

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

In response to the queries raised by the SGX-ST on 20 March 2015 with regards to the Full Year Financial Statement Announcement for the period ended 31 December 2014 which was released on 27 February 2015, the Directors of San Teh Ltd (the "Company" and together with its subsidiaries, the "Group") would like to provide following additional information:

SGX-ST's query 1:

In paragraph 8 of the Announcement, the Company disclosed that "Trade and other payables increased principally due to temporary advances by the late Executive Chairman."

Please provide more details on the nature of these advances and whether they are IPTs in accordance to Chapter 9 of the Listing Manual.

The Company's response:

These temporary advances are loans from the late Executive Chairman for the property development project of a subsidiary. The terms of the loans are unsecured, repayable on demand and interest-free. As the loans are interest-free, they are not regarded as IPTs in accordance to Chapter 9 of the Listing Manual.

SGX-ST's query 2:

In paragraph 8 of the Announcement, the Company disclosed that "The increase of investment properties and land use rights and the decrease of property under development were due to the reclassification of properties and land at the San Teh Commercial Plaza (the "Plaza") at Shanghai Anting."

- (i) It is noted that Investment Properties increased by \$57.2 million but property under development has only decreased by \$29.3 million. Please reconcile accordingly.
- (ii) Please provide the reason for the reclassification of properties and land.
- (iii) Please provide details of the occupancy and take-up rate of the investment properties, as well as the rental profile.

The Company's response:

- (i) The movement of the property under development is as follows:

	\$'000
Balance as at 1 January 2014	107,236
Additions	32,307
Currency translation differences	3,336
Transfer to property, plant and equipment	(366)
Transfer to investment properties	(57,808)
Transfer to land use rights	(6,792)
Balance as at 31 December 2014	<u>77,913</u>

- (ii) The properties and land were reclassified from property under development to investment properties and land use rights respectively following the completion of the Plaza in 2014.

(iii) The details of the Plaza are as follows:

	Description	Occupancy rate	Rental profile
a)	15-storey commercial building	79%	Hotel, office
b)	4-storey shopping mall	61%	Food and beverage, retail
c)	10-storey Small Office/Home Office apartment	100%	Office

SGX-ST's query 3:

In paragraph 8 of the Announcement, the Company disclosed that "The operation reported a loss of \$0.4 million in 2014 as compared to a profit of \$3.0 million in 2013 mainly because of the Reversal and higher loss incurred by the Midu plant, which was closed down in the second quarter of 2014."

Please explain why the Midu plant is incurring higher loss when the demand for PVC pipes and fittings has increased. Please explain why the plant was closed down.

The Company's response:

The increase in demand of PVC pipes and fittings is in reference to the Nantong plant's operation.

As part of the Group's strategy to develop the building materials business in Yunnan, the Midu cement operation was expanded to include PVC pipes and fittings business several years ago as it can tap into the same sales network. In addition, there was considerable cost saving as the PVC pipes and fittings plant was located in the same factory compound with the cement plant. Following the disposal of the cement plant in 2011, these synergies no longer existed. The Group found that the Midu PVC plant was not economically viable to survive on its own and thus, decided to close down the Midu plant.

SGX-ST's query 4:

In paragraph 8 of the Announcement, the Company disclosed that "Administrative expenses increased due to: (ii) impairment loss on other receivables of \$1.2 million"

Please disclose the nature and the debtors of the other receivables that are impaired and the reason for impairment.

The Company's response:

Impairment loss on other receivables of \$1.2 million was made mainly for the amount due from the associate, Dali San Teh Coal Industry Co., Ltd, which is engaged in coal processing operation in Dali. The associate was badly hit by depressed coal prices and weak demand. As a result, its operation is temporarily suspended and the Group has concern over the collectivity of this amount.

BY ORDER OF THE BOARD

Lim Wee Tziang
Company Secretary

23 March 2015