



SMARTFLEX HOLDINGS LIMITED
(Company Registration No: 201003501R)

UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 Singapore Exchange Securities Trading Limited (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 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. Chew Kok Liang, Registered Professional, RHT Capital Pte Ltd, Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381 6757.

SMARTFLEX HOLDINGS LIMITED
(Company Registration No: 201003501R)

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Six months ended	30 Jun 2015 ⁽¹⁾	Increase /
	30 Jun 2016	30 Jun 2015 ⁽¹⁾	(Decrease)
	US\$'000	US\$'000	%
<u>Continuing Operations</u>			
Revenue	-	-	N.M.
Cost of sales	-	-	N.M.
Gross profit	-	-	N.M.
Other income	245	-	100.0
Selling and distribution expenses	-	-	N.M.
Administrative expenses	(162)	(103)	58.3
Finance costs	-	-	N.M.
Profit/(loss) before tax from continuing operations	83	(103)	N.M.
Income tax expense	-	-	N.M.
Net profit/(loss) from continuing operations	83	(103)	N.M.
<u>Discontinued Operations</u>			
Profit from discontinued operations after tax	1,032	1,383	(25.4)
Net profit	1,115	1,280	(12.9)
Other comprehensive income for the period, net of tax:			
Total comprehensive income attributable to equity holders of the Company	1,115	1,280	(12.9)
Earnings per share (US cents)			
Basic	0.88	1.01	
Diluted	0.88	1.01	

N.M. Not meaningful

- (1) On 29 January 2016, the Company announced that it had entered into a non-binding term sheet 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.

1(a)(ii) Notes to consolidated statement of comprehensive income

The Group's profit/(loss) before taxation is arrived at after (charging) / crediting:

	Group		Increase / (Decrease) %	Note
	Six months ended			
	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000		
<u>Continuing Operations</u>				
Foreign exchange gain	225	-	100.0	(a)
Interest income	20	-	100.0	(b)
<u>Discontinued Operations</u>				
Depreciation on plant and equipment	(183)	(883)	(79.3)	(c)
Interest income	4	139	(97.1)	(d)
Interest expense	(51)	(27)	88.9	(e)
Foreign exchange (loss)/gain	(67)	123	N.M.	(f)

Notes:

- (a) The foreign exchange gain was attributable to the appreciation of SGD on the Company's SGD cash equivalents against USD.
- (b) Interest income earned on fixed deposit balances of the Company.
- (c) Following the signing of the non-binding term sheet with Novoflex Pte. Ltd. in respect of the Disposal as announced on 29 January 2016 by the Company, the investment in its subsidiaries has been classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Accordingly, the depreciation on plant and equipment had been adjusted thereafter with the application of FRS 105.
- (d) 1H2015 interest income came mainly from interest earned on advances to SFI, then a joint venture company, and advances to joint venture partner. SFI became a wholly-owned subsidiary of the Group in 2H2015 and all outstanding advance balances with the joint venture partner were settled as at acquisition date. Accordingly, interest income decreased from US\$139,000 in 1H2015 to US\$4,000 in 1H2016.
- (e) Higher interest expense in 1H2016 was mainly due to the inclusion of interest portion incurred by SFI as a subsidiary. In 1H2015, it was consolidated based on equity-accounting as a joint venture.
- (f) A foreign exchange loss was recorded in 1H2016 vis-à-vis a gain in 1H2015 due to the weakening of the USD against other operating currencies on the EUR and SGD payables and loans and borrowings as compared to 1H2015.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Plant and equipment	-	10,108	-	-
Investment in subsidiaries	-	-	-	8,292
Provisional goodwill	-	254	-	-
Intellectual property	-	4,200	-	-
	-	14,562	-	8,292
Current assets				
Inventories	-	2,523	-	-
Trade and other receivables	-	5,106	-	-
Amount due from subsidiary	-	-	-	-
Prepayments	-	133	-	4
Cash and cash equivalents	6,006	9,985	6,006	4,811
	6,006	17,747	6,006	4,815
Assets of disposal group classified as held for sale	29,936	-	9,334	-
Total current assets	35,942	17,747	15,340	4,815
Total assets	35,942	32,309	15,340	13,107
LIABILITIES				
Current liabilities				
Trade payables	1	3,722	1	-
Other payables and accruals	2,011	1,541	2,011	105
Loans and borrowings	-	4,475	-	-
Tax payable	-	53	-	-
	2,012	9,791	2,012	105
Liabilities directly associated with disposal group classified as held for sale	13,712	-	-	-
Total current liabilities	15,724	9,791	2,012	105
Net current assets	20,218	7,956	13,328	4,710
Non-current liabilities				
Loans and borrowings	-	1,286	-	-
Deferred tax liabilities	-	1,077	-	-
Provision for reinstatement	-	252	-	-
	-	2,615	-	-
Total liabilities	15,724	12,406	2,012	105
NET ASSETS	20,218	19,903	13,328	13,002
EQUITY				
Share capital	12,914	12,914	12,914	12,914
Revenue reserve	12,292	11,977	414	88
Merger reserve	(4,988)	(4,988)	-	-
Total equity attributable to owners of the company	20,218	19,903	13,328	13,002

1 (b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 Jun 2016		As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	1,176	3,299

Amount repayable after one year

As at 30 Jun 2016		As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	1,286	-

The banking facilities of the Group in prior year were free of any guarantee or collaterals except that the term loans of an aggregate principal amount of US\$2.46 million were secured by a pledge over certain equipment of SFT.

Following the reclassification of discontinued operations, the continuing operations of the Group does not hold any borrowings and debt securities as of 1H2016.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CASH FLOWS

	Group	
	Six months ended	
	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000
Cash flows from operating activities		
Profit before tax/(loss) from continuing operations	83	(103)
Profit before tax from discontinued operations	1,118	1,699
Profit before tax	1,201	1,596
Adjustments for:-		
Depreciation of plant and equipment	183	883
Interest income	(24)	(139)
Interest expense	51	27
Share of results of joint venture	-	286
Operating cash flows before working capital changes	1,411	2,653
Increase in trade and other receivables	(1,829)	(238)
(Increase)/decrease in prepayments	(28)	372
(Increase)/decrease in inventories	(1,162)	1,301
Decrease in trade and other payables	(634)	(597)
Cash flows (used in)/generated from operations	(2,242)	3,491
Interest received	23	139
Interest paid	(41)	(27)
Income tax paid	(17)	(90)
Net cash flows (used in)/generated from operating activities	(2,277)	3,513
Cash flows from investing activities		
Purchase of plant and equipment	(329)	(1,195)
Loan to joint venture	-	(875)
Loan to related party	-	(75)
Deposit received for prospective sale of entire issued share capital of subsidiaries	1,941	-
Net cash flows generated from/(used in) investing activities	1,612	(2,145)
Cash flows from financing activities		
Net proceeds from financing of hire purchase	926	-
Net repayments of term loans	(602)	(399)
Net proceeds from trade finance facilities	1,611	681
Dividends paid	(800)	(335)
Net cash flows generated from financing activities	1,135	(53)
Net increase in cash and cash equivalents	470	1,315
Cash and cash equivalents at beginning of the period	9,985	6,560
Cash and cash equivalents at end of the period	10,455	7,875

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise the following:

	Group	
	Financial year ended	
	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000
Cash and bank balances	1,439	7,875
Fixed deposits with bank	4,567	-
	6,006	7,875
Cash and bank balances within disposal group classified as held for sale	4,449	-
Cash and cash equivalents at end of the period	10,455	7,875

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital US\$'000	Revenue reserves US\$'000	Merger reserve US\$'000	Total US\$'000
<u>Group</u>				
Balance as at 1 January 2016	12,914	11,977	(4,988)	19,903
Total comprehensive income for the financial period	-	1,115	-	1,115
Dividends paid (Note 1)	-	(800)	-	(800)
Balance as at 30 June 2016	12,914	12,292	(4,988)	20,218
Balance as at 1 January 2015	12,914	7,846	(4,988)	15,772
Total comprehensive income for the financial period	-	1,280	-	1,280
Dividends paid (Note 1)	-	(335)	-	(335)
Balance as at 30 June 2015	12,914	8,791	(4,988)	16,717
<u>Company</u>				
Balance as at 1 January 2016	12,914	88	-	13,002
Total comprehensive income for the financial period	-	1,126	-	1,126
Dividends paid (Note 1)	-	(800)	-	(800)
Balance as at 30 June 2016	12,914	414	-	13,328
Balance as at 1 January 2015	12,914	86	-	13,000
Total comprehensive income for the financial period	-	349	-	349
Dividends paid (Note 1)	-	(335)	-	(335)
Balance as at 30 June 2015	12,914	100	-	13,014

Note 1:

Final tax exempt (one-tier) dividend of S\$0.0085 per ordinary share in respect of FY2015 was paid on 19 May 2016.

Save for the foregoing, there are no other (i) changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company has no shares that may be issued on conversion of outstanding convertibles or treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 30 Jun 2016	As at 31 Dec 2015
Total number of issued shares	126,440,002	126,440,002
Treasury shares	Nil	Nil

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the independent auditor.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group and the Company have applied the same accounting policies and methods of computation in the unaudited financial statements for the six months period ended 30 June 2016 as in the Group's most recent financial statements for the financial year ended 31 December 2015, except for the adoption of the new and revised Financial Reporting Standards (FRS) which are effective for its financial year beginning 1 January 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted the new and revised FRSs which are effective for its financial year beginning 1 January 2016. The adoption of the new and revised FRSs did not result in any material impact on the Group's and the Company's financial statements.

- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings Per Share ("EPS")

	Group	
	30 Jun 2016	30 Jun 2015
Earnings attributable to equity holders of the Company (US\$'000)	1,115	1,280
Basic EPS attributable to equity holders of the Company (US cents)	0.88	1.01
Fully diluted EPS (US cents)	0.88	1.01
Weighted average number of shares used in computation of basic and diluted EPS	126,440,002	126,440,002

Basic EPS is computed by dividing the earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding as at the end of the respective financial period.

Fully diluted EPS for 1H2016 and 1H2015 are the same as the basic EPS as the Company does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial periods.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

Net Asset Value ("NAV")

	Group		Company	
	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2016	As at 31 Dec 2015
NAV per ordinary share (US cents)	15.99	15.74	10.54	10.28
Number of shares used in computation of NAV per share	126,440,002	126,440,002	126,440,002	126,440,002

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Commentaries on Performance:

Continuing operations

The Company became a cash company upon the completion of the disposal of all of its subsidiaries to Novoflex Pte. Ltd. on 20 July 2016. No revenue was recognized in 1H2016.

Discontinued operations

Profit from discontinued operations decreased 25.4% to US\$1.03 million in 1H2016 mainly attributable to different sales mix. While the gross profit was partially cushioned by the FRS 105 depreciation adjustment (please refer Note (c) in 1(a)(ii) on page 3), the product margin squeeze from a challenging business environment resulted in lower profitability. In addition, the currency market had resulted in a foreign exchange loss on the payables and borrowings denominated in other operating currencies in 1H2016 as compared to a foreign exchange gain in the preceding period (please refer Note (f) in 1(a)(ii) on page 3).

Commentaries on Financial Position:

The Group's total assets increased US\$3.63 million from US\$32.31 million as at 31 December 2015 to US\$35.94 million as at 30 June 2016. The increase was mainly due to the US\$1.94 million cash consideration, representing 10% deposit of the purchase consideration, received by the Company in respect to the sale of its subsidiaries. The higher inventories and trade receivables of the disposal group also contributed to the increase.

The Group's total liabilities increased US\$3.31 million from US\$12.41 million as at 31 December 2015 to US\$15.72 million as at 30 June 2016. Included in the accruals was the 10% deposit of the purchase consideration. In addition, the Group's borrowings also increased to support the working capital requirements.

Commentaries on Cash Flow Statement:

Net cash of US\$2.28 million was used in operating activities in 1H2016 as compared to a net inflow of US\$3.51 million in 1H2015. This was mainly due to increase in working capital requirements as a result of increased stockholding of materials to meet customers' demand and higher receivables.

Net cash generated from investing activities was US\$1.61 million in 1H2016 as compared to a net outflow of US\$2.15 million in 1H2015. This was mainly attributable to the deposit received for the sale of the disposal group held for sale.

Net cash generated from financing activities was US\$1.14 million in 1H2016 as compared to a net outflow of US\$0.05 million in 1H2015. These came from net proceeds from trade finance facilities of US\$1.61 million and draw down of hire purchase facilities of US\$0.93 million for hire purchase of plant and equipment, partially offset by repayments of term loans of US\$0.60 million and dividend payments of US\$0.80 million.

Consequently, cash and cash equivalents was up US\$0.47 million from 31 December 2015, bringing the balance as at 30 June 2016 to US\$10.45 million.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The results are in line with previous commentaries made.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

On 20 July 2016 the Company announced that the completion of the disposal of the Company's equity interest in Smartflex Technology Pte Ltd and Smartflex Innovation Pte. Ltd. (the "Disposal"). Following the completion of the Disposal, the Company has become a cash company as defined by Rule 1017(1) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("Catalist Rules").

The Company had on 4 August 2016 announced the opening of its escrow account (the "Escrow Account"), and the deposit of approximately S\$26,265,594 into the Escrow Account, in compliance with Rule 1017(1)(a) of the Catalist Rules. The Company is looking out for and evaluating opportunities including but not limited to potential mergers and acquisition(s) that will satisfy SGX's requirement for a new listing. The Company shall make relevant announcement once a definitive decision has been made.

- 11 Dividend**

- (a) Current financial period reported on**
Any dividend declared for the current financial period reported on?

None.

- (b) Corresponding period of the immediately preceding financial year**
Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of dividend	First interim dividend
Dividend type	Cash
Dividend amount per ordinary share	S\$0.0085
Tax rate	Tax-exempt (one-tier)

- (c) Date payable**

Not applicable.

- (d) Books closure date**

Not applicable.

- 12 If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded for the six-months financial period ended 30 June 2016.

- 13 If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for IPTs and there were no IPTs in 1H2016.

14 Negative confirmation pursuant to Rule 705(5) (Not required for announcement on full year results)

We, Tan Tong Guan and Chan Kum Kit, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial statements of the Group for the six-months financial period ended 30 June 2016 to be false or misleading in any material aspect.

15 Confirmation pursuant to Rule 720(1)

The Company has procured undertakings from all its directors and executive officers under Rule 720(1).

On behalf of the Board of Directors

Tan Tong Guan
Executive Chairman & CEO

Chan Kum Kit
Director

BY ORDER OF THE BOARD

Tan Tong Guan
Executive Chairman & CEO

12 August 2016