

**THE PROPOSED DISPOSAL OF THE PROPERTY AT 31 SENOKO SOUTH ROAD,
WOODLANDS EAST INDUSTRIAL ESTATE, SINGAPORE 758084**
- GRANT OF OPTION TO PURCHASE

1. INTRODUCTION

The Board of Directors (the “**Board**” or “**Directors**”) of Santak Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Santak Metal Manufacturing Pte. Ltd. (the “**Vendor**”), its wholly-owned subsidiary, has on 25 July 2018 granted an option to purchase (the “**Option**”) to an independent third party purchaser (the “**Purchaser**” or “**Buyer**”) and/or its nominee, for the sale of the Vendor’s property situated at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 (the “**Property**”) for an aggregate consideration of S\$11,500,000 (the “**Consideration**”) on the terms and subject to the conditions of the Option (the “**Proposed Disposal**”). In view of commercial reason, further details on the Buyer will be announced only when the Option is exercised.

The Option shall remain valid within six weeks from 25 July 2018, being the date of the Option and is subject to, *inter alia*, the approval from Jurong Town Corporation (“**JTC**”) on application by the Purchaser, and the approval of the shareholders of the Company (“**Shareholders**”) unless such requirement for Shareholders’ approval is waived by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). An application (“**Application for Waiver**”) will be made to the SGX-ST for waiver of the need for Shareholders’ approval for the Proposed Disposal (“**Waiver**”). In the event that the Waiver is obtained, the grant of the Option and the Proposed Disposal will not be subjected to Shareholders’ approval.

To support the Application for Waiver, undertakings (“**Undertakings**”) from Mr. Tan Chee Hawaii, Mdm Heng Kheng Hwai, and Mr. Tan Sin Hock, who collectively are referred as “**Undertaking Shareholders**” and hold in aggregate approximately 55.06% of the issued share capital of the Company, has been obtained. Pursuant to the Undertakings, each of the Undertaking Shareholders has undertaken to vote each of their entire shareholdings in the Company in favour of the Proposed Disposal if an extraordinary general meeting is to be convened for the purposes of the Proposed Disposal.

2. THE PROPOSED DISPOSAL AND SALIENT TERMS OF THE OPTION

2.1 Information on the Property

The Property is a leasehold property granted by the JTC with a 30-year lease tenure commencing from 16 September 1993 with a further term of 30 years. It is a detached factory, and has a land area of approximately 8,944 square metres and gross floor area of approximately 4,145 square metres.

The Property is currently used as the Group’s manufacturing facility for precision machined components.

2.2 Consideration and Payment Terms

The Consideration shall be fully satisfied in cash and was arrived at after arms’ length negotiations and based on a willing-buyer willing-seller basis, having taking into account, *inter alia*, the open market value of the Property of S\$11,500,000 ascribed by Dennis Wee Realty Pte. Ltd., an independent valuer commissioned by the Company, in its valuation report dated 9 January 2018 (“**Valuation Report**”) as well as desktop valuation report dated 23 July 2018 (“**Desktop Report**”); and the balance lease period of approximately 35 years and 2 month as at the date of the Option.

Under the Option, the Consideration shall be payable by the Purchaser to the Vendor as follows:

- (a) the sum of S\$115,000 (the “**Option Money**”) shall be payable before/upon the grant of the Option by the Vendor; and
- (b) the sum of S\$1,035,000 (the “**Balance Deposit**”) (plus GST on both the Option Money and the Balance Deposit) shall be payable upon the exercise of the Option by the Purchaser; and
- (c) the balance of the Consideration, which is equivalent to 90% of the Consideration (plus GST) shall be payable upon completion of the Proposed Disposal (“**Completion**”).

Under the terms of the Option, in the event that the Option is not exercised by the Purchaser, the Option Money shall be forfeited by the Vendor. The Option to purchase is subject to *inter-alia* the JTC’s approval of the Purchaser’s application to purchase the Property and the approval of the Shareholders (unless waived by the SGX-ST).

2.3 Conditional Disposal

The grant of the Option and the Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent (the “**Conditions Precedent**”):

- (i) the approval of Shareholders being obtained for the Proposed Disposal or the Waiver being granted by the SGX-ST;
- (ii) the written consent from the JTC being obtained by the Purchaser for the assignment/transfer of the remainder of the lease by the Vendor to the Purchaser and to the Purchaser’s use of the Property (the “**JTC’s Approval**”); and
- (iii) the Purchaser’s solicitors having received satisfactory replies to the usual legal requisitions sent to the various relevant government departments.

Under the terms of the Option, in the event that the JTC’s Approval is not obtained or refused by the JTC within six (6) weeks from the date of Option, the Option shall be treated as cancelled void and the Vendor shall refund to the Purchaser the Option Money (without interests or deductions whatsoever) and thereafter neither party shall have any claim(s) against the other whatsoever, whether for damages, losses expenses or costs.

Under the terms of the Option, in the event that approval of Shareholders is not obtained or the Waiver is not granted by the SGX-ST, the Option shall be null and void in which event all monies paid by the Purchaser to the Vendor shall be refunded to the Purchaser without interest and neither party shall have any further claim or demand against the other.

If the Option is not exercised by the Purchaser in accordance with the terms of the Option, it shall become null and void and it will of no further effect whatsoever, and the Vendor shall forfeit the Option Money absolutely and thereafter neither party shall have any claim against the other whatsoever.

2.4 Completion and Lease back arrangement

Completion of the Proposed Disposal is expected to take place on:

- (i) The date falling twelve (12) weeks from the date of the Purchaser’s exercise of the Option; or
- (ii) The date falling four (4) weeks from the date of JTC’s Final Approval and JTC’s written confirmation that the transfer/assignment instrument between the Purchaser and the Vendor may be executed.

whichever is the later (the “**Completion Date**”)

The Property is sold with vacant possession. The Group shall be allowed to lease back the Property from the Purchaser, subject to JTC’s written approval, on a month-to-month basis at a monthly rent of S\$44,617 for a period of up to two (2) months from the Completion Date and provided always that the Vendor shall be allowed to terminate the lease anytime by giving the Purchaser one month notice of such termination. Further lease back after the two (2) months duration is subject to negotiation between Vendor and Purchaser.

Save as disclosed above, there is no other material conditions attached to the Option.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Board is of the view that the Proposed Disposal of the Property is in the best interest of the Group, as it will enable the Group to realize the value of the Property near its recent revalued book and is in line with the Group’s strategy to relocate its current manufacturing facility from Singapore to its recent proposed acquisition of a property in Johor Malaysia (as announced on 23 March 2018) as part of its restructuring for better management of cost and availabilities of labour to the Group. As at the date of this announcement, the completion of the proposed acquisition of the property in Johor Malaysia is still pending.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not necessarily reflect the future actual financial position and results of the Group following Completion

4.1 Net Tangible Asset (“NTA”) per Share

For illustrative purposes only, assuming the Proposed Disposal had been effected on 30 June 2017 (being the end of the latest announced audited financial year for the Group), the pro-forma financial effect of the Proposed Disposal on the Group’s NTA per Share would be as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA attributable to the shareholders of the Company (S\$’000)	21,901	21,761 ⁽¹⁾
Number of shares (excluding treasury shares)	107,580,980	107,580,980
Consolidated NTA per share attributable to the shareholders of the Company (Singapore Cents)	20.36	20.23

Note:

(1) *The computation of NTA after the Proposed Disposal has taken into account the transactional expenses related to the Proposed Disposal .*

4.2 Loss per Share (“LPS”)

For illustrative purposes only, assuming the Proposed Disposal had been effected on 1 July 2016 (being the beginning of the latest announced audited financial year for the Group), the proforma financial effects of the Proposed Disposal on the LPS for the financial year ended 30 June 2017 (“**FY2017**”) would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net Profit attributable to the shareholders of the Company (Continuing Operations) (S\$'000)	(2,637)	(1,460) ⁽¹⁾
Weighted average number of shares (excluding treasury shares)	107,580,980	107,580,980
Consolidated LPS (Singapore Cents)	(2.45)	(1.36)

Note:

(1) *The proforma financial effects are determined after taking into account the gain on disposal as at 1 July 2016 and based on the assumptions of expenses, property tax and that the Group shall lease back the Property from the Purchaser for up to 2 months.*

4.3 **Value of the Property**

The Property is valued at S\$11,500,000 based on the Valuation Report and the Desktop Report, which took into consideration various commercial factors, including the location and building design of the Property. The Comparable Sales Method was adopted in formulating the valuation of the Property.

The NTA value (and book value) of the Property is approximately S\$11,281,000 as at 31 December 2017 and S\$11,500,000 as at 30 June 2017. No net profit are attributable to the Property for FY2017 and the six month period ended 31 December 2017, as it is used solely for the Group's manufacturing activities. The excess of the Consideration for the Proposed Disposal over the book value of the Property as at 31 December 2017 is approximately S\$219,000 (before deducting the estimated transactional expenses of approximately S\$140,000 to be incurred in connection with the Proposed Disposal) .

4.4 **Use of Proceeds**

The Company expects to receive gross proceeds of S\$11,500,000 from the Proposed Disposal (excluding estimated transactional expenses of approximately S\$140,000 to be incurred in connection with the Proposed Disposal). The proceeds from the Proposed Disposal shall be used for general working capital of the Group.

Pending deployment of the proceeds from the Proposed Disposal for such purposes, the proceeds may be placed in deposits with banks or financial institutions as the Directors may, in their absolute discretion, deem fit.

5. **REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL**

Rule 1006 and Rule 1014 of the Listing Manual

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	54.1% ⁽¹⁾
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	Not applicable ⁽²⁾
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares	164.5% ⁽³⁾
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006 (e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable

Note:

- (1) Based on the net asset value of the Disposed Assets of approximately S\$11.28 million as at 31 December 2017 and the net assets value of the Group of approximately S\$20.85 million as at 31 December 2017.
- (2) Not applicable as the Property is for the Group's own-use and thus does not generate any income or revenue.
- (3) Computed based on the Consideration of S\$11.50 million and the market capitalisation of the Group of approximately S\$6.99 million as at 5 July 2018, being the last trading day for the Company's shares ("Shares") preceding the date of the grant of the Option. The Group's market capitalisation is computed based on the number of issued Shares of 107,580,980 and the weighted average price of approximately S\$0.065 per Share on 5 July 2018, being the last traded price for the Shares preceding the date of the grant of the Option.

As the relative figures under Rules 1006(a) and 1006(c) of the Catalist Rules exceed 50%, the Proposed Disposal constitutes a "major transaction" under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders in a general meeting.

However, it is noted that, pursuant to Practice Note 10(A) paragraph 8(c) of the Catalist Rules, "where an issuer proposes to dispose of a non-core business or a non-core asset (for example, a vacant factory) without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. The Exchange may grant a waiver under such circumstances". As mentioned in section 3 of this announcement, the Group's manufacturing facility will be relocated from Singapore to Malaysia. As announced on 23 March 2018, the offer to purchase issued by the Group for a property located at No. 8 Jalan Teknologi Perintis 1/3, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor (the "**Malaysia Property**") has been accepted and the Group has made an initial payment of RM243,503 as at 23 March 2018 and another payment of RM973,996.90 as at 30 March 2018 (following the execution of the sales and purchase agreement dated 27 March 2018 for the Malaysia Property).

Accordingly, the Company intends to seek clarification from and will be applying to the SGX-ST for a waiver to hold an extraordinary general meeting to seek Shareholders' approval for the Proposed Disposal. The Company will provide updates to Shareholders, where applicable, in due course. In the event that the Waiver is obtained, the grant of the Option and the Proposed Disposal will not be subjected to Shareholders' approval.

6. **INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors, controlling Shareholders or substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

7. SERVICE AGREEMENTS

No person will be appointed to the Board of Directors of the Company, and no service agreements will be entered into by the Company, in connection with the Proposed Disposal.

8. DOCUMENTS FOR INSPECTION

A copy of the Offer to Purchase, Option to Purchase, Valuation Report and Desktop Report will be made available for inspection by shareholders during normal business hours at the registered office of the Company (31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084) for a period of three (3) months commencing from the date of this announcement.

9. FURTHER ANNOUNCEMENT

The Company will make further announcements in relation the Proposed Disposal as and when there are material developments.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Property, the Option to Purchase, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Lai Foon Kuen
Company Secretary
25 July 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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