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

In response to the queries raised by the SGX-ST on 25 Aug 2015 with regards to the Second Quarter Financial Statement Announcement for the period ended 30 June 2015 which was released on 13 August 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 under "Hotel and Property Operation", the Company disclosed that "Loss of the operation increased by \$0.8 million to \$1.4 million in 2Q15 mainly because of the higher operating loss reported by the Shanghai Anting project."

Please explain why the Shanghai Anting project reported higher operating loss.

The Company's response:

Shanghai Anting project reported higher operating loss because the Group is in the process of upgrading the tenant mix of the shopping mall so that it would have a more distinctive and appealing profile to enhance its attractiveness. During this process, certain tenancy agreements were discontinued leading to a drop in occupancy rate of the shopping mall to approximately 20%. The Group expects the occupancy rate to gradually increase after this process which is targeted to be completed by end of this year.

SGX-ST's query 2:

In paragraph 10 of the Announcement, the Company disclosed that "The construction of the Dali Heqing project is still put on hold as the legal proceeding is on-going. The Group expects its PVC pipes and fittings operation and Suzhou hotel to continue to face challenging business environment."

- (a) Please provide an update on the status of the legal proceeding.
- (b) Please disclose if the conversion and refurbishment works of Nantong Hotel have commenced to be in line with the timeline that was announced previously on 7 May 2015.
- (c) Please provide details on the Company's projects and order book for the Hotel and Property Operation.

The Company's response:

- (a) The first court hearing was held in February 2015. The legal proceeding is now in Judicial Authentication process. The second hearing will be held after the court has received the Judicial Authentication report.
- (b) Due to the delay from the local authority in granting approval for the conversion plan, the conversion and refurbishment works of Nantong hotel is expected to commence in the third quarter of 2015.
- (c) Details of the projects for the Hotel and Property operation:

- i) San Teh Commerical Plaza which is located at Shanghai Anting comprises a commercial building, a shopping mall and a Small Office/Home Office ("SOHO") apartment.
 - The hotel space is leased out to a leading hotel operator in China.
 - The shopping mall is opened for operation with current occupancy rate of approximately 20%.
 - The whole SOHO apartment building is leased out to a single tenant.

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| ii) | Build-and-transfer residential property project in Fujian Anxi | The project has been completed and the consideration of the project will be received over six half-yearly instalments, with the first instalment received in March 2015. |
| iii) | Residential, shop units, commercial and hotel project in Dali Heqing | The construction of the project is put on hold due to the legal proceeding. |
| iv) | 255-room four stars hotel located at Jiangsu Nantong | The hotel space is leased out to a leading hotel operator. The ground to the 5th floors will be converted into a shopping mall for letting. |
| v) | 191-room resort hotel overseeing the Lake Tai Hu located at Jiangsu Suzhou | The resort hotel is operated by the Group with current average room occupancy rate of approximately 21%. |

BY ORDER OF THE BOARD

Lim Wee Tziang
Company Secretary

26 August 2015