

**SANTAK HOLDINGS LIMITED (Company Registration No. 200101065H)
(Incorporated In Singapore)**

**Half Year Financial Statement And Dividend Announcement for the Period ended
31 December 2014**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY
(Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative
statement for the corresponding period of the immediately preceding
financial year.**

	GROUP		
	Latest Half Year 31 December 2014 S\$'000	Previous Half Year 31 December 2013 S\$'000	% Increase / (Decrease)
Revenue	40,140	39,095	3
Cost of sales	(39,522)	(32,086)	23
Gross profit	618	7,009	(91)
Other income	1,155	810	43
Distribution and selling expenses	(1,418)	(1,264)	12
Administrative expenses	(1,623)	(1,640)	(1)
Other operating expenses	(4,633)	(453)	923
Financial expenses	(488)	(493)	(1)
Financial income	16	53	(70)
(Loss)/profit before taxation	(6,373)	4,022	n.m
Taxation	139	(80)	n.m
(Loss)/profit for the period	(6,234)	3,942	n.m
Attributable to equity holders of the Company	(6,234)	3,942	n.m
Statement of Comprehensive Income			
(Loss)/profit for the period	(6,234)	3,942	n.m
Other comprehensive income :			
<i>Items that may be reclassified subsequently to profit and loss :</i>			
Foreign currency translation	2,018	603	235
Total other comprehensive income for the period	2,018	603	235
Total comprehensive income for the period	(4,216)	4,545	n.m
Total comprehensive income attributable to equity holders of the Company	(4,216)	4,545	n.m

n.m. – not meaningful

The (loss)/profit attributable to shareholders is determined after crediting/(charging) the following:

	GROUP	
	Latest Period	Previous Period
	31 December 2014	31 December 2013
	S\$'000	S\$'000
Other income	1,155	810
Interest Income	16	53
Interest on borrowings	(242)	(371)
Depreciation and amortisation	(2,346)	(2,329)
(Allowance)/write back for stocks obsolescence (net)	(45)	74
Write off of stocks directly to profit and loss account	(7)	(3)
Foreign exchange loss	(127)	(452)
Over provision of tax in respect of prior years	27	168
Loss on disposal of property, plant and equipment	(2)	-

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31 Dec 2014 S\$'000	30 June 2014 S\$'000	31 Dec 2014 S\$'000	30 June 2014 S\$'000
Non-current assets				
Property, plant and equipment	33,238	29,946	264	286
Investments in subsidiary companies	-	-	8,113	8,113
Intangible assets	157	183	35	46
Loan to a subsidiary company	-	-	4,030	4,030
Deferred tax assets	4,884	4,609	2	-
Restricted fixed deposits	3,680	2,530	-	-
	<u>41,959</u>	<u>37,268</u>	<u>12,444</u>	<u>12,475</u>
Current assets				
Restricted fixed deposits	498	505	-	-
Stocks	14,674	8,379	-	-
Trade debtors	27,272	15,318	-	-
Other debtors, deposits and prepayments	2,266	899	24	23
Due from subsidiary companies (non-trade)	-	-	1,655	1,726
Dividend receivable	-	-	-	388
Cash and cash equivalents	11,286	14,946	196	249
	<u>55,996</u>	<u>40,047</u>	<u>1,875</u>	<u>2,386</u>
Current liabilities				
Trade creditors	20,565	8,574	-	-
Other creditors and accruals	6,650	5,360	415	430
Provision for taxation	176	248	9	9
Loans and borrowings (secured) – current portion	19,427	12,040	-	-
Finance lease obligations – current portion	54	164	31	31
	<u>46,872</u>	<u>26,386</u>	<u>455</u>	<u>470</u>
Net current assets	9,124	13,661	1,420	1,916
Non-current liabilities				
Loan and borrowings (secured) – non-current portion	6,022	918	-	-
Finance lease obligations – non-current portion	355	382	186	202
Deferred tax liabilities	1,963	2,134	-	-
	<u>8,340</u>	<u>3,434</u>	<u>186</u>	<u>202</u>
Net assets	<u>42,743</u>	<u>47,495</u>	<u>13,678</u>	<u>14,189</u>

	GROUP		COMPANY	
	31 Dec 2014 S\$'000	30 June 2014 S\$'000	31 Dec 2014 S\$'000	30 June 2014 S\$'000
Equity attributable to equity holders of the Company				
Share capital	12,780	12,780	12,780	12,780
Share option reserve	542	542	542	542
Retained earnings	18,675	25,445	356	867
Revaluation reserve	7,347	7,347	-	-
Translation reserve	2,444	426	-	-
Statutory reserves	955	955	-	-
	<u>42,743</u>	<u>47,495</u>	<u>13,678</u>	<u>14,189</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities. Amount repayable in one year or less, or on demand

As at 31/12/2014		As at 30/06/2014	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
19,481,000	0	12,204,000	0

Amount repayable after one year

As at 31/12/2014		As at 30/06/2014	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
6,377,000	0	1,300,000	0

Details of any collateral

- 1) The term loans are secured as follows:
 - (a) S\$19,951,000 (2014: S\$12,018,000) is secured by way of a legal mortgage over a subsidiary company's leasehold property with a net book value as at 31 December 2014 of S\$11,303,000 (2014: S\$11,500,000), a charge over a subsidiary company's fixed deposit of S\$2,678,000 as at 31 December 2014 (2014: S\$2,530,000) and a corporate guarantee from the Company, and
 - (b) S\$5,000,000 (2014: S\$250,000) is secured by a charge over a subsidiary company's fixed deposit of S\$1,500,000 as at 31 December 2014 (2014: S\$505,000) and a corporate guarantee from the Company, and
 - (c) S\$498,000 (2014: S\$690,000) is secured by a corporate guarantee from the Company.
- 2) Finance lease obligations are secured over the respective machineries and motor vehicles as well as corporate guarantees from the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	Latest Half Year	Previous Half Year
	31 Dec 2014	31 Dec 2013
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(6,373)	4,022
Adjustments:		
Depreciation of property, plant and equipment	2,318	2,302
Amortisation of intangible assets	28	27
Loss on disposal of property, plant and equipment	2	-
Interest expenses	242	371
Interest income	(16)	(53)
Unrealised exchange loss	798	170
	<hr/>	<hr/>
Operating cash flows before working capital changes	(3,001)	6,839
Stocks	(6,295)	(2,404)
Trade debtors	(11,954)	(9,329)
Other debtors, deposits and prepayments	(1,367)	10
Trade creditors	11,991	8,373
Other creditors and accruals	(75)	(1,579)
	<hr/>	<hr/>
Cash (used in)/generated from operations	(10,701)	1,910
Interest received	16	53
Income taxes paid, net	(104)	(214)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(10,789)	1,749
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,327)	(118)
Purchase of intangible assets	(1)	-
Proceeds from disposal of property, plant and equipment	2	-
	<hr/>	<hr/>
Net cash used in investing activities	(3,326)	(118)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds/(repayment) from loans and borrowings, net	11,892	(7,474)
Repayment of finance leases, net	(137)	(265)
Proceeds from share issue	-	113
Dividends paid	(536)	(2,136)
Interest paid	(242)	(371)
Placement of a restricted fixed deposit	(1,000)	-
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	9,977	(10,133)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(4,138)	(8,502)
Effect of exchange rate changes on cash and cash equivalent	478	150
Cash and cash equivalents at beginning of period	14,946	31,062
Cash and cash equivalents at end of period	<hr/>	<hr/>
	11,286	22,710

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the period ended 31 December 2014.

GROUP

	Share capital	Share option reserve	Retained earnings	Revaluation reserve	Statutory reserves	Translation reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2013	12,595	542	28,428	2,463	955	1,332	46,315
Profit net of tax	-	-	3,942	-	-	-	3,942
Other comprehensive income for the period	-	-	-	-	-	603	603
Total comprehensive income for the period	-	-	3,942	-	-	603	4,545
Dividends on ordinary shares	-	-	(2,136)	-	-	-	(2,136)
Exercise of employee share options	113	-	-	-	-	-	113
Balance at 31 Dec 2013	12,708	542	30,234	2,463	955	1,935	48,837
Balance at 1 July 2014	12,780	542	25,445	7,347	955	426	47,495
Loss net of tax	-	-	(6,234)	-	-	-	(6,234)
Other comprehensive income for the period	-	-	-	-	-	2,018	2,018
Total comprehensive income for the period	-	-	(6,234)	-	-	2,018	(4,216)
Dividends on ordinary shares	-	-	(536)	-	-	-	(536)
Balance at 31 Dec 2014	12,780	542	18,675	7,347	955	2,444	42,743

COMPANY

	Share capital	Share option reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2013	12,595	542	2,562	15,699
Total comprehensive income for the period	-	-	20	20
Dividends on ordinary shares	-	-	(2,136)	(2,136)
Exercise of employee share options	113	-	-	113
Balance at 31 Dec 2013	12,708	542	446	13,696
Balance at 1 July 2014	12,780	542	867	14,189
Total comprehensive income for the period	-	-	25	25
Dividends on ordinary shares	-	-	(536)	(536)
Balance at 31 Dec 2014	12,780	542	356	13,678

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The issued and paid-up capital of the Company was S\$12,780,488 as at 31 December 2014 (31 December 2013: S\$12,707,988).

The share options outstanding remained the same at 2,800,000 options as at 31 December 2014 (30 June 2014: 2,800,000) as follows:

Balance as at 31.12.2014	Exercise price S\$	Exercise period
<u>2,800,000</u>	0.239	15.9.2006 to 14.9.2015

There was no share held as treasury shares as at 31 December 2014 (30 June 2014: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2014, the total number of issued shares of the Company were 107,280,980 shares (30 June 2014: 107,280,980).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no treasury shares as at 31 December 2014.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period ended 31 December 2014 compared to the audited financial statements as at 30 June 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after July 1, 2014. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effects on the amounts reported for the current or prior periods.

The management has considered and anticipated that the adoption of FRS, INT FRS and amendments to FRS that were issued but not effective until future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

6. (Loss)/earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(Loss)/earnings per ordinary share of the Group :	Latest period	Previous corresponding period
(a) Based on the weighted average number of ordinary shares on issue; and	(5.81) cents	3.70 cents
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	(5.81) cents	3.65 cents

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the basic and diluted (loss)/earnings per share computations:

	Latest period	Previous corresponding period
Net (loss)/profit attributable to ordinary shareholders for basic and diluted (loss)/earnings per share (S\$'000)	(6,234)	3,942
Weighted average number of ordinary shares (in thousands) on issue applicable to basic (loss)/earnings per share	107,281	106,437
Effect of dilutive securities: Share options (in thousands)	-	1,585
Adjusted weighted average number of ordinary shares (in thousands) applicable to diluted (loss)/earnings per share	107,281	108,022

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	GROUP		COMPANY	
	Latest period	Previous financial year	Latest period	Previous financial year
	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
Net asset value per ordinary share based on issued share capital of the issuer at the end of the financial period/year reported on	39.84 cents	44.27 cents	12.75 cents	13.23 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group recorded a turnover of S\$40.14 million, relatively stable with a marginal increase of approximately S\$1.05 million or 2.7% for the six months period ended 31 December 2014 ("HY2015") as compared to a turnover of S\$39.10 million in previous corresponding period ("HY2014"). Sales of the Group's Precision Engineering Division ("PE") came in at S\$38.67 million, a slight increase of S\$1.36 million or 3.7% as compared to HY2014 which was mainly due to marginally firmer demand for our precision machined components in HY2015 from the electronics and hard-disk drive sector. On the other hand, the Group's Trading & Distribution Division ("T&D") registered lower sales at S\$1.47 million compared to S\$1.79 million in HY2014 mainly due to weaker demand from the security/access control systems sector. The Group's gross profit and gross margin were lower at S\$0.62 million and 1.54% in HY2015 compared to S\$7.01 million and 17.93% in HY2014 respectively. This was mainly attributable to lower production yield for our existing precision machined component products as well as cost and pricing pressures during the period.

The higher distribution and selling expenses of S\$1.42 million was largely due to the increase in marketing activities during HY2015. The significantly higher other operating expenses in HY2015 of S\$4.63 million were mainly due to significant costs of approximately S\$4.50 million incurred in HY2015 for the qualification and development process (including the new production facilities expenses and factory overhead incurred in preparation for the mass production) of our new precision machined component projects ("New Projects"). These New Projects have encountered delays in its mass production ramp up which only commenced towards the end of HY2015. This increase in other operating expenses was partially offset by lower foreign exchange losses by S\$0.33 million mainly arising from the strengthening of USD during HY2015. On the other hand, the higher other income of approximately S\$1.16 million was mainly due to higher sales of scraps in HY2015. Despite higher loans and borrowings balances as at 31 December 2014 compared to 31 December 2013, the interest on borrowings was

lower in HY2015 due to the borrowings were mainly drawn down towards the last quarter of HY2015.

The Group registered a loss before tax of S\$6.37 million in HY2015 compared to a profit before tax of S\$4.02 million in the previous corresponding period. The tax credit of S\$0.14 million arose mainly from the partial reversal of the deferred tax liabilities in our Singapore operation arising from tax losses during HY2015. The loss after tax for HY2015 was S\$6.23 million. Our basic and diluted loss per share were both 5.81 cents for HY2015 versus basic and diluted earnings per share of 3.70 cents and 3.65 cents respectively in HY2014. The Group's net asset value per share was 39.84 cents as at 31 December 2014 compared to 44.27 cents as at 30 June 2014.

The increase in property, plant and equipment by S\$3.29 million was mainly due to increase in factory renovation and plant and machinery in preparation for the mass production of the New Projects. The increase in restricted fixed deposits was mainly due to an additional fixed deposit placed as security for the additional bank facilities secured in HY2015. The increase in the Group's trade debtors and stocks by S\$11.95 million and S\$6.30 million respectively as at 31 December 2014 versus 30 June 2014 was mainly due to the increase in sales with the commencement of the mass production of the New Projects towards the end of HY2015. On the other hand, the increase in trade creditors by approximately S\$11.99 million to S\$20.56 million as at 31 December 2014 was mainly the results of trade purchases during the last quarter of HY2015 in preparation for the ramp up of mass production of the New Projects.

The increase in other debtors, deposits and prepayments by S\$1.37 million to S\$2.27 million was mainly due to higher prepayments for materials and consumables as at 31 December 2014 for the commencement of mass production of the New Projects towards the end of HY2015. Other creditors and accruals increased by approximately S\$1.29 million to S\$6.65 million mainly as a result of higher other payables for renovation, machinery and toolings for the New Projects as at 31 December 2014 as compared to 30 June 2014.

The decrease in cash and cash equivalent by S\$3.66 million from S\$14.95 million to S\$11.29 million is explained in the cash flow explanation in the following paragraph below. The decrease in provision for taxation was mainly due to payment of prior year provision and absence of new provision arising from the loss registered in HY2015. Loans and borrowings (excluding finance leases) increased by S\$12.49 million from S\$12.96 million to S\$25.45 million mainly due to drawdown of loans and borrowings made during HY2015 to finance the New Projects. The decrease in finance lease obligations was a result of repayments made during HY2015. The increase in translation reserves was mainly the result of the strengthening of RMB against SGD as at 31 December 2014 compared to 30 June 2014.

Following the loss incurred, the Group's operations generated operating cash outflow before working capital changes of approximately S\$3.00 million in HY2015, compared to cash inflow of S\$6.84 million in HY2014. Further, mainly as a result of higher trade debtors and stocks balances as at 31 December 2014, partially offset by higher trade creditors, the Group recorded a higher net cash outflow from operating activities of approximately S\$10.79 million in HY2015, compared to cash inflow of S\$1.75 million in HY2014. Cash utilised in investing activities increased by S\$3.33 million mainly as a result of renovation of factory facilities and purchase of machinery in HY2015 for meeting the requirements of our New Projects. Net cash generated from financing activities was S\$9.98 million mainly arising from additional bank borrowings drawn down during the period to finance our new precision machining projects, partially offset by dividend payment of S\$0.54 million, interest expense paid of S\$0.24 million, net repayment of finance lease of S\$0.14 million as well as placement of a fixed deposit of S\$1.00 million. Overall, cash and cash equivalents decreased by S\$3.66 million during

HY2015 to S\$11.29 million as at 31 December 2014 as compared to the balance of S\$14.95 million as at 30 June 2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

This announcement is in line with the profit guidance announcement on 30 January 2015.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The market in which the Group operates remains competitive. Going into the second half of current financial year ending 30 June 2015 ("2H2015"), with the Group currently ramping up its production of our new precision machined component projects and barring any unforeseen circumstances, we are optimistic that our business will improve in 2H2015 compared to the first half ended 31 December 2014 ("HY2015"). Nevertheless, cost and pricing pressures as well as foreign exchange volatility are expected to continue to be challenging.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) If Corresponding Period of the Immediately Preceding Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/ recommended for the six months period ended 31 December 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained any general mandate for interested person transactions.

14. CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

We, Lee Keen Whye and Ng Weng Wei, being two Directors of Santak Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the half year financial results ended 31 December 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lee Keen Whye
Chairman

Ng Weng Wei
Director

BY ORDER OF THE BOARD

Lai Foon Kuen
Company Secretary
11 February 2015

*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 Company's 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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