

SMARTFLEX HOLDINGS LTD
(Company Registration No. 201003501R)
Incorporated in the Republic of Singapore

Disposal of shares in Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Smartflex Holdings Ltd (“the “**Company**”) and its subsidiaries wishes to announce that it has entered into a non-binding term sheet with Novo Tellus PE Fund 1, L.P. and/or its affiliates (the “**Purchaser**”) 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 cash consideration of up to S\$26,080,000 (the “**Consideration**”), subject to the entry into a sale and purchase agreement (the “**SPA**”).

The Purchaser is a fund advised by Novo Tellus Capital Partners Pte. Ltd. (“**Novo Tellus**”). The principal activity of Novo Tellus is to provide fund advisory services.

2. CONSIDERATION

The aggregate Consideration for the Disposal is S\$26,080,000, subject to an amount of up to 7.5% of the Consideration to be retained by the Purchaser (the “**Retained Sum**”) solely for purposes of indemnity against breach of representations and warranties by the Company (the “**Indemnity Claims**”), of which (i) 2.5% of the Consideration will be retained for a period of 6 months from the date of the completion of the Disposal (“**Completion**”) and (ii) 5% of the Consideration will be retained for a period of up to 12 months from the date of Completion.

In connection with the Retained Sum, the Purchaser shall immediately after Completion, and after SFT and SFI cease to be subsidiaries of the Company, procure that each of SFT and SFI provides the Company with corporate guarantees in favour of the Company in respect of the Retained Sum.

The Purchaser shall pay to the Company (i) 2.5% Consideration in cashless all Indemnity Claims against the Company, if any, on the date immediately following the date falling 6 months from the Completion date and (ii) 5% of the Consideration in cash less all Indemnity Claims against the Company, if any, on the date immediately following the date falling 12 months from the Completion date.

For the avoidance of doubt, the aggregate of all Indemnity Claims from the Purchaser shall not at any time, exceed the Retained Sum.

In connection with the Retained Sum and the corporate guarantees in favour of the Company to be furnished by SFI and SFT, the Purchaser has agreed to further irrevocably and unconditionally warrants and undertakes to the Company that it shall procure both SFI and SFT to refrain from, and not dispose, sell or transfer (whether in whole or in part) any material assets, properties, businesses, undertakings or cash to any third or related party outside the ordinary course of business within 12 months from the Completion date.

3. CONDITIONS PRECEDENT

The parties’ entry into the definitive agreements including the SPA shall be conditional upon *inter alia*, the following being fulfilled:

- (a) approval of the Disposal by the Board of the Company;
- (b) the execution of irrevocable undertakings from Tan Gee Beng Pte Ltd and other shareholders representing more than 51% of voting rights of the Company to vote in favour of

the Disposal at an extraordinary general meeting of the Company to be convened to approve the Disposal (“**EGM**”) as required by Singapore Exchange Securities Trading Limited (“**SGX-ST**”);

- (c) the final approval of the Investment Committee of the Purchaser; and
- (d) the satisfactory completion of the Purchaser’s due diligence exercise.

Completion of the Disposal is conditional upon the approval of the Disposal by a majority vote of the shareholders of the Company at the EGM in accordance with the listing manual of the SGX-ST.

4. EXCLUSIVITY PERIOD

In consideration of the Purchaser undertaking and incurring costs and expenses in connection with the due diligence exercise and the Disposal and subject to as may be otherwise agreed between the parties, the Company shall grant the Purchaser an exclusivity period commencing from the date of the term sheet and ending on the earlier of (i) 30 April 2016, (ii) the execution of definitive agreements, or (iii) the termination of discussions relating to the Disposal by the Purchaser.

5. COMPLETION OF THE DISPOSAL

After the signing of the SPA and upon the successful completion of the Disposal, the Company will cease to have any operating subsidiaries or businesses and will become a cash company as defined under Rule 1017 of Section B: Rules of Catalist (the “**Catalist Rules**”) of the Listing Manual of the SGX-ST. Accordingly, the Company will have to comply with the requirements pursuant to Rule 1017 of the Catalist Rules.

6. FURTHER ANNOUNCEMENTS

As the terms of the Disposal have not been finalised, the Company will release further announcements to inform shareholders of the Company when there are material developments in respect of the Disposal.

7. DIRECTORS' INTERESTS

Save for Ng Eng Seng Eric who is currently in negotiations with the Purchaser on a possible participation with the Purchaser in the Disposal and who has abstained from voting as a director on the Disposal and the directors’ respective shareholding interests, if any, in the Company, none of the directors has any interest, direct or indirect, in the Disposal.

8. CAUTIONARY STATEMENT

The Company wishes to highlight that (i) there is no certainty or assurance that the SPA will be entered into, and (ii) the terms of the Disposal in the term sheet are subject to change in accordance with the terms in the SPA. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

9. DIRECTORS RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure

that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

TAN TONG GUAN
EXECUTIVE CHAIRMAN
29 January 2016

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. 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 SGXST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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