | (105,362) |
| Deferred tax liabilities | (1,124,273) |
| Provision for reinstatement | (251,825) |
| Net assets disposed | 16,254,923 |
| Gain on disposal of subsidiaries, gross | 3,087,878 |
| Total cash consideration | 19,342,801 |
| Less: Transaction costs paid and payable | (396,512) |
| Less: Consideration receivable | (1,450,178) |
| Net cash consideration received | 17,496,111 |
| Less: Cash and cash equivalents of subsidiaries disposed off | (4,448,388) |
| Net cash inflow arising from disposal | 13,047,723 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at 95 Amoy Street, Singapore 069915. The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, prior to their disposals, are disclosed in Note 4 to the financial statements.

As the Company is now deemed a cash company, shareholders should note that under Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements within 12 months from the time it becomes a cash company. The issuer may (through its sponsor) apply to the SGX-ST for a maximum six-month to twelve-month extension period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the extension period. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction. In the event the issuer is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the issuer will be required to delist and a cash exit offer in accordance with Rule 1308 of the Catalist Rules be made to its shareholders within 6 months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective

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

| Description | Effective for annual periods beginning on or after |
|---|--|
| Amendments to FRS 7: <i>Disclosure Initiative</i> | 1 January 2017 |
| Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> | 1 January 2017 |
| Improvements to FRSs (December 2016) | |
| (a) Amendments to FRS 112: <i>Classifications of the Scope of the Standard</i> | 1 January 2017 |
| (b) Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i> | 1 January 2018 |
| Amendments to FRS 40: <i>Transfers of Investment Property</i> | 1 January 2018 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |
| INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i> | 1 January 2018 |
| FRS 116 <i>Leases</i> | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined |

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

2.4 Significant accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

The Group has not made accounting estimates which have significant effect on the carrying amounts of assets and liabilities recognised in the financial statements.

(b) Judgement made in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant accounting estimates and judgements (Continued)

(b) Judgement made in applying accounting policies (Continued)

Provision for representations and warranties given to the acquirer of the Company's subsidiaries

As part of the disposal of subsidiaries during the year, the Company gave an undertaking to the acquirer that it will indemnify the acquirer against any losses incurred or suffered by the acquirer, arising from any breach by the Company of any representations and warranties given under the sales and purchase agreement. The aggregate amounts claimed by the acquirer shall not exceed the remaining consideration receivable (Note 7). Management has assessed the representations and warranties given and concluded that no provision is required as at 31 December 2016.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Basis of consolidation and business combinations (Continued)

(b) Business combinations and goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

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

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

Intellectual property

The intellectual property encompasses patent rights, copyright, trademarks and all other intellectual property rights underlying the technology of the Group.

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 indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

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

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

2.10 Subsidiaries

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

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

2.11 Joint ventures

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Joint ventures (Continued)

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

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

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

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

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(a) Financial assets (Continued)

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.13 Impairment of financial assets

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

Financial assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

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

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

2.16 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowing costs

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

2.18 Leases

As lessee

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

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

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

2.19 Employees benefits

(a) Defined contribution plan

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

(b) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue

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

Sale of goods

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

2.21 Government grants

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

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

Government grants related to income

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

2.22 Taxes

(a) Current income tax

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

Current income taxes are recognised in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Taxes (Continued)

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investment in subsidiary and interest in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Taxes (Continued)

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.23 Share capital and share issuance expenses

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

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT

| Group | Computers | Office | Furniture | Renovation | Plant and | Factory | Total |
|--|------------------|------------------|---------------------|-------------------|------------------|------------------|--------------|
| Cost | US\$ | equipment | and fittings | US\$ | machinery | equipment | US\$ |
| | | US\$ | US\$ | | US\$ | US\$ | US\$ |
| At 1 January 2015 | 196,597 | 165,412 | 328,989 | 794,620 | 15,260,735 | 245,079 | 16,991,432 |
| Additions | 7,898 | - | 2,477 | 249,572 | 2,190,974 | 51,786 | 2,502,707 |
| Acquired through business combination | 3,482 | - | 1,305 | 72,563 | 3,334,713 | 39,996 | 3,452,059 |
| Disposal | - | - | - | - | (504,582) | - | (504,582) |
| At 31 December 2015 and 1 January 2016 | 207,977 | 165,412 | 332,771 | 1,116,755 | 20,281,840 | 336,861 | 22,441,616 |
| Additions | - | 3,096 | - | - | 309,252 | 16,201 | 328,549 |
| Disposal of subsidiaries | (207,977) | (168,508) | (332,771) | (1,116,755) | (20,591,092) | (353,062) | (22,770,165) |
| At 31 December 2016 | - | - | - | - | - | - | - |
| Accumulated depreciation | | | | | | | |
| At 1 January 2015 | 169,945 | 153,936 | 320,367 | 555,202 | 9,269,980 | 165,029 | 10,634,459 |
| Charge for the year | 23,197 | 6,989 | 6,475 | 188,482 | 1,616,037 | 53,060 | 1,894,240 |
| Acquired through business combination | 3,191 | - | 653 | 39,909 | 240,510 | 24,828 | 309,091 |
| Disposal | - | - | - | - | (504,582) | - | (504,582) |
| At 31 December 2015 and 1 January 2016 | 196,333 | 160,925 | 327,495 | 783,593 | 10,621,945 | 242,917 | 12,333,208 |
| Charge for the year | 666 | 523 | 361 | 18,078 | 158,012 | 5,770 | 183,410 |
| Disposal of subsidiaries | (196,999) | (161,448) | (327,856) | (801,671) | (10,779,957) | (248,687) | (12,516,618) |
| At 31 December 2016 | - | - | - | - | - | - | - |
| Net book value | | | | | | | |
| At 31 December 2016 | - | - | - | - | - | - | - |
| At 31 December 2015 | 11,644 | 4,487 | 5,276 | 333,162 | 9,659,895 | 93,944 | 10,108,408 |

Assets pledged as security

As at 31 December 2015, the Group had plant and machinery with carrying amounts of approximately US\$2,340,000 that were subject to a fixed charge as security for bank facilities (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|------------------------|--------------|--------------|
| | 2016 US\$ | 2015 US\$ |
| Equity shares, at cost | – | 8,291,920 |

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|---|--------------------------|--|--------------------------------------|------|
| | | | 2016 | 2015 |
| Smartflex Technology Pte Ltd ⁱ * ("Smartflex Technology") | Singapore | Assembly and testing of smart card IC modules | – | 100 |
| Smartflex Innovation Pte Ltd ⁱ * ("Smartflex Innovation") | Singapore | Development, assembly and testing of smart card solution | – | 100 |

i Audited by Ernst & Young LLP, Singapore.

* The Group disposed of its 100% ownership interest in Smartflex Technology and Smartflex Innovation on 20 July 2016 (Note 19).

5. INTANGIBLE ASSETS

| | Group | |
|--|------------------|----------------------------------|
| | Goodwill US\$ | Intellectual property US\$ |
| Cost: | | |
| At 1 January 2015 | – | – |
| Addition: | | |
| – Acquisition of a subsidiary | 254,100 | 4,200,000 |
| At 31 December 2015 and 1 January 2016 | 254,100 | 4,200,000 |
| Disposal of subsidiaries | (254,100) | (4,200,000) |
| At 31 December 2016 | – | – |
| Net carrying amount: | | |
| At 31 December 2016 | – | – |
| At 31 December 2015 | 254,100 | 4,200,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. INVENTORIES

| | Group 2015 US\$ |
|---|--------------------------------|
| Balance sheet: | |
| At cost: | |
| Raw materials | 2,016,651 |
| Consumables | 310,489 |
| Finished goods | 105,828 |
| Work-in-progress | 89,965 |
| | <u>2,522,933</u> |
| Statement of comprehensive income: | |
| Inventories recognised as an expense in cost of sales | <u>(14,689,653)</u> |

7. TRADE AND OTHER RECEIVABLES

| | Company | Group |
|---|-------------------|-------------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| Trade receivables | – | 5,028,981 |
| Deposits | – | 77,074 |
| Other receivables | 1,352,416 | – |
| Total trade and other receivables | 1,352,416 | 5,106,055 |
| Add: Cash and cash equivalents (Note 8) | 12,639,325 | 9,984,660 |
| Total loans and receivables | <u>13,991,741</u> | <u>15,090,715</u> |

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

| | Company | Group |
|------------------|------------------|--------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| Singapore Dollar | <u>1,352,416</u> | <u>–</u> |
| | | <u>7,305</u> |

Trade receivables

Trade receivables were non-interest bearing and were generally on 30 to 90 days' terms. They were recognised at their original amounts which represented their fair values on recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. TRADE AND OTHER RECEIVABLES (Continued)

Other receivables

Other receivables includes the remainder of the consideration receivable from the disposal of subsidiaries. This amount is receivable from the acquirer on or before 20 July 2017. Other receivables are unsecured, non-interest bearing and are to be settled in cash. They are recognised at their original amounts which represent their fair values on recognition.

Receivables that are impaired

The Group and Company do not have any receivables that are impaired as at 31 December 2016 and 2015.

8. CASH AND CASH EQUIVALENTS

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

| | Company | | Group |
|---------------------------|-------------------|------------------|------------------|
| | 2016 | 2015 | 2015 |
| | US\$ | US\$ | US\$ |
| Cash at banks and in hand | 144,819 | 4,811,120 | 9,984,660 |
| Restricted deposits | 10,758,116 | – | – |
| Fixed deposits with banks | 1,736,390 | – | – |
| | <u>12,639,325</u> | <u>4,811,120</u> | <u>9,984,660</u> |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits with banks are made for varying periods of between one and two months, depending on the immediate cash requirements of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Company was 0.82% (2015: Nil).

Restricted deposits represents cash held in an escrow account which bears interest at 0.7% per annum. Upon disposal of its subsidiaries, and in accordance with the rules of the SGX-ST, the Company placed approximately 90% of its total cash balance in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the Singapore Stock Exchange's requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and pro-rata distributions to shareholders. Dividends of US\$7,870,320 was paid out of the escrow account during the year.

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

| | Company | | Group |
|------------------|------------|-----------|-----------|
| | 2016 | 2015 | 2015 |
| | US\$ | US\$ | US\$ |
| Singapore Dollar | 12,619,162 | 4,811,120 | 5,146,155 |
| Euro | – | – | 1,003,867 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. TRADE PAYABLES

| | |
|----------------|--------------------------------|
| | Group 2015 US\$ |
| Trade payables | <u>3,721,598</u> |

Trade payables were non-interest bearing and normally settled on 30 to 60 days' terms.

Trade payables denominated in foreign currencies as at 31 December 2015 were as follows:

| | |
|------------------|--------------------------------|
| | Group 2015 US\$ |
| Singapore Dollar | 229,133 |
| Euro | <u>1,894,739</u> |

10. OTHER PAYABLES AND ACCRUALS

| | Company | Group |
|---|----------------|-------------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| Accruals | 122,133 | 105,464 |
| Deposits received and other payables | – | – |
| Total other payables and accruals | <u>122,133</u> | <u>105,464</u> |
| Trade payables (Note 9) | – | – |
| Loans and borrowings (Note 11) | – | – |
| Total financial liabilities carried at amortised cost | <u>122,133</u> | <u>105,464</u> |
| | | <u>1,486,183</u> |
| | | <u>54,632</u> |
| | | <u>1,540,815</u> |
| | | <u>3,721,598</u> |
| | | <u>5,761,771</u> |
| | | <u>11,024,184</u> |

Other payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

11. LOANS AND BORROWINGS

| | Maturity At 2015 | Group 2015 US\$ |
|---------------------------------|-----------------------------|--------------------------------|
| Bank loans (current): | | |
| – Euro loans | 2016 | 304,134 |
| – USD loans | On demand/2016 | 872,730 |
| – USD trade finance facilities | 2016 | 1,830,189 |
| – Euro trade finance facilities | 2016 | <u>1,468,353</u> |
| | | <u>4,475,406</u> |
| Bank loans (non-current): | | |
| – Euro loans | 2018 | 506,891 |
| – USD loan | 2017/2018/2020 | <u>779,474</u> |
| | | <u>1,286,365</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. LOANS AND BORROWINGS (Continued)

In 2015, the loans were secured by a fixed charge over the plant and machinery. The loans and trade finance facilities, which were at floating rates, bore interests ranging from 1.16% to 1.94% and 1% to 1.42% per annum respectively.

In addition to the basic loan terms and specific clauses defining default events, the USD loans included a loan amounting to US\$339,563 that had an overriding repayment on demand clause for a loan which gave the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. Accordingly, the Group had classified the bank loan to current liabilities.

As at 31 December 2016, the Company had no loans and borrowings.

12. DEFERRED TAX LIABILITIES

| | Group 2015 US\$ |
|--|--------------------------------|
| Deferred tax liabilities can be analysed as follows: | |
| Differences in depreciation for tax purposes | 831,474 |
| Fair value adjustment on acquisition of a subsidiary | 292,695 |
| Others | (47,015) |
| | <u>1,077,154</u> |

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 23).

13. PROVISION FOR REINSTATEMENT

| | Group | |
|--------------------------|----------------------|----------------------|
| | 2016 US\$ | 2015 US\$ |
| At 1 January | 251,825 | 251,825 |
| Disposal of subsidiaries | (251,825) | - |
| At 31 December 2016 | <u>-</u> | <u>251,825</u> |

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

14. SHARE CAPITAL

| | 2016 No. of shares '000 | Group and Company 2016 | | 2015 |
|------------------------------|--|-----------------------------------|--|-------------------|
| | | US\$ | 2015 No. of shares '000 | US\$ |
| At 1 January and 31 December | <u>126,440</u> | <u>12,913,670</u> | <u>126,440</u> | <u>12,913,670</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. MERGER RESERVE

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

Merger reserve was transferred to revenue reserves following the disposal of Smartflex Technology Pte Ltd in the current year.

16. OTHER INCOME

| | Group | |
|----------------------------|---------------|--------------------|
| | 2016 | 2015 |
| | US\$ | (Restated) US\$ |
| Interest income from banks | 70,770 | - |
| Foreign exchange gain | - | 1,247 |
| | <u>70,770</u> | <u>1,247</u> |

17. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at loss before tax from continuing operations:

| | Group | |
|--|---------------|--------------------|
| | 2016 | 2015 |
| | US\$ | (Restated) US\$ |
| Audit fees: | | |
| – Auditors of the Company | 31,185 | 15,600 |
| – Overprovision of audit fees in prior year | (2,273) | - |
| Non-audit fees: | | |
| – Auditors of the Company | 2,176 | 2,400 |
| – Overprovision of non-audit fees in prior year | (1,139) | - |
| Total audit and non-audit fees | <u>29,949</u> | <u>18,000</u> |
| Professional fees | 36,857 | 54,181 |
| Foreign exchange loss/(gain) | 896,572 | (1,247) |
| Personnel and related costs: | | |
| – salaries | 93,813 | - |
| – directors' fees | 67,206 | 73,200 |
| – employer's contributions to Central Provident Fund | 5,904 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18. INCOME TAX EXPENSE

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

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

| | Group | |
|---|----------------|------------------|
| | 2016 US\$ | 2015 US\$ |
| Income tax expense – continuing operations | – | – |
| Current income tax – discontinued operations: | | |
| Current income taxation | 69,321 | 33,733 |
| Over provision in respect of previous years | – | (103,483) |
| | <u>69,321</u> | <u>(69,750)</u> |
| Deferred income tax – discontinued operations: | | |
| Origination and reversal of temporary differences | 47,119 | (173,285) |
| Under provision of deferred tax liabilities in respect of previous years | – | 118,035 |
| | <u>47,119</u> | <u>(55,250)</u> |
| Income tax expense/(credit) attributable to discontinued operations (Note 19) | <u>116,440</u> | <u>(125,000)</u> |
| Total income tax expense/(credit) recognised in profit or loss | <u>116,440</u> | <u>(125,000)</u> |

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

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

| | Group | |
|--|------------------|------------------|
| | 2016 US\$ | 2015 US\$ |
| Loss before tax from continuing operations | (1,115,611) | (205,257) |
| Profit before tax from discontinued operations (Note 19) | 3,871,412 | 5,306,969 |
| Accounting profit before income tax | <u>2,755,801</u> | <u>5,101,712</u> |
| Tax on profit before tax at 17% (2015: 17%) | 468,486 | 867,291 |
| Income not subject to tax | (469,563) | (453,207) |
| Non-deductible expenses | 158,659 | 62,846 |
| Deferred tax assets not recognised | 90,494 | 28,596 |
| Effect of partial tax exemption and tax rebate | (33,189) | (35,133) |
| Tax benefits from Productivity and Innovation Credit | (93,551) | (569,112) |
| Share of results of joint venture | – | 60,978 |
| Under provision in respect of previous years | – | 14,552 |
| Unutilised capital allowances | – | (103,684) |
| Others | (4,896) | 1,873 |
| Tax expense/(credit) | <u>116,440</u> | <u>(125,000)</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. DISCONTINUED OPERATIONS

On 6 May 2016, the Board of Directors of the Company entered into a sales and purchase agreement with Novoflex Pte Ltd (the "Purchaser") to dispose of the entire issued and paid-up share capital of Smartflex Technology and Smartflex Innovation to the Purchaser. Smartflex Technology and Smartflex Innovation were both wholly-owned subsidiaries of the Company and constituted all of the Company's directly-held subsidiaries.

The disposal was completed on 20 July 2016 and the Company ceased to own and operate any business, with its assets consisting substantially of cash and the remaining consideration receivable from the Purchaser.

The summarised financial information of the discontinued operations are as follows:

| | 2016 US\$ | 2015 US\$ |
|--|----------------------------|----------------------------|
| Revenue | 15,621,135 | 27,520,865 |
| Cost of sales | (12,329,937) | (19,655,378) |
| Gross profit | 3,291,198 | 7,865,487 |
| Other income | 87,022 | 2,798,915 |
| Selling and distribution expenses | (50,599) | (65,283) |
| Administrative expenses | (2,097,073) | (4,876,993) |
| Finance costs | (50,502) | (56,466) |
| Share of results of joint venture | - | (358,691) |
| Profit before tax from discontinued operations | 1,180,046 | 5,306,969 |
| Income tax (expense)/credit | (116,440) | 125,000 |
| Gain on disposal of subsidiaries, net of transaction costs | 2,691,366 | - |
| Profit from discontinued operations, net of tax | <u>3,754,972</u> | <u>5,431,969</u> |

Cash flow statement disclosures

The cash flows attributable to the discontinued operations for the year ended 31 December are as follows:

| | 2016 US\$ | 2015 US\$ |
|----------------------|----------------------------|----------------------------|
| Operating cash flows | (2,258,961) | 6,460,905 |
| Investing cash flows | 12,747,450 | (9,395,834) |
| Financing cash flows | 1,934,931 | 1,348,657 |
| Net cash flows | <u>12,423,420</u> | <u>(1,586,272)</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. DISCONTINUED OPERATIONS (Continued)

Earnings per share disclosures

| | Group | |
|---|----------------------|----------------------|
| | 2016 US\$ | 2015 US\$ |
| Earnings per share from discontinued operations attributable to the owners of the Company (cents per share) | | |
| Basic | 2.97 | 4.30 |
| Diluted | 2.97 | 4.30 |

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 20.

20. EARNINGS PER SHARE

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

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

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

| | Group | |
|---|--------------------------------------|--------------------------------------|
| | 2016 US\$ | 2015 US\$ |
| Profit net of tax attributable to shareholders | 2,639,361 | 5,226,712 |
| | Number of shares '000 | Number of shares '000 |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | 126,440 | 126,440 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. RELATED PARTY TRANSACTIONS

| | Group | |
|--|--------------|--------------|
| | 2016 US\$ | 2015 US\$ |
| (a) Sales and purchases of goods and services | | |
| With joint venture: | | |
| Purchases | – | – |
| Interest income | – | 100,213 |
| Management income | – | 57,750 |
| Rental income | – | – |
| Utilities charges | – | 14,368 |
| With related party: | | |
| Interest income | – | 13,200 |

| | Group | |
|---|----------------|------------------|
| | 2016 US\$ | 2015 US\$ |
| (b) Compensation of key management personnel | | |
| Short-term employee benefits | 726,166 | 1,506,435 |
| Central Provident Fund contributions | 42,790 | 76,076 |
| | <u>768,956</u> | <u>1,582,511</u> |
| <i>Comprise amounts paid to:</i> | | |
| Directors of the Company | 430,182 | 798,579 |
| Other key management personnel | 338,774 | 783,932 |
| | <u>768,956</u> | <u>1,582,511</u> |

22. COMMITMENTS

Operating lease commitments

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

| | Group | |
|--|--------------|----------------|
| | 2016 US\$ | 2015 US\$ |
| Not later than 1 year | – | 492,502 |
| Later than 1 year but not later than 5 years | – | 319,142 |
| | <u>–</u> | <u>811,644</u> |

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to US\$262,047 (2015: US\$480,811).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. DIVIDENDS

| | Group and Company | |
|--|--------------------------|------------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| <i>Declared and paid during the financial year</i> | | |
| Final exempt (one-tier) dividend for 2015 of S\$0.0085 cents (2014: S\$0.0035 cents) per ordinary share | 799,734 | 334,662 |
| First interim exempt (one-tier) dividend for 2016 of S\$0.085 (2015: S\$0.0085) per ordinary share | <u>7,870,320</u> | <u>760,745</u> |
| | <u>8,670,054</u> | <u>1,095,407</u> |
| <i>Proposed but not recognised as a liability as at 31 December:</i> | | |
| Dividends on ordinary shares, subject to shareholders approval at the AGM | | |
| Final exempt (one-tier) dividend for 2016 of S\$0.01 (2015: S\$0.0085) per ordinary share | <u>873,627</u> | <u>760,373</u> |

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. As at 31 December 2016, 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.

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% (2015: 1%) change in SGD and EUR, with all other variables held constant, on the Group's profit after tax.

| | | Group | |
|-------------|--------------|---------------------|----------|
| | | 2016 | 2015 |
| | | US\$ | US\$ |
| | | Increase/(decrease) | |
| | | in profit after tax | |
| Against USD | | | |
| SGD | Strengthened | 138,494 | 28,261 |
| | Weakened | (138,494) | (28,261) |
| EUR | Strengthened | – | (25,545) |
| | Weakened | – | 25,545 |

(b) 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 other receivables. The Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

As at 31 December 2016, the Company does not have any financial assets that are either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk

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

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of interest rates by 50 (2015: 100) basis points lower/higher with all other variables held constant on the Group's profit after tax as a result of change in interest rates on floating rate bank balances and loans and borrowings.

| | 2016 US\$ Increase/(Decrease) in profit after tax | 2015 US\$ Increase/(Decrease) in profit after tax |
|--|--|--|
| Increase by 50 basis points (2015: 100 basis points) | 8,682 | (36,979) |
| Decrease by 50 basis points (2015: 100 basis points) | (8,682) | 36,979 |

(d) 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.

As at 31 December 2016, the Company had no loans and borrowings. At 31 December 2015, 77.7% of the Group's loans and borrowings (Note 11) would mature in less than one year based on the carrying amount reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

| | One year or less US\$ |
|--|--------------------------------------|
| Company | |
| 2016 | |
| Financial assets: | |
| Other receivables | 1,352,416 |
| Cash and cash equivalents | 12,639,325 |
| Total undiscounted financial assets | 13,991,741 |
| Financial liabilities: | |
| Other payables and accruals | 122,133 |
| Total undiscounted financial liabilities | 122,133 |
| Total net undiscounted financial assets | 13,869,608 |
| 2015 | |
| Financial assets: | |
| Other receivables | - |
| Cash and cash equivalents | 4,811,120 |
| Total undiscounted financial assets | 4,811,120 |
| Financial liabilities: | |
| Other payables and accruals | 105,464 |
| Amount due to subsidiary | 20 |
| Total undiscounted financial liabilities | 105,484 |
| Total net undiscounted financial assets | 4,705,636 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

| | One year or less US\$ | One to five years US\$ | Total US\$ |
|---|-----------------------------|------------------------------|---------------|
| Group | | | |
| 2015 | | | |
| Financial assets: | | | |
| Trade and other receivables | 5,106,055 | – | 5,106,055 |
| Cash and cash equivalents | 9,984,660 | – | 9,984,660 |
| Total undiscounted financial assets | 15,090,715 | – | 15,090,715 |
| Financial liabilities: | | | |
| Trade payables | 3,721,598 | – | 3,721,598 |
| Other payables and accruals | 1,540,815 | – | 1,540,815 |
| Loans and borrowings | 4,493,705 | 1,306,398 | 5,800,103 |
| Total undiscounted financial liabilities | 9,756,118 | 1,306,398 | 11,062,516 |
| Total net undiscounted financial assets/(liabilities) | 5,334,597 | (1,306,398) | 4,028,199 |

25. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

Trade and other receivables (Note 7), cash and bank balances (Note 8), trade payables (Note 9) and other payables and accruals (Note 10).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to 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 2016 and 31 December 2015.

27. COMPARATIVE FIGURES

The restatement of the comparative figures in the financial statements are a result of the disposal of subsidiaries during the current year (Note 19). The results of these operations have been reclassified as discontinued operations.

| | Group | |
|---|--|---|
| | 2015 As reclassified US\$ | 2015 As previously reported US\$ |
| <u>Continuing operations</u> | | |
| Revenue | – | 27,520,865 |
| Cost of sales | – | (19,655,378) |
| Other income | 1,247 | 2,800,162 |
| Selling and distribution expenses | – | (65,283) |
| Administrative expenses | (206,504) | (5,083,497) |
| Finance costs | – | (56,466) |
| Share of results of joint venture | – | (358,691) |
| Income tax credit | – | 125,000 |
| (Loss)/profit from continuing operations, net of tax | (205,257) | 5,226,712 |
| <u>Discontinued operations</u> | | |
| Profit from discontinued operations, net of tax | 5,431,969 | – |
| Profit for the year | 5,226,712 | 5,226,712 |

28. AUTHORISATION OF FINANCIAL STATEMENTS

The audited financial statements as at and for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of directors on 28 March 2017.

STATISTICS OF SHAREHOLDINGS

As at 20 March 2017

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

The Company does not have any treasury shares and subsidiary holdings.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 20 March 2017)

| NAME OF SUBSTANTIAL SHAREHOLDER | DIRECT INTEREST | NO. OF SHARES | | |
|---|-----------------|---------------|-----------------|-------|
| | | % | DEEMED INTEREST | % |
| Tan Gee Beng Private Limited | 57,139,331 | 45.19 | – | – |
| Tan Tong Guan ⁽¹⁾ | 565,001 | 0.45 | 57,139,331 | 45.19 |
| Tan Geok Moey ⁽¹⁾ | – | – | 57,139,331 | 45.19 |
| Tan Yoke Hong ⁽¹⁾ | – | – | 57,139,331 | 45.19 |
| Tan Ah Chew ⁽²⁾ | 8,845,000 | 7.00 | 290,000 | 0.23 |
| Goh Hun Keng ⁽³⁾ | – | – | 10,735,271 | 8.49 |
| Ho Yuet Hoe Jenny @ Ho Yuet Heng ⁽⁴⁾ | – | – | 10,735,271 | 8.49 |

Notes:

- (1) Mr Tan Tong Guan, Ms Tan Geok Moey and Ms Tan Yoke Hong are deemed to have an interest in the shares held by Tan Gee Beng Private Limited by virtue of Section 7 of the Companies Act, Cap. 50.
- (2) Mr Tan Ah Chew is deemed to have an interest in the 290,000 shares held by his spouse.
- (3) Mr Goh Hun Keng is deemed to have an interest in 5,567,093 shares held in the name of Raffles Nominees (Pte) Ltd and 5,168,178 shares held by his spouse, Mdm Ho Yuet Hoe Jenny @ Ho Yuet Heng through Raffles Nominees (Pte) Ltd.
- (4) Mdm Ho Yuet Hoe Jenny @ Ho Yuet Heng is deemed to have an interest in 5,168,178 shares held in the name of Raffles Nominees (Pte) Ltd and 5,567,093 shares held by her spouse, Mr Goh Hun Keng through Raffles Nominees (Pte) Ltd.

SHAREHOLDINGS IN THE HANDS OF PUBLIC

Based on information available to the Company as at 20 March 2017, approximately 38.64% of the issued ordinary shares of the Company are held by the public and therefore, the Company is in compliance with Rule 723 of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 – 99 | 1 | 0.24 | 82 | 0.00 |
| 100 – 1,000 | 134 | 32.45 | 127,545 | 0.10 |
| 1,001 – 10,000 | 122 | 29.54 | 795,500 | 0.63 |
| 10,001 – 1,000,000 | 145 | 35.11 | 20,110,772 | 15.91 |
| 1,000,001 AND ABOVE | 11 | 2.66 | 105,406,103 | 83.36 |
| TOTAL | 413 | 100.00 | 126,440,002 | 100.00 |

STATISTICS OF SHAREHOLDINGS

As at 20 March 2017

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|------------|---|----------------------|--------------|
| 1 | TAN GEE BENG PRIVATE LIMITED | 57,139,331 | 45.19 |
| 2 | UOB KAY HIAN PRIVATE LIMITED | 12,055,200 | 9.53 |
| 3 | RAFFLES NOMINEES (PTE) LIMITED | 11,257,971 | 8.90 |
| 4 | TAN AH CHEW | 8,845,000 | 7.00 |
| 5 | NG ENG SENG | 3,480,001 | 2.75 |
| 6 | CIMB SECURITIES (SINGAPORE) PTE LTD | 3,185,700 | 2.52 |
| 7 | TAN BOON KIAT VINCENT (CHEN WENJIE VINCENT) | 2,511,800 | 1.99 |
| 8 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,030,000 | 1.61 |
| 9 | TAN HOW KIAT JASON | 1,753,300 | 1.39 |
| 10 | TAN WAN LING (CHEN WANREN) | 1,750,000 | 1.38 |
| 11 | PHILLIP SECURITIES PTE LTD | 1,397,800 | 1.11 |
| 12 | SEOW MING LIANG | 929,600 | 0.74 |
| 13 | MAYBANK KIM ENG SECURITIES PTE LTD | 923,500 | 0.73 |
| 14 | HONG LEONG FINANCE NOMINEES PTE LTD | 800,000 | 0.63 |
| 15 | TAN KIAN CHUAN (CHEN JIANZHUAN) | 795,000 | 0.63 |
| 16 | LIM BAN THOON | 780,000 | 0.62 |
| 17 | LI HUNG | 750,000 | 0.59 |
| 18 | LOW EE HWEE | 750,000 | 0.59 |
| 19 | CHEE KWAI FUN (ZHU GUIFEN) | 749,000 | 0.59 |
| 20 | OCBC SECURITIES PRIVATE LIMITED | 627,000 | 0.50 |
| | TOTAL | 112,510,203 | 88.99 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SMARTFLEX HOLDINGS LTD. (the "Company") will be held at 168 Robinson Road, Capital Tower, FTSE Room, 9th Floor, Singapore 068912 on Tuesday, 25 April 2017 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax-exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share for the financial year ended 31 December 2016. (2015: 0.85 Singapore cents) **(Resolution 2)**
3. To re-elect Mr Tan Tong Guan, a Director who is retiring pursuant to Regulation 91 of the Constitution of the Company.
[See Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr Teo Yi-Dar, a Director who is retiring pursuant to Regulation 91 of the Constitution of the Company.
[See Explanatory Note (ii)] **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$112,188.53 for the financial year ended 31 December 2016. (2015: S\$111,070) **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

- (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual – Section B: Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)]

(Resolution 7)

By Order of the Board

Wong Chuen Shya (Huang Chunxia)
Company Secretary
Singapore, 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Tan Tong Guan will upon re-election as a Director of the Company remain as an Executive Chairman and Chief Executive Officer of the Company and will be considered non-independent.
- (ii) Mr Teo Yi-Dar will upon re-election as a Director of the Company remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Mr Teo Yi-Dar is considered independent pursuant to Rule 704(7) of the Listing Manual – Section B: Rules of Catalist of the SGX-ST.
- (iii) Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a *pro-rata* basis to shareholders.

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

Notes:

- 1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote in his/her/its stead. A proxy need not be a Member of the Company.
- 2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her/it (which number and class of shares shall be specified.)
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 95 Amoy Street, Singapore 069915, not less than forty-eight (48) hours before the time appointed for holding the AGM.
- 4. This announcement and its contents have been reviewed by the Company's sponsor, RHT Capital Pte Ltd ("Sponsor"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of the Catalist. The Sponsor has not independently verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Khong Choun Mun, Registered Professional, RHT Capital Pte Ltd, 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619, telephone (65) 6381 6757.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of SMARTFLEX HOLDINGS LTD. (the "Company") will be closed on 2 May 2017 for the purpose of determining the entitlements of the Company's shareholders ("Shareholders") to a final tax-exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share.

For the avoidance of doubt, in the case where the registered Shareholder is the Central Depository (Pte) Limited ("CDP"), the dividend warrants shall be issued to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of shares of the Company standing to the credit of each depositor's securities account with the CDP as at 5.00 p.m. (Singapore time) on 2 May 2017.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 up to 5.00 p.m. on 2 May 2017 will be registered to determine entitlements to the said dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 25 April 2017, will be made on 12 May 2017.

PERSONAL DATA PRIVACY

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

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SMARTFLEX HOLDINGS LTD.

Company Registration No. 201003501R

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No.)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 25 April 2017 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

| No. | Resolutions relating to: | No. of votes 'For'* | No. of votes 'Against'* |
|-----|--|---------------------|-------------------------|
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016. | | |
| 2 | Payment of proposed final dividend of S\$0.01 per ordinary share. | | |
| 3 | Re-election of Mr Tan Tong Guan as a Director. | | |
| 4 | Re-election of Mr Teo Yi-Dar as a Director. | | |
| 5 | Approval of Directors' fees amounting to S\$112,188.53 for the financial year ended 31 December 2016. | | |
| 6 | Re-appointment of Messrs Ernst & Young LLP as Auditors and authority to Directors to fix remuneration. | | |
| 7 | Authority to issue shares. | | |

* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

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

Signature of Member(s)
and/or Common Seal of Corporate Member

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her/its stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her/it (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 95 Amoy Street, Singapore 069915 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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(Company Registration No. 201003501R)

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