

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.
— Execution of Sale and Purchase Agreement

1. INTRODUCTION

1.1 The Board of Directors (the “**Board**”) of Smartflex Holdings Ltd. (the “**Company**”) refers to the announcements released by the Company on 29 January 2016 and 18 April 2016 (the “**Announcements**”) in relation to the disposal of the entire issued share capital of Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd held by the Company. Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to them in the Announcements.

1.2 Sale and Purchase Agreement

Further to the Announcements, the Board wishes to announce that the Company has on 6 May 2016 entered into a conditional sale and purchase agreement (the “**SPA**”) with Novoflex Pte. Ltd. (the “**Purchaser**”) pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase all the issued and paid-up capital of SFT and SFI (the “**Subsidiaries**”), which are both wholly-owned subsidiaries of the Company, for an aggregate consideration of S\$26,080,000 (the “**Consideration**”), upon the terms and subject to the conditions of the SPA (the “**Disposal**”).

1.3 Rule 1006 of Section B: Rules of Catalyst (the “**Catalist Rules**”) of the Listing Manual of the SGX-ST

The Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Catalyst Rules and is subject to the approval of the shareholders of the Company (the “**Shareholders**”) being obtained at an extraordinary general meeting (“**EGM**”) to be convened. For further details on the relative figures in respect of the Disposal computed on the bases set out in Rule 1006 of the Catalyst Rules, please refer to paragraph 5 of this announcement.

1.4 Rule 704(17)(c) of the Catalyst Rules

Upon the completion of the Disposal, the Subsidiaries will cease to be subsidiaries of the Company.

1.5 Rule 1017 of the Catalyst Rules

Upon 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 the Catalyst Rules. Accordingly, the Company will have to comply with the requirements pursuant to Rule 1017 of the Catalyst Rules.

2. RATIONALE FOR THE PROPOSED DISPOSAL

The Board considers that the Disposal is in the interest of the Company, taking into consideration the financial positions and business prospect of the Subsidiaries. The Disposal is being entered into by the Company as part of its strategy to unlock values for the Shareholders.

3. INFORMATION ON THE PURCHASER AND EACH DISPOSAL COMPANY

3.1 Purchaser

As at the date of this announcement, the Purchaser is a company incorporated in Singapore on 12 April 2016 with a current paid up share capital of S\$10, comprising ten (10) ordinary shares, which are held by Loke Wai San and Lim Kee Way Irwin. Loke Wai San and Lim Kee Way Irwin are both senior executives of Novo Tellus Capital Partners Pte. Ltd. The principal activity of Novo Tellus Capital Partners Pte. Ltd. is to provide fund advisory services.

The Purchaser's main business is to hold investments in such other companies as may be agreed between its shareholders.

Pursuant to a shareholders' agreement dated 6 May 2016 (the "**Shareholders' Agreement**") entered into between AEM Holdings Ltd, NTCP SPV III and First Partnership Pte. Ltd. ("**FP**"), as the new shareholders, and the Purchaser, as the company, the new shareholders will subscribe in cash for such number of shares in the Purchaser as set out below:

Name of Shareholder	Subscription Amount paid (S\$)	% Stake
NTCP SPV III	13,885,000	73.1%
AEM Holdings Ltd.	4,000,000	21.1%
First Partnership Pte. Ltd.	1,100,000	5.8%
Total Number⁽¹⁾	18,985,000	100.0%

Until the subscription of shares pursuant to the Shareholders Agreement (the "**Subscription**") is completed, the current shareholders of the Purchaser shall be Loke Wai San and Lim Kee Way Irwin. The Subscription shall be completed no later than the date of completion of the Disposal. Subsequent to the Subscription, Loke Wai San and Lim Kee Way Irwin will no longer hold any direct interests in the Purchaser.

3.2 SFT

SFT is a wholly owned subsidiary of the Company. It was incorporated on 23 May 1994. SFT's principal activities are in the assembly and testing of smart card IC modules.

3.3 SFI

SFI is a wholly owned subsidiary of the Company. The Company is the registered owner of 70% of the entire issued and paid up share capital of SFI. The remaining 30% of the share capital of SFI is held in the name of SFT. SFI was incorporated on 8 February 2012. SFI's principal activities are in the development, assembly and testing of smart card solution.

4. PRINCIPAL TERMS OF THE DISPOSAL

4.1 Disposal

Subject to the terms and conditions of the SPA, the Company shall sell to the Purchaser and the Purchaser agrees to acquire from the Company all of the Company's interest in the whole of the issued and paid up share capital of each of the Subsidiaries.

4.2 Consideration

4.2.1 The Consideration shall be satisfied in the following manner:

- (a) a deposit of S\$2,608,000 (the “**Deposit**”) shall be paid upon signing the SPA, which shall be refundable in the event the SPA is determined because any of the conditions precedent are not fulfilled by 31 July 2016 (being the long stop date) or waived by the Purchaser in accordance with the SPA;
- (b) the amount of S\$21,516,000 less any amount permitted to be set off pursuant to the relevant provisions of the SPA, if any, shall be paid upon completion of the Disposal (the “**Completion Date**”); and
- (c) the amount of S\$1,956,000 (the “**Retained Sum**”), less any amount permitted to be set off pursuant to the relevant provisions of the SPA, shall be paid in accordance with paragraph 4.2.2.

4.2.2 The Retained Sum shall be payable by the Purchaser to the Company, in the following manner:

- (a) the amount of S\$652,000, less any amount permitted to be set off pursuant to the relevant provisions of the SPA, shall be paid to the Company on or before the expiry of the period of six (6) months commencing on the date immediately after the Completion Date; and
- (b) the amount of S\$1,304,000, less any amount permitted to be set off pursuant to the relevant provisions of the SPA, shall be paid to the Company on or before the expiry of the period of twelve (12) months commencing on the date immediately after the Completion Date.

4.2.3 The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Company, and on a willing buyer and willing seller basis, after taking into account, *inter alia*, the net asset value and NTA per share of the Subsidiaries to be disposed.

4.3 Conditions Precedent

The Completion of the Disposal is further conditional upon, *inter alia*, the following conditions having been fulfilled (or waived in accordance with the SPA, to the extent legally permissible):

- 4.3.1 receipt of all consents and approvals required under any and all applicable laws or from any governmental agency, regulatory authority or third party (including Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) which may be necessary or desirable in respect of the Disposal and any other matter contemplated under this SPA, each on terms and conditions reasonably satisfactory to the Purchaser;
- 4.3.2 on Completion, SFT and SFI shall collectively have free cash holdings of at least US\$2,000,000;
- 4.3.3 if required, the approval of the shareholders of the Company of the sale and purchase of the Sale Shares;
- 4.3.4 receipt of all consents and approvals from certain relevant customers and suppliers;
- 4.3.5 the Purchaser shall have an issued and paid-up share capital of not less than S\$2,000,000;
- 4.3.6 receipt of all consents and approvals from, and the giving of notices to, banks and financial institutions, landlords or third parties which are required pursuant to the agreements entered into by SFT and SFI for the Company to undertake the Disposal; and
- 4.3.7 there being no material adverse change.

4.4 Representations and Warranties

Pursuant to the SPA, the Company and the Purchaser have furnished representations and warranties typical for transactions such as the Disposal.

4.5 Shareholders' Irrevocable Undertakings

In connection with the signing of the SPA, the Company has furnished to the Purchaser irrevocable undertakings from Tan Gee Beng Pte Ltd, Tan Tong Guan, Goh Hun Keng and Ho Yuet Hoe Jenny @ Ho Yuet Heng, representing more than 51% of the voting rights of the Company, to vote in favour of the Disposal at an EGM to be convened to approve the Disposal.

4.6 Value of the Disposal Companies

The audited aggregate net asset value and audited net tangible asset value attributable to the shares in SFT and SFI as recorded in the audited financial statements of the Company as at 31st December 2015 was S\$21.47 million and S\$15.18 million, respectively.

5. **RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES**

5.1 Under Chapter 10 of the Catalist Rules, transactions which are classified under any of the four categories specified in Rule 1004 of the Catalist Rules will trigger certain obligations on the Company.

5.2 The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Disposal and based on the latest announced audited financial statements of the Group for the period ended 31 December 2015 are as follows:

Catalist Rule	Relative Figures
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the net asset value of the Company and its subsidiaries (the "Group")	76.34%
Rule 1006(b) The net profits attributable to the assets disposed of, compared with Group's net profits	107.11%
Rule 1006(c) The aggregate value of the consideration given, compared with the Company's market capitalisation ⁽¹⁾ based on the total number of issued shares excluding treasury shares	95.94%
Rule 1006(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the Company is disposing interest in its subsidiaries.

Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.
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Note:

- Pursuant to Rule 1002(5) of the Catalist Rules, "**market capitalisation**" is calculated by the number of shares of the Company (excluding treasury shares), amounting to 126,440,002 shares, multiplied by the volume weighted average price of the Company's shares on 5 May 2016, being the market day preceding the date of the SPA. The Company's market capitalization is approximately S\$27.18 million, derived by multiplying the issued share capital of the Company of 126,440,002 shares by the volume weighted average price of such shares transacted on 5 May 2016, of S\$0.215.
- 5.3 As the relative figures computed above on the bases set out in Rule 1006 above exceeds 50%, the Disposal constitutes a "major transaction" under Rule 1014(b) of the Catalist Rules and is conditional upon the approval of Shareholders at an EGM to be convened. A circular will be despatched to Shareholders in due course.

6. PROCEEDS FROM THE DISPOSAL

The net sale proceeds from the Disposal, after deducting all costs and expenses is estimated to be approximately S\$25.5 million. The excess of the net sale proceeds over the book value of the Subsidiaries as at 31 December 2015 is approximately S\$4.0 million. The net gain on Disposal for the Company as at 31 December 2015 is approximately S\$13.8 million.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2015, being the most recently completed financial year, and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Disposal.

7.2 NTA

For illustrative purposes only, the proforma financial effects of the Disposal on the Group's NTA per share, assuming that the Disposal had been completed on 31 December 2015, being the end of the most recently completed financial year, are set out below:

	As at 31 December 2015	
	Before Disposal	After Disposal
NTA ⁽¹⁾ (S\$)	21,836,423	32,137,103
Number of Shares	126,440,002	126,440,002
NTA per Share (SG cents)	17.27	25.42

Note:

- Based on the exchange rate of US\$1: S\$1.413437 as at 31 December 2015.

7.3 EPS

For illustrative purposes only, the proforma financial effects of the Disposal on the consolidated earnings of the Group, assuming that the Disposal had been completed on 1 January 2015, being the beginning of the most recently completed financial year, are set out below:

	As at 1 January 2015	
	Before Disposal	After Disposal
Profits attributable to Shareholders (after minority interests) ⁽¹⁾ (S\$)	7,387,628	7,024,468
Number of Shares	126,440,002	126,440,002
Earnings per Share (SG cents)	5.84	5.56

Note:

1. Based on the exchange rate of US\$1: S\$1.413437 as at 31 December 2015.

8. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save for (a) Ng Eng Seng Eric who holds an indirect shareholding interest in the Purchaser (through his majority shareholding interest in FP and FP's 5.8% shareholding interest in the Purchaser) and has abstained from voting as a director on the Disposal, and (b) the directors', controlling shareholders' and substantial shareholders' respective shareholding interest, if any, in the Company, none of the directors or controlling shareholders or substantial shareholders of the Company have any interest, direct or indirect, in the Disposal.

Upon the completion of the Disposal, FP will only own 5.8% shareholding interest in the Purchaser, which is below the 30% threshold required to be considered as an "associate" under the Catalist Rules. Accordingly, the Purchaser will not be deemed to be an associate of Ng Eng Seng Eric, a director of the Company, pursuant to Chapter 9 of the Catalist Rules, and the Disposal shall not be deemed to be an interested person transaction.

9. **EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene the EGM to seek the approval of the Shareholders for the Disposal and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

10. **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 27 Ubi Road 4, #04-01, Singapore 408618 for a period of three (3) months from the date of this announcement.

11. 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 this 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 this announcement in its proper form and context.

12. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Disposal is subject to conditions precedents being fulfilled and there is no certainty or assurance that the SPA will be completed or that no changes will be made to the terms of 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.

13. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are developments on the same.

By Order of the Board

TAN TONG GUAN
EXECUTIVE CHAIRMAN
6 May 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.

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