

Issuer: Smartflex Holdings Ltd.

Security: Smartflex Holdings Ltd.

Meeting details:

Date: 20 April 2018

Time: 3:00 p.m.

Venue: 168 Robinson Road, Capital Tower, FTSE Room, 9th Floor, Singapore 068912

Company Description

Smartflex Holdings Ltd. does not have significant operations. Previously, it was engaged in the assembly and testing of smart card IC modules. The company was founded in 2003 and is based in Singapore. Smartflex Holdings Ltd. is a subsidiary of Tan Gee Beng Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5RE)

1. As discussed in the Chairman’s Statement and Operations Review, the company is in the midst of acquiring the entire issued share capital of Asia Vets Holdings Pte. Ltd. SGX-ST, had on 21 February 2018, indicated its non-objection of the transaction even though it will not constitute a reverse takeover or a very substantial acquisition. The proposed acquisition will be assessed based on the admission requirements under Chapter 4 of the Catalist Rules, as if it were a new listing on the Catalist.

- (i) **Can the board help shareholders understand the difficulties in finding a target company that would meet the criteria of a reverse takeover (RTO) or a very substantial acquisition (VSA) under SGX rules?**
- (ii) **Are the admission requirements under Chapter 4 of the Catalist Rules more stringent than the RTO/VSA rules?**
- (iii) **What does the board expect the proposed acquisition to be ready for shareholders’ approval?**

2. The remuneration of the executive director is shown in the company’s Report on Corporate Governance (page 14).

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

(Source: Company annual report)

- (i) **Would the remuneration committee (RC) help shareholders understand if the job scope and responsibilities of the Executive Chairman and CEO have been greatly reduced following the completion of disposal of all the operating subsidiaries in July 2016?**
- (ii) **Would the RC help shareholders understand the basis of the remuneration package of \$250,000 to \$500,000 for the Executive chairman and CEO and the bonus payment?**

3. Also disclosed in the company’s Report on Corporate Governance are the fees paid to the Independent External Auditors. The external auditors have been engaged to provide non-recurring professional services in relation to the proposed acquisition. The current audit fees were \$25,000 while the professional services amounted to \$68,000.

The audit committee (AC) has disclosed the following:

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.

- (i) **Would the AC confirm that the external auditors have been engaged to carry out due diligence on the target companies?**
- (ii) **Should the proposed acquisition proceed and be completed, would the external auditors be auditing the same target companies that it had just carried out due diligence on (prior to the company’s acquisition)?**
- (iii) **Does the AC consider this as a possible self-review threat? How would the AC mitigate the risk?**