



SMARTFLEX HOLDINGS LTD.

ANNUAL REPORT

2017

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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
Tan Geok Moey	Non-Executive Director
Teo Yi-Dar	Lead Independent 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

Chew Kok Liang

REGISTERED OFFICE

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

SHARE REGISTRAR

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9 Raffles Place
#29-01 Republic Plaza Tower 1
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SPONSORS

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9 Raffles Place
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Singapore 048619
Telephone: (65) 6381 6757
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AUDITORS

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One Raffles Quay
North Tower, Level 18
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Partner-in-charge: Yeow Hui Cheng
(Date of appointment: since financial year ended 31 December 2016)

PRINCIPAL BANKERS

CIMB Berhad Bank
RHB Bank Berhad
United Overseas Bank Limited

CHAIRMAN'S STATEMENT & OPERATIONS REVIEW



Dear Shareholders,

On behalf of the Board of Directors, I would like to present the results of Smartflex Holdings Limited ("Smartflex") for the financial year ended 31 December 2017 ("FY2017").

THE YEAR IN REVIEW

INCOME STATEMENT

Following the completion of disposal of all subsidiaries to Novoflex Pte Ltd in July 2016 (the "Disposal"), the Company ceased to have any operating subsidiaries or businesses and became a cash company under Rule 1017 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The results of disposed operations comprised revenue and expenses which were presented as discontinued operations in the preceding year.

Other income, which was comprised mainly of interest income from the Escrow account, increased from S\$97,000 for the financial year ended 31 December 2016 ("FY2016") to S\$124,000 for FY2017. The increase in interest income was mostly attributable to full year interest income in FY2017 compared to only interest income earned from July 2016 onwards in FY2016.

Administrative expenses, the Company's only operating costs, rose from S\$0.4 million for FY2016 to S\$1.0 million for FY2017. The increase was mainly attributable to the professional fees incurred for the Proposed Acquisition (defined below) as per the announcement dated 11 September 2017.

FINANCIAL POSITION

Following the Disposal, the Company did not have any non-current assets or non-current liabilities as at 31 December 2017.

The Company's current assets decreased from S\$20.3 million as at 31 December 2016 to S\$18.3 million as at 31 December 2017. The current assets as at 31 December 2017 mainly comprised cash and cash equivalents of S\$18.0 million and the retention sum receivables of S\$0.3 million in relation to the Disposal.

The Company's current liabilities increased from S\$0.2 million as at 31 December 2016 to S\$0.5 million as at 31 December 2017 mainly due to professional fee payable for services rendered during the year, for relation to the Proposed Acquisition.

CASH FLOW

Net cash flow used in operating activities stood at S\$0.6 million in FY2017 mainly due to administrative expenses and professional fee incurred for the Proposed Acquisition.

Net cash used in investing activities of S\$64,000 was for the placement of restricted deposits in an escrow account, offset by the receipt of the retention sum in respect of the Disposal during the year.

Net cash used in financing activities in FY2017 was for the payment of a final dividend of S\$1.3 million in respect of FY2016.

Cash and cash equivalents amounted to S\$18.0 million as at 31 December 2017.

MOVING FORWARD

Since the completion of the Disposal, the Board of Directors has been actively exploring various acquisition opportunities and options available to maximise value for its shareholders.

On 25 July 2017, the Company announced that the SGX-ST had no objections to granting the Company a 6-month extension to enter into a definitive agreement for acquisition of assets that are suitable for a new listing, such acquisition to constitute a reverse takeover ("RTO") or a very substantial acquisition ("VSA").

As announced by the Company on 11 September 2017, the Company had entered into a conditional sale and purchase agreement (the "SPA") with a third party to acquire a company in veterinary business for a purchase consideration of S\$9,750,000, upon the terms of and subject to the conditions of the SPA (the "Proposed Acquisition").

The Proposed Acquisition is an opportunity that the Board believes will maximise value for Shareholders and is in line with the Company's long-term growth strategy to expand its business through additional mergers and acquisitions in the veterinary space across the Asia Pacific region. Subject to, among others, the approval of the SGX-ST being obtained, the Company intends to enter into the veterinary business through the Proposed Acquisition to meet the requirements for a new listing pursuant to Rule 1017(2) of the Catalist Rules.

As announced on 24 January 2018, the SGX-ST had no objection to granting the Company a further extension till 19 July 2018 to meet requirements for a new listing.

As announced on 21 February 2018, the SGX-ST also had no objection on the Company's consultation that, notwithstanding that the Proposed Acquisition does not constitute a RTO or VSA as defined in Chapter 10 of the Catalist Rules, the assessment of whether the Proposed Acquisition will qualify for a new listing on the Catalist would be based on the admission requirements under Chapter 4 of the Catalist Rules.

Shareholders will be duly informed whenever there are material developments on the Proposed Acquisition.

IN APPRECIATION

I would like to extend our appreciation to our loyal shareholders for your unwavering support and patience during the past year and look forward to your continued support as we explore new opportunities moving ahead.

DIRECTORS PROFILE



TAN TONG GUAN Co-founder, Executive Chairman and CEO

Tan Tong Guan, 54, co-founder, Executive Chairman and CEO, was appointed to the Board on 17 February 2010 and was last reappointed on 25 April 2017. 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).



TAN GEOK MOEY Non-Executive Director

Tan Geok Moey, 57, 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, 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, 47, was appointed as Independent Director of the Company on 22 February 2013 and was last reappointed on 25 April 2017. 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 chairman of both remuneration committee and nominating committee for Yangzijiang Shipbuilding (Holdings) Ltd, the lead independent director and chairman of the audit committee 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.



CHAN KUM KIT **Independent Director**

Chan Kum Kit, 65, Independent Director, was appointed to the Board on 15 March 2010 and was last reappointed on 28 April 2016. 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 30 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.

KEY MANAGEMENT PROFILE

XUE RU Chief Financial Officer



Xue Ru, 43, was appointed as Chief Financial Officer on 20 July 2016. She is responsible for all the financial matters for the Group. She has more than 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 non-practicing member of the 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;
- considering sustainability issues, e.g. economic, social and governance factors, as part of its strategic formulating; 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 two (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, a formal letter setting out the Director's duties and responsibilities will be provided and 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 2017 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*	–	1*
Tan Geok Moey	2	2	2	2	1	1	1	1
Chan Kum Kit	2	2	2	2	1	1	1	1
Teo Yi-Dar	2	2	2	2	1	1	1	1

* Attended by invitation.

REPORT ON CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

The Board currently comprises one (1) Executive Director, one (1) Non-Executive Director and two (2) 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	Lead Independent Director
Chan Kum Kit	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 that the Board 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 the management. They will meet on a need-basis without the presence of the management to discuss on arising issues.

A brief profile of each Director is set out on pages 4 and 5 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 the Board's interaction with the management, facilitates effective contribution of Non-Executive and Independent 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 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 (Independent)
Chan Kum Kit	Member (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 three (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/her 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 are 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 includes 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 his 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 Catalyst 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, Non-Executive and Independent Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the company secretary is decided by 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 (Independent)
Chan Kum Kit	Member (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/her remuneration package or that of employees related to him/her.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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 Company believes in promoting commitment and motivation by aligning incentives with performance. Following the disposal of the core business, the Company is deemed a cash company and is actively seeking new businesses. It will structure an incentive-based reward and sets the appropriate performance conditions and targets once it has acquired a major core business. The incentive will be aligned closely to the Company's and the individual employee's performance.

The Company currently does not have any long-term incentive scheme.

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 (3) 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 and Independent Directors' remuneration

Non-Executive and Independent 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 and Independent 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 and Independent Directors do not receive any other remuneration from the Company.

Principle 9: Disclosure on Remuneration

The level and mix of remuneration of the Company's Directors and key management personnel (who are not also Directors) for the financial year ended 31 December 2017 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	90	10	–	–	100
Below S\$250,000					
Chan Kum Kit	–	–	100	–	100
Tan Geok Moey	–	–	100	–	100
Teo Yi-Dar	–	–	100	–	100
Remuneration band and Name of Key Management Personnel	Base/Fixed salary* (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)	
Below S\$250,000					
Xue Ru	90	10	–	100	

* These amounts are inclusive of employer's CPF contribution.

REPORT ON CORPORATE GOVERNANCE

As the Company is now deemed a cash company, there is only one (1) key management personnel as at 31 December 2017.

The Board believes that it is for the benefit of the Company not to disclose in absolute number and in aggregate, the remuneration breakdown of the Directors and key management personnel, due to its sensitive nature and concerns of poaching.

There is no employee of the Company who is an immediate family member of any Director and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2017. "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 key management personnel (who are not Directors or the Chief Executive Officer) of the Company has received any termination, retirement, post-employment benefits for the financial year ended 31 December 2017.

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 the 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.

Currently, the Company 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.

The Company is pursuing acquisition of new business to meet the SGX-ST's requirements for a new listing under Rule 1017(2) of the Listing Manual Section B: Rules of Catalist of SGX-ST. In this respect, the Company had requested and is granted a further extension of time by the SGX-ST to complete the proposed acquisition.

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.

Presently, the Board does not determine the Company's levels of risk tolerance and risk policies. The Board will revisit and establish the levels of risk tolerance and risk policies when it has operating business and/or subsidiary(ies).

For the financial year ended 31 December 2017, 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 Audit Committee 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 will consider the necessity of establishing a separate Board risk committee as and when it deems necessary.

REPORT ON CORPORATE GOVERNANCE

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 the financial year ended 31 December 2017.

Principle 12: Audit Committee

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

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

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 the 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;

REPORT ON CORPORATE GOVERNANCE

- 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 discussing 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.

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 20 and compliance with Singapore Accountants (Public Accountants) Rules, 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.

REPORT ON CORPORATE GOVERNANCE

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 the financial year ended 31 December 2017.

No former partner or director of the Company's existing auditing firm is a member of the Audit Committee.

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

All shareholders of the Company will receive the annual report and notice of the AGM. 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 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 nor a dedicated investor relations team. The Company would assess the need to establish an investor policy or protocol or investor relations team once it has operating business and/or subsidiary(ies).

REPORT ON CORPORATE GOVERNANCE

If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) 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 (2) proxies to attend and vote at the same general meetings and for other absentia voting methods such as by mail, electronic mail, fax and/or other methods. 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 the 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 not declared any dividend for the financial year ended 31 December 2017.

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 electronic mails to its Directors, key management personnel and employees that they must not trade in the shares of the Company during the period commencing one (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 are no interested person transactions requiring disclosure.

Material Contracts

Other than disclosed in the audited financial statements, there were no material contracts entered into by the Company involving the interest of any Director or controlling shareholders of the Company.

REPORT ON CORPORATE GOVERNANCE

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 2017:

	Group	
	2017 S\$'000	2016* S\$'000
Audit fees – Current year	25	38
– Over-provision in prior year	–	(3)
Non-audit fees:		
Agreed upon procedures on half-year review	5	5
Non-recurring professional services	68	–
Tax returns compliance service – Current year	3	3
– Over provision in prior year	–	(2)
Total audit and non-audit fees	101	41

* With effect from 1 January 2017, the functional currency of the Company was changed from United States Dollars to Singapore Dollars (“S\$”). In line with the change, the comparatives have been restated accordingly.

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, as it has complied with Singapore Accountants (Public Accountants) Rules. As substantial portion of the non-audit fees are fees incurred in relation to the Proposed Acquisition and are non-recurring in nature, the Audit Committee is of the view that they did not affect the independence of Ernst & Young LLP.

Non-Sponsorship fees

No fees relating to non-sponsorship activities or services were paid to the Company’s sponsor for the financial year ended 31 December 2017.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of Smartflex Holdings Ltd. (the "Company") for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

- (a) the balance sheets, statement of comprehensive income, statement of changes in equity, and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows 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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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 Company, 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 options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

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
29 March 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2017

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Smartflex Holdings Ltd (the "Company"), which comprise the balance sheet as at 31 December 2017, the statement of comprehensive income, statements of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 2017 and of the financial performance, changes in equity and cash flows 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 Company 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.

Recognition of professional fees incurred for the proposed acquisition

As disclosed in Note 9 to the financial statements, the Company recognised professional fees based on services received from the professional firms for the proposed acquisition of a new business. The recognition of professional fees incurred required management to make a reliable estimate on the extent of services received and corresponding amount to be recorded as at 31 December 2017, as the proposed acquisition is expected to be completed in the following year. The professional fees recognised in the profit or loss during the year amounted to S\$380,000, which represented 36% of total operating expenses of the Company. Accordingly, we identified this as key audit matter given the materiality of amount, and estimates involved.

Our audit procedures include obtaining an understanding from management on their basis of recognising these professional fees. We also checked the expenses to agreements entered into, and invoices received, or correspondences with external parties to ascertain the appropriateness of expenses recognised. The Company's disclosure on professional fees incurred as included in Note 9 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.

For the financial year ended 31 December 2017

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 Company's internal control.

INDEPENDENT AUDITOR'S REPORT

To the Members of Smartflex Holdings Ltd.
For the financial year ended 31 December 2017

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Company'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 Company 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.

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 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

29 March 2018

BALANCE SHEETS

As at 31 December 2017

	Note	31/12/2017 S\$	Company 31/12/2016 S\$ (Restated)	1/1/2016 S\$ (Restated)	Group ⁽¹⁾ 1/1/2016 S\$ (Restated)
Non-current assets					
Property, plant and equipment		-	-	-	14,287,502
Investment in subsidiaries		-	-	11,720,028	-
Goodwill		-	-	-	359,152
Intellectual property		-	-	-	5,936,396
		-	-	11,720,028	20,583,050
Current assets					
Inventories		-	-	-	3,565,983
Trade and other receivables	3	300,636	1,957,470	-	7,217,039
Prepayments		3,400	4,292	5,983	188,435
Cash and bank deposits	4	748,280	2,722,838	6,800,170	14,112,594
Restricted deposits	4	17,290,766	15,571,163	-	-
		18,343,082	20,255,763	6,806,153	25,084,051
Total assets		18,343,082	20,255,763	18,526,181	45,667,101
Current liabilities					
Trade payables		-	-	-	5,260,209
Other payables and accruals	5	452,214	176,774	149,066	2,177,830
Amount due to subsidiary		-	-	28	-
Loans and borrowings		-	-	-	6,325,662
Tax payable		-	-	-	74,975
		452,214	176,774	149,094	13,838,676
Net current assets		17,890,868	20,078,988	6,657,059	11,245,375
Non-current liabilities					
Loans and borrowings		-	-	-	1,818,184
Deferred tax liabilities		-	-	-	1,522,479
Provision for reinstatement		-	-	-	355,936
		-	-	-	3,696,599
Total liabilities		452,214	176,774	149,094	17,535,275
Net assets		17,890,868	20,078,988	18,377,087	28,131,826
Share capital	6	17,970,919	17,970,919	17,970,919	17,970,919
Revenue reserves		(80,051)	2,545,261	34,787	16,352,425
Foreign currency translation reserve	7	-	(437,191)	371,381	815,642
Merger reserve		-	-	-	(7,007,160)
Total equity		17,890,868	20,078,989	18,377,087	28,131,826
Total equity and liabilities		18,343,082	20,255,763	18,526,181	45,667,101

Note⁽¹⁾: Upon the disposal of all its subsidiaries on 20 July 2016, the Company became a cash company with no subsidiaries. The financial position of the Company and its subsidiaries (collectively, the "Group"), as at 1 January 2016, was presented for comparative purpose.

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

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Company 2017 S\$	Group 2016 S\$ (Restated)
Continuing operations			
Other income	8	123,794	97,171
Administrative expenses		<u>(1,044,252)</u>	<u>(396,508)</u>
Loss before tax from continuing operations	9	(920,458)	(299,337)
Income tax expense	10	<u>(3,263)</u>	<u>-</u>
Loss from continuing operations, net of tax		<u>(923,721)</u>	<u>(299,337)</u>
Discontinued operations			
Profit from discontinued operations, net of tax	11	<u>-</u>	<u>5,155,804</u>
(Loss)/profit for the year, net of tax		<u>(923,721)</u>	<u>4,856,467</u>
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		<u>-</u>	<u>(1,252,833)</u>
Total comprehensive income attributable to owners of the Company		<u>(923,721)</u>	<u>3,603,634</u>
Loss per share from continuing operations attributable to owners of the Company (in S\$ cents)			
Basic and diluted	12	<u>(0.73)</u>	<u>(0.24)</u>
(Loss)/earnings per share (in S\$ cents)			
Basic and diluted	12	<u>(0.73)</u>	<u>3.84</u>

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 2017

Group	Share capital (Note 6) S\$	Revenue reserves S\$	Foreign currency translation reserve (Note 7) S\$	Merger reserve S\$	Total equity S\$
Opening balance at 1 January 2016 (Restated)	17,970,919	16,352,425	815,642	(7,007,160)	28,131,826
Profit for the year	–	4,856,467	–	–	4,856,467
<u>Other comprehensive income</u> Foreign currency translation	–	–	(1,252,833)	–	(1,252,833)
Total comprehensive income for the year	–	4,856,467	(1,252,833)	–	3,603,634
<u>Changes in ownership interests in subsidiaries</u> Disposal of subsidiaries	–	(6,841,491)	–	7,007,160	165,669
Total changes in ownership interests in subsidiaries	–	(6,841,491)	–	7,007,160	165,669
<u>Contributions by and distributions to owners</u> Dividends on ordinary shares (Note 14)	–	(11,822,140)	–	–	(11,822,140)
Total transactions with owners in their capacity as owners	–	(11,822,140)	–	–	(11,822,140)
Closing balance at 31 December 2016 (Restated)	<u>17,970,919</u>	<u>2,545,261</u>	<u>(437,191)</u>	<u>–</u>	<u>20,078,989</u>

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 2017

Company	Share capital (Note 6) S\$	Revenue reserves S\$	Foreign currency translation reserve (Note 7) S\$	Total equity S\$
Opening balance at 1 January 2017 (Restated)	17,970,919	2,545,261	(437,191)	20,078,989
Effect of change in functional currency	-	(437,191)	437,191	-
	17,970,919	2,108,070	-	20,078,989
Loss for the year, representing total comprehensive income for the year	-	(923,721)	-	(923,721)
Total comprehensive income for the year	-	(923,721)	-	(923,721)
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 14)	-	(1,264,400)	-	(1,264,400)
Total transactions with owners in their capacity as owners	-	(1,264,400)	-	(1,264,400)
Closing balance as at 31 December 2017	17,970,919	(80,051)	-	17,890,868
Opening balance at 1 January 2016 (Restated)	17,970,919	34,787	371,381	18,377,087
Profit for the year	-	14,332,614	-	14,332,614
<u>Other comprehensive income</u>				
Foreign currency translation	-	-	(808,572)	(808,572)
Total comprehensive income for the year	-	14,332,614	(808,572)	13,524,042
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 14)	-	(11,822,140)	-	(11,822,140)
Total transactions with owners in their capacity as owners	-	(11,822,140)	-	(11,822,140)
Closing balance as at 31 December 2016 (Restated)	17,970,919	2,545,261	(437,191)	20,078,989

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Company 2017 S\$	Group 2016 S\$ (Restated)
Cash flows from operating activities		
Loss before tax from continuing operations	(920,458)	(299,337)
Profit before tax from discontinued operations	-	5,315,683
(Loss)/profit before tax	(920,458)	5,016,346
Adjustments for:		
Depreciation of property, plant and equipment	-	251,833
Gain on disposal of subsidiaries, net of transaction costs	-	(3,618,451)
Interest income	(123,062)	(102,511)
Interest expense	-	69,342
Unrealised exchange loss/(gain)	1,102	(446,428)
Operating cash flows before working capital changes	(1,042,418)	1,170,131
Increase in trade and other receivables	-	(3,934,088)
Decrease/(increase) in prepayments	892	(37,787)
Increase in inventories	-	(516,790)
Increase/(decrease) in trade and other payables	275,440	(491,271)
Cash used in operations	(766,086)	(3,809,805)
Interest received	124,417	100,460
Interest paid	-	(56,883)
Income tax paid	(3,263)	(23,348)
Net cash flows used in operating activities	(644,932)	(3,789,576)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(451,118)
Disposal of subsidiaries, net of cash disposed of (Note A)	-	17,587,102
Proceeds from consideration receivable from disposal of subsidiaries	1,655,479	-
Placement of restricted deposits	(1,719,603)	(15,571,163)
Net cash flows (used in)/generated from investing activities	(64,124)	1,564,821
Cash flows from financing activities		
Proceeds from finance leases	-	1,373,665
Repayment of obligations under finance leases	-	(102,042)
Repayment of loans and borrowings	-	(826,245)
Proceeds from trade finance facilities	-	12,435,561
Repayment of trade finance facilities	-	(10,224,163)
Dividends paid	(1,264,400)	(11,822,140)
Net cash flows used in financing activities	(1,264,400)	(9,165,364)
Net decrease in cash and cash equivalents	(1,973,456)	(11,390,119)
Cash and cash equivalents at beginning of year (Note 4)	2,722,838	14,112,594
Effect of exchange rate changes on cash and cash equivalent	(1,102)	363
Cash and cash equivalents at end of year (Note 4)	748,280	2,722,838

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

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

	2016 S\$
	(Restated)
Property, plant and equipment	13,829,980
Goodwill	342,730
Intellectual property	5,664,958
Inventories	3,910,589
Trade and other receivables	10,995,510
Prepayments	216,345
Cash and cash equivalents	5,999,984
Trade payables	(5,420,813)
Other payables and accruals	(1,235,148)
Loans and borrowings	(10,381,308)
Tax payable	(142,112)
Deferred tax liabilities	(1,516,419)
Provision for reinstatement	(339,661)
Net assets disposed	21,924,635
Gain on disposal of subsidiaries, gross	4,155,365
Total cash consideration	26,080,000
Less:	
Transaction costs paid and payable	(536,914)
Consideration receivable	(1,956,000)
Net cash consideration received	23,587,086
Less:	
Cash and cash equivalents of subsidiaries disposed off	(5,999,984)
Net cash inflow arising from disposal	17,587,102

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 2017

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 Company is considered to be a de facto subsidiary of Tan Gee Beng Pte Ltd. In this connection, the immediate and ultimate holding company of the Company is Tan Gee Beng Pte Ltd, which is 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 Company is now deemed a cash company, subsequent to the disposal of its wholly owned subsidiaries, as disclosed in Note 11 to the financial statements. 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 Company has been granted extensions by SGX-ST till 19 July 2018 as it has already signed a definitive agreement for the acquisition of a new business. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction, and providing an undertaking that the escrow monies be safeguarded until the completion of the acquisition. 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 financial statements 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 Singapore Dollars ("SGD" or "S\$").

Change in functional and presentation currency

With effect from 1 January 2017, as a result of a change in underlying transactions, events and conditions relevant to the Company, the functional currency of the Company was changed from United States Dollars ("USD") to SGD.

The effect of change in functional currency has been applied prospectively from 1 January 2017. In line with the change in functional currency, the presentation currency of the financial statements was changed from USD to SGD. The change in presentation currency has been applied retrospectively with comparatives restated using the following rates:

- assets and liabilities of all corresponding figures presented (including opening balance from the beginning of earliest period presented) were translated at the closing rates of respective year end;
- profit or loss items of all corresponding figures presented were translated at the average exchange rate for the financial year approximating the exchange rates at the date of transactions;
- equity items of all corresponding figures presented were translated at their respective historical rates of exchange; and
- all resulting exchange differences were recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Company will adopt SFRS(I) on 1 January 2018.

The Company has performed an assessment of the impact of adopting SFRS(I). The Company expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application.

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 Company has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2.3 Standards issued but not yet effective

The Company 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 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</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

As disclosed in Note 2.1, the Company will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time. The directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.4 Significant accounting estimates and judgements

The preparation of the Company's 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 key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimation of professional fees incurred for the proposed acquisition

As part of the proposed acquisition of a new business, the Company recognised professional fees based on services received from the professional firms. The recognition of professional fees incurred requires management to estimate the extent of services received and corresponding amount to be recorded. For the financial year ended 31 December 2017, the professional fees recognised is disclosed in Note 9 to the financial services.

(b) Judgement made in applying accounting policies

The management has not made any significant judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

2.5 Discontinued operations

A component of the Group is classified as a discontinued operation when it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

In the profit or loss of the current reporting period, and of the comparative periods, all income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company 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.

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company 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 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 groups of assets. Where the carrying amount of an asset or cash-generating unit 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company 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.

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 Company becomes a party to the contractual provisions of the financial instrument. The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

(b) Financial liabilities (Continued)

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.

2.9 Impairment of financial assets

The Company 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 Company 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 Company 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank 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.

2.11 Provisions

Provisions are recognised when the Company 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.

2.12 Employees benefits

(a) *Defined contribution plan*

The Company 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.

2.13 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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.

Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.14 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.

2.15 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 Company 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.

(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 subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.15 Taxes (Continued)

(b) *Deferred tax (Continued)*

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, 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.

(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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Trade and other receivables

	2017 S\$	2016 S\$
		(Restated)
Interest receivable from financial institutions	115	1,470
Other receivables	300,521	1,956,000
Total trade and other receivables	300,636	1,957,470
Add: Cash and cash equivalents (Note 4)	18,039,046	18,294,001
Total loans and receivables	18,339,682	20,251,471

Other receivables

Other receivables are non-trade in nature, 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.

It includes the remainder of the consideration receivable from the disposal of subsidiaries, for which the full amount as at 31 December 2017 was received on 12 February 2018.

Receivables that are impaired

The Company do not have any receivables that are impaired as at 31 December 2017 and 2016.

4. Cash and bank deposits

	2017 S\$	2016 S\$
		(Restated)
Cash at banks	333,431	209,609
Fixed deposits with banks	414,849	2,513,229
Cash and bank deposits	748,280	2,722,838
Restricted deposits	17,290,766	15,571,163
	18,039,046	18,294,001
Less: Restricted deposits	(17,290,766)	(15,571,163)
Cash and cash equivalents in statement of cash flows	748,280	2,722,838

Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits with banks

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 2017 for the Company was 0.69% (2016: 0.71%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. Cash and bank deposits (Continued)

Restricted deposits

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. In prior year, dividends of S\$11,822,140 was paid out of the escrow account.

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

	2017 S\$	2016 S\$
		(Restated)
United States Dollar	13,385	–
Singapore Dollar	–	12,629,321

5. Other payables and accruals

	2017 S\$	2016 S\$
		(Restated)
Accruals	452,081	176,774
Other payables	133	–
Total financial liabilities carried at amortised cost	452,214	176,774

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

6. Share capital

	2017		2016	
	No. of shares '000	S\$	No. of shares '000	S\$
				(Restated)
At 1 January and 31 December	126,440	17,970,919	126,440	17,970,919

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 2017

7. Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the prior year financial statements to the Company's functional currency for comparative purposes. The Company changed its functional currency on 1 January 2017.

8. Other income

	Company 2017 S\$	Group 2016 S\$ (Restated)
Interest income from financial institutions	123,062	95,693
Government grants – Employment credit	732	1,478
	123,794	97,171

9. Loss before tax from continuing operations

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

	Company 2017 S\$	Group 2016 S\$ (Restated)
Audit fees		
– Auditors of the Company	25,000	37,783
– Over provision of audit fees in prior year	–	(3,121)
Non-audit fees		
– Auditors of the Company	75,750	8,024
– Over provision of non-audit fees in prior year	–	(1,564)
Total audit and non-audit fees	100,750	41,122
Professional fees ⁽¹⁾	474,446	44,147
Foreign exchange loss	1,401	363
Personnel and related costs:		
– Salaries	331,950	128,811
– Directors' fees	109,500	92,278
– Employer's contributions to Central Provident Fund	23,282	8,107

Note ⁽¹⁾: The Company had entered into a conditional sale and purchase agreement (the "SPA") with Hu Zhi Investments Limited and David Wendyl Karl Jenkins in respect of the acquisition by the Company of the entire issued share capital of Asia Vets Holdings Pte. Ltd. for a purchase consideration of S\$9,750,000, upon the terms of and subject to the conditions of the SPA (the "Proposed Acquisition").

As part of the Proposed Acquisition, the Company recognised professional fees amounted to S\$380,000 based on services received from the professional firms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Company 2017 S\$	Group 2016 S\$ (Restated)
Current income tax – continuing operations		
– Underprovision in respect of previous year	3,263	–
Current income tax – discontinued operations		
– Current income taxation	–	95,182
Deferred income tax – discontinued operations		
– Origination and reversal of temporary differences	–	64,697
Income tax expense attributable to discontinued operations (Note 11)	–	159,879
Total income tax expense recognised in profit or loss	3,263	159,879

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

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

	Company 2017 S\$	Group 2016 S\$ (Restated)
Loss before tax from continuing operations	(920,458)	(299,337)
Profit before tax from discontinued operations (Note 11)	–	5,315,683
Accounting (loss)/profit before tax	(920,458)	5,016,346
Income tax at statutory rate of 17% (2016: 17%)	(156,478)	852,779
Adjustments:		
– Non-deductible expenses	148,052	217,848
– Income not subject to tax	–	(747,163)
– Deferred tax assets not recognised	8,426	10,437
– Effect of partial tax exemption and tax rebate	–	(45,571)
– Tax benefits from Productivity and Innovation Credit	–	(128,451)
– Underprovision in respect of previous years	3,263	–
Income tax expense	3,263	159,879

Unrecognised tax losses

At the end of the reporting period, the Company has tax losses of approximately S\$111,000 (2016: S\$61,000) that are available for offset against future taxable profits of the company in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective country in which the company operates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. 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:

	Group 2016 S\$
	(Restated)
Revenue	21,448,764
Cost of sales	<u>(16,929,750)</u>
Gross profit	4,519,014
Other income	119,486
Selling and distribution expenses	(69,475)
Administrative expenses	(2,802,451)
Finance costs	<u>(69,342)</u>
Profit before tax from discontinued operations	1,697,232
Income tax expense	(159,879)
Gain on disposal of subsidiaries, net of transaction costs	<u>3,618,451</u>
Profit from discontinued operations, net of tax	<u>5,155,804</u>

Cash flow statement disclosures

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

	Group 2016 S\$
	(Restated)
Operating cash flows	(3,101,690)
Investing cash flows	17,503,021
Financing cash flows	<u>2,656,777</u>
Net cash flows	<u>17,058,108</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Discontinued operations (Continued)

Earnings per share disclosures

	Group 2016 S\$
	(Restated)
Earnings per share from discontinued operations attributable to the owners of the Company (cents per share)	
Basic	4.08
Diluted	4.08

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 12.

12. (Loss)/earnings per share

(a) Continuing operations

Basic loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year

Diluted loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company 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 (loss)/profit and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Company 2017 S\$	Group 2016 S\$
		(Restated)
(Loss)/profit for the year, net of tax	(923,721)	4,856,467
Less: Profit from discontinued operations, net of tax, attributable to owners of the Company	-	(5,155,804)
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share from continuing operations	(923,721)	(299,337)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. (Loss)/earnings per share (Continued)

(a) Continuing operations (Continued)

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share computation	<u>126,440</u>	<u>126,440</u>

(b) (Loss)/earnings per share computation

The basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and dividing the (loss)/profit for the year attributable to owners of the Company 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. These profit and share data are presented in the tables in Note 12(a) above.

13. Related party transactions

	2017 S\$	2016 S\$ (Restated)
(a) Compensation of key management personnel		
Short-term employee benefits	331,950	997,070
Central Provident Fund contributions	<u>23,282</u>	<u>58,753</u>
	<u>355,232</u>	<u>1,055,823</u>
<i>Comprise amounts paid to:</i>		
Directors of the Company	314,340	590,666
Other key management personnel	<u>40,892</u>	<u>465,157</u>
	<u>355,232</u>	<u>1,055,823</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Dividends

	2017 S\$	2016 S\$ (Restated)
Declared and paid during the financial year		
Final exempt (one-tier) dividend for 2016: S\$0.01 (2015: S\$0.0085) per ordinary share	1,264,400	1,074,740
First interim exempt (one-tier) dividend for 2017: nil (2016: S\$0.085) per ordinary share	-	10,747,400
	<u>1,264,400</u>	<u>11,822,140</u>
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders approval at the AGM		
Final exempt (one-tier) dividend for 2017: nil (2016: S\$0.01) per ordinary share	-	1,264,400
	<u>-</u>	<u>1,264,400</u>

15. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include 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. It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Company'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 Company's exposure to foreign exchange risk mainly arises from balances that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily the USD (2016: SGD).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% (2016: 1%) change in USD (2016: SGD) exchange rates against the respective functional currencies, with all other variables held constant, on the Company's (loss)/profit after tax.

	(Increase)/decrease Loss before tax 2017 S\$	Profit before tax 2016 S\$ (Restated)
USD against SGD (2016: SGD against USD)		
- Strengthened	(133)	(200,342)
- Weakened	133	200,342
	<u>133</u>	<u>200,342</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Financial risk management objectives and policies (Continued)

(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 Company's exposure to credit risk arises primarily from other receivables. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

These receivables are monitored on an ongoing basis to ensure that issues arising from non-collectability are minimised. Therefore, the Company 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 2017, the Company does not have any financial assets that are either past due or impaired.

(c) Interest rate risk

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

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of interest rates by 50 (2016: 50) basis points lower/higher with all other variables held constant on the Company's (loss)/profit after tax as a result of change in interest rates on floating rate bank balances.

	(Increase)/decrease	
	Loss	Profit
	before tax	before tax
	2017	2016
	S\$	S\$
Increase by 50 basis points (2016: 50 basis points)	2,074	(12,566)
Decrease by 50 basis points (2016: 50 basis points)	(2,074)	12,566

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Financial risk management objectives and policies (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company monitors and maintains sufficient cash and cash equivalents and continued financial support from shareholders to meet its liquidity requirements. All financial assets and financial liabilities are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

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	
	2017	2016
	S\$	S\$
		(Restated)
Company		
Financial assets:		
Trade and other receivables	300,636	1,957,470
Cash and cash equivalents	18,039,046	18,294,001
Total undiscounted financial assets	18,339,682	20,251,471
Financial liability:		
Other payables and accruals	452,214	176,774
Total undiscounted financial liabilities	452,214	176,774
Total net undiscounted financial assets	17,887,468	20,074,697

16. Fair value of assets and liabilities

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 3), cash and cash equivalents (Note 4), and other payables and accruals (Note 5).

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 2017

17. Capital management

The primary objective of the Company's capital management is to safeguard the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 2017 and 31 December 2016.

18. Events occurring after reporting period

On 12 February 2018, the remainder of the consideration receivable from the disposal of subsidiaries of S\$300,521 was fully received.

19. Comparative figures

The financial statements for the year ended 31 December 2016 were measured and presented in USD. On 1 January 2017, the Company changed its functional currency and presentation currency from USD to SGD and the financial statements were measured prospectively in SGD with effect from 1 January 2017. The comparative figures were translated into SGD to facilitate a proper comparison. Please refer to Note 2.1 to the financial statements.

20. Authorisation of financial statements

The audited financial statements as at and for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of directors on 29 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 12 MARCH 2018

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 12 March 2018)

NAME OF SUBSTANTIAL SHAREHOLDER	NO. OF SHARES			
	DIRECT INTEREST	%	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

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.

SHAREHOLDINGS IN THE HANDS OF PUBLIC

Based on information available to the Company as at 12 March 2018, approximately 47.14% 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	0.28	82	0.00
100 – 1,000	131	35.89	123,545	0.10
1,001 – 10,000	109	29.86	709,300	0.56
10,001 – 1,000,000	113	30.96	15,519,172	12.27
1,000,001 AND ABOVE	11	3.01	110,087,903	87.07
TOTAL	365	100.00	126,440,002	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 12 MARCH 2018

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	24,932,771	19.72
3	TAN AH CHEW	8,845,000	7.00
4	NG ENG SENG	3,480,001	2.75
5	KGI SECURITIES (SINGAPORE) PTE. LTD.	3,335,700	2.64
6	MAYBANK KIM ENG SECURITIES PTE LTD	3,040,000	2.40
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 WAN LING (CHEN WANREN)	1,750,000	1.38
10	TAN HOW KIAT JASON	1,678,300	1.33
11	DBS NOMINEES (PRIVATE) LIMITED	1,345,000	1.06
12	LIM BAN THOON	780,000	0.62
13	LI HUNG	750,000	0.59
14	LOW EE HWEE	750,000	0.59
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	727,500	0.58
16	HO KOK FI JOHN	720,900	0.57
17	HONG LEONG FINANCE NOMINEES PTE LTD	650,000	0.51
18	LOW SEE CHING (LIU SHIJIN)	600,000	0.47
19	TAN TONG GUAN	565,001	0.45
20	TAN KOON HUA (CHEN KUNHUA)	490,000	0.39
	TOTAL	116,121,304	91.84

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 Friday, 20 April 2018 at 3:00 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 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Ms Tan Geok Moey, a Director who is retiring pursuant to Regulation 91 of the Constitution of the Company.
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Chan Kum Kit, a Director who is retiring pursuant to Regulation 91 of the Constitution of the Company.
[See Explanatory Note (ii)] **(Resolution 3)**
4. To approve the payment of Directors' fees of S\$109,500 for the financial year ended 31 December 2017. (2016: S\$112,188.53) **(Resolution 4)**
5. 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 5)**
6. 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:

7. 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

- (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,

NOTICE OF ANNUAL GENERAL MEETING

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 6)

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore, 5 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Ms Tan Geok Moey will upon re-election as a Director of the Company remain as a member of the Nominating Committee, Remuneration Committee and Audit Committee, and will be considered non-independent.
- (ii) Mr Chan Kum Kit will upon re-election as a Director of the Company remain as Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee. Mr Chan Kum Kit is considered independent pursuant to Rule 704(7) of the Listing Manual – Section B: Rules of Catalist of the SGX-ST.
- (iii) Ordinary Resolution 6 in item 7 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 of the Company is entitled to appoint not 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 of the Company.
4. This notice 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 Listing Manual Section B: Rules of the Catalist of SGX-ST. The Sponsor has not independently verified the contents of this notice.

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

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.

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.

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 at 168 Robinson Road, Capital Tower, FTSE Room, 9th Floor, Singapore 068912 on Friday, 20 April 2018 at 3.00 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 2017.		
2	Re-election of Ms Tan Geok Moey as a Director.		
3	Re-election of Mr Chan Kum Kit as a Director.		
4	Approval of Directors' fees amounting to S\$109,500 for the financial year ended 31 December 2017.		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority to Directors to fix remuneration.		
6	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 _____ 2018

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 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 5 April 2018.

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.



SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)

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