

SAN TEH LTD

(Company Registration No. 197901039W)

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

In response to the queries raised by the SGX-ST on 30 November 2016 with regards to the Third Quarter Financial Statement Announcement for the period ended 30 September 2016 which was released on 11 November 2016, 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:

Revenue for 3Q2016 amounted to only \$3.73 million, while 9M2016 revenue was \$11.20 million. However, "Trade and other receivables" amounted to \$24.95 million.

- a. Please provide a breakdown of "Trade and other receivables" and an aging analysis of the receivables.
- b. Please explain the reasons for the significant balances of \$24.95 million, which exceeds 9M2016 revenue.
- c. Please disclose the nature and details of the underlying transactions for "other receivables", and provide the reasons for the significant balances where applicable.
- d. Please disclose the Company's credit and collection policies and what the Board of Directors has done to ensure that sales to customers are collectible.

The Company's response:

- a. The breakdown of trade and other receivables is as follows:

	S\$'000
Trade receivables from:	
BT project	13,978
PVC pipes and fitting operation	5,967
Shanghai Anting project	1,622
Others	60
	<u>21,627</u>
Less: Impairment loss on trade receivables	<u>(600)</u>
	21,027
Other receivables	
Associate	1,129
Non-related parties	1,275
Less: Impairment loss on other receivables	(1,336)
Deposits paid	2,359
Interest receivables	227
Prepayments	272
	<u>24,953</u>

Aging analysis of trade and other receivables:

	S\$'000
Not past due	19,383
Past due 1 - 30 days	386
Past due 31 - 60 days	488
Past due 61 - 90 days	665
Past due 91 – 120 days	414
Past due more than 120 days	3,617
	<u>24,953</u>

- b. Trade and other receivables of S\$24.95 million exceeds the 9M2016 revenue of S\$11.2 million mainly because of the trade receivables of S\$14.0 million from the Anxi build-and-transfer (“BT”) project. This is the remaining outstanding contract sum in respect of the BT project that was completed in 2014. This amount is to be received in two instalments which are due in March 2017 and September 2017.
- c. Other receivables consist of:
- Non-trade advances due from the associated company;
 - Non-trade advances due from third parties and advance payment made to government agencies such as tax authority and provident fund;
 - Deposit paid for the construction of the property project in Dali;
 - Security deposit paid for project tendering undertaken by the PVC plant;
 - Interest receivables from the investment securities held; and
 - Miscellaneous prepayments such as insurance premiums made by the Group.
- d. The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit quality of the customer is assessed after taking into account of its financial position and the Group’s past experiences with the customer.

Management monitors the aging and collection of receivables on an on-going basis. When a receivable is past due, the person-in-charge of the receivable would call to remind the customer to settle the outstanding receivable. This process would be repeated over a period of time. If the customer does not settle the receivable that is past due after this process, the person-in-charge would visit the customer. If necessary, the general manager would also visit the customer to collect the outstanding debt. If the customer still does not make payment, the Group would engage lawyer to issue demand letter to the customer.

To ensure that sales to customers are collectible, the Board of Directors closely monitors the aging of receivables and action taken by the management to collect the receivables.

SGX-ST's query 2:

Please disclose the nature of the "Investment securities" held by the Company and whether, and how, the Company has complied with Listing Rules 704(17) and 704(18).

The Company's response:

The investment securities held by the Company consists of:

	S\$'000
Quoted securities	5,924
Bonds	1,464
Unit trusts	4,988
	<u>12,376</u>

As the amount of investment securities acquired and sold by the Company does not meet the threshold stipulated in the Listing Rules 704(17) and 704(18), it is not required to make immediate announcement. Hence, the Company has complied with these rules.

BY ORDER OF THE BOARD

Lim Wee Tziang
Company Secretary

2 December 2016