

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

In response to the queries raised by the SGX-ST on 6 May 2015 with regards to the First Quarter Financial Statement Announcement for the period ended 31 March 2015 which was released on 30 April 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, the Company disclosed that "The increase of trade and other receivables and the decrease of property under development were mainly due to reclassification made in respect of the Anxi BT project following the completion of the BT project."

Please provide a detailed breakdown of the increase and quantify the amount that arose from the completion of the BT project. For the other receivables that contributed to the increase, please explain for the increase noting that revenue for 1Q2015 had decreased by 23% compared to 1Q2014.

The Company's response:

The movement of the trade and other receivables is as follows:

	\$'000
Balance as at 1 January 2015	12,074
Transfer from property under development	46,311
Receipt of first instalment for the BT project	(9,300)
Increase in trade receivables	1,719
Increase in other receivables	250
Increase in prepayments and deposits	464
Balance as at 31 March 2015	<u>51,518</u>

Revenue of the Group had decreased by 23.6% from \$8.9 million in 1Q14 to \$6.8 million in 1Q15 mainly because of the lower revenue recorded in the hotel and property operation. As the Anxi BT project is now at completion stage, revenue of the hotel and property operation decreased from \$5.0 million in 1Q14 to \$2.4 million in 1Q15. The Group had also reclassified property under development amounted to \$46.3 million in respect of the BT project to trade and other receivables.

On the other hand, revenue of the PVC pipes and fittings operation increased from \$4.0 million in 1Q14 to \$4.5 million in 1Q15. The increase of \$1.7 million trade receivable in the above table was mainly attributable to the PVC pipes and fittings operation.

SGX-ST's query 2:

In paragraph 8 of the Announcement, the Company disclosed that "Net loss on fair value changes of available-for-sale financial assets of \$0.6 million in 1Q15 arose from the lower market value of available-for-sale financial assets as at 31 March 2015."

Please elaborate on what these available-for-sale financial assets are and the reasons for the loss on fair value changes.

The Company's response:

These available-for-sale financial assets are quoted equity instruments listed on the Hong Kong Exchanges and Clearing Ltd. As the market value of these quoted equity investments as at 31 March 2015 was lower compared to 31 December 2014, the Group recorded a net loss on fair value changes of available-for-sale financial assets of \$0.6 million in 1Q15.

SGX-ST's query 3:

In paragraph 10 of the Announcement, the Company disclosed that "The Group has received the first instalment amounted to \$9.3 million for the BT project at Anxi in March 2015. Conversion and refurbishment works of Nantong hotel is expected to commence in the second quarter."

- a. For the BT project, please disclose when the remaining instalments will be received.
- b. Please disclose when will the conversion and refurbishment works of Nantong hotel be completed and the timeline of the milestones to be achieved.

The Company's response:

- a. The remaining instalments will be received in the months below:

Second instalment	September 2015
Third instalment	March 2016
Fourth instalment	September 2016
Fifth instalment	March 2017
Sixth instalment	September 2017

- b. The conversion and refurbishment works of Nantong hotel is expected to be completed in first quarter of 2016. The timeline of the milestones to be achieved is as follows:

<u>Milestones</u>	<u>Expected month of completion</u>
Approval of plan	June 2015
Commencement of conversion work	July 2015
Completion of conversion work	January 2016
Completion of renovation and refurbishment	March 2016

BY ORDER OF THE BOARD

Lim Wee Tziang
Company Secretary

7 May 2015