

SAN TEH LTD

(Company Registration No. 197901039W)

ARBITRATION PROCEEDINGS IN NANTONG

The Board of Directors of San Teh Ltd (the “Company”, and together with its subsidiaries, the “Group”) wishes to announce that Nantong SanteH Hotel Co., Ltd (“NSTH”), a subsidiary of the Group has commenced arbitration proceedings against Shanghai Yi Ya Investment Management Co., Ltd (上海益雅投资管理有限公司), the hotel operator (the “Operator”) for NSTH.

To turnaround the loss making performance of NSTH, the Group has ceased the hotel operation and entered into a Lease Agreement (the “Agreement”) to lease out the entire hotel space comprising 6th to 24th floors of the hotel building to the Operator in 2014. Due to the challenging business conditions, the Operator requested and was granted an extension of the rent free period for further six months to 31 December 2015. From the beginning of 2016, the Operator has suspended the operation with the intention to re-launch it under an international hotel chain franchise (“New Operation”) to tap the potential of the deluxe hotel market segment in Nantong. The Operator has approached NSTH to re-negotiate the Agreement for the New Operation.

NSTH and the Operator signed a Letter of Intent (the “LOI”) in March 2016. Under the LOI, if the Operator fulfils its obligation and commences the New Operation in September 2016, the Agreement will be based on the re-negotiated terms. On the other hand, if the Operator fails to fulfil its obligation, the Operator has to pay rentals starting from 1 January 2016 to NSTH in accordance to the existing terms of the Agreement. As the Operator did not perform its obligation, NSTH has commenced arbitration proceedings to recover outstanding rentals of approximately RMB8.4 million (approximately S\$1.7 million) from the Operator.

The Company will keep the shareholders informed of the progress of the matter and make such further announcements as and when appropriate.

BY ORDER OF THE BOARD

Lim Wee Tziang
Company Secretary

29 December 2016