

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

**Half Year Financial Statement And Dividend Announcement for the Period Ended
31 December 2018**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 2018 S\$'000	Previous Half Year 31 December 2017 S\$'000	% Increase / (Decrease)
Revenue	8,260	6,459	28
Cost of sales	(6,782)	(6,129)	11
Gross profit	<hr/> 1,478	<hr/> 330	348
Other income	22	28	(21)
Distribution and selling expenses	(630)	(503)	25
Administrative expenses	(776)	(866)	(10)
Other operating expenses	(40)	(312)	(87)
Financial expenses	(5)	(8)	(38)
Financial income	7	4	75
Profit/(loss) before tax	<hr/> 56	<hr/> (1,327)	n.m
Taxation	19	195	(90)
Profit/(loss) for the period	<hr/> 75	<hr/> (1,132)	n.m
Profit/(loss) attributable to equity holders of the Company	<hr/> 75	<hr/> (1,132)	n.m

	GROUP		% Increase / (Decrease)
	Latest Period 31 December 2018 S\$'000	Previous Period 31 December 2017 S\$'000	
Profit/(loss) for the period	75	(1,132)	n.m
Other comprehensive income: <i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation	(21)	4	n.m
Total other comprehensive income for the period	(21)	4	n.m
Total comprehensive income for the period	54	(1,128)	n.m
Total comprehensive income attributable to equity holders of the Company	54	(1,128)	n.m

n.m – not meaningful

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

	GROUP	
	Latest Period 31 December 2018 S\$'000	Previous Period 31 December 2017 S\$'000
Other income	22	28
Interest income	7	4
Interest on borrowings	(5)	(8)
Depreciation and amortisation	(98)	(445)
Allowance for stocks obsolescence (net)	(14)	(15)
Write off of stocks directly to profit and loss account	-	(1)
Foreign exchange loss	(40)	(309)
Over provision of tax in respect of prior year	7	5

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 December 2018 S\$'000	30 June 2018 S\$'000	31 December 2018 S\$'000	30 June 2018 S\$'000
Non-current assets				
Property, plant and equipment	3,919	472	98	112
Investments in subsidiaries	-	-	8,113	8,113
Intangible assets	56	62	-	-*
Deferred tax assets	-	-	7	7
	<u>3,975</u>	<u>534</u>	<u>8,218</u>	<u>8,232</u>
Current assets				
Inventories	1,613	1,700	-	-
Trade receivables	3,409	3,740	-	-
Other receivables	88	84	-	-
Prepayments	223	433	16	12
Loan to a subsidiary	-	-	4,030	4,030
Due from subsidiaries (non-trade)	-	-	1,782	1,769
Cash and cash equivalents	4,574	7,048	61	48
	<u>9,907</u>	<u>13,005</u>	<u>5,889</u>	<u>5,859</u>
Assets of a subsidiary classified as held for sale	11,208	11,208	-	-
	<u>21,115</u>	<u>24,213</u>	<u>5,889</u>	<u>5,859</u>
Current liabilities				
Trade payables	1,858	1,604	-	-
Other liabilities	1,144	1,058	267	336
Provision for taxation	20	24	10	14
Obligations under finance leases	74	72	36	35
	<u>3,096</u>	<u>2,758</u>	<u>313</u>	<u>385</u>
Net current assets	18,019	21,455	5,576	5,474
Non-current liabilities				
Obligations under finance leases	163	200	50	68
Deferred tax liabilities	653	665	-	-
	<u>816</u>	<u>865</u>	<u>50</u>	<u>68</u>
Net assets	<u>21,178</u>	<u>21,124</u>	<u>13,744</u>	<u>13,638</u>
Equity attributable to equity holders of the Company				
Share capital	12,852	12,852	12,852	12,852
(Accumulated losses)/retained earnings	(799)	(900)	892	786
Revaluation reserve	9,172	9,172	-	-
Translation reserve	(47)	-*	-	-
	<u>21,178</u>	<u>21,124</u>	<u>13,744</u>	<u>13,638</u>

* Denotes less than S\$1,000.

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

As at 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
74,000	0	72,000	0

Amount repayable after one year

As at 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
163,000	0	200,000	0

Details of any collateral

Finance lease obligations are secured over the 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 31 December 2018 S\$'000	Previous Half Year 31 December 2017 S\$'000
Cash flows from operating activities		
Profit/(loss) before tax	56	(1,327)
Adjustments:		
Depreciation of property, plant and equipment	91	438
Amortisation of intangible assets	7	7
Interest expenses	5	8
Interest income	(7)	(4)
Unrealised exchange loss	(2)	13
Operating cash flows before working capital changes	150	(865)
Inventories	87	170
Trade receivables	331	546
Other receivables, deposits and prepayments	(11)	7
Trade payables	254	(314)
Other liabilities	86	(62)
Cash flows from operations	897	(518)
Interest received	7	4
Income taxes paid, net	3	2
Net cash flows generated from/(used in) operating activities	907	(512)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,163)	(15)
Down payment for renovation of factory property	(172)	-
Net cash flows used in investing activities	(3,335)	(15)
Cash flows from financing activities		
Repayment of loans and borrowings	-	(42)
Repayment of finance leases	(35)	(35)
Interest paid	(5)	(8)
Net cash flows used in financing activities	(40)	(85)
Net decrease in cash and cash equivalents	(2,468)	(612)
Effect of exchange rate changes on cash and cash equivalents	(6)	(14)
Cash and cash equivalents at beginning of period	7,048	9,685
Cash and cash equivalents at end of period	4,574	9,059

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 year ended 31 December 2018.

GROUP

	Share capital	(Accumulated losses)/ retained earnings	Revaluation reserve	Translation reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2017	12,852	803	8,320	1	21,976
Loss net of tax	-	(1,132)	-	-	(1,132)
Other Comprehensive income for the period, net of tax	-	-	-	4	4
Total comprehensive income for the period	-	(1,132)	-	4	(1,128)
Balance at 31 Dec 2017	12,852	(329)	8,320	5	20,848
Balance at 1 July 2018	12,852	(900)	9,172	-*	21,124
Profit net of tax	-	75	-	-	75
Foreign currency translation	-	-	-	(21)	(21)
Realisation of translation reserve on strike off of subsidiary	-	26	-	(26)	-
Other comprehensive income for the period, net of tax	-	26	-	(47)	(21)
Total comprehensive income for the period	-	101	-	(47)	54
Balance at 31 Dec 2018	12,852	(799)	9,172	(47)	21,178

* Denotes less than S\$1,000.

COMPANY

	Share capital	Retained earnings	Total
	S\$'000	S\$'000	S\$'000
Balance at 1 July 2017	12,852	647	13,499
Total comprehensive income for the period	-	74	74
Balance at 31 Dec 2017	<u>12,852</u>	<u>721</u>	<u>13,573</u>
Balance at 1 July 2018	12,852	786	13,638
Total comprehensive income for the period	-	106	106
Balance at 31 Dec 2018	<u>12,852</u>	<u>892</u>	<u>13,744</u>

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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\$12,852,187 as at 31 December 2018 (30 June 2018: S\$12,852,187).

There were no share options as at 31 December 2018 (30 June 2018: Nil).

There was no share held as treasury shares and subsidiary holdings or other convertible as at 31 December 2018 (30 June 2018: 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 2018, the total number of issued shares of the Company was 107,580,980 shares (30 June 2018: 107,580,980).

- 1(d)(iv) A statement showing all sales, transfers, 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 2018.

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

Not Applicable. The Company did not have any subsidiary holdings during and at the end of the current financial period reported on.

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 by the auditors.

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 2018 compared to the audited financial statements as at 30 June 2018.

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 consistently applied the same accounting policies and methods of computation in the financial statements for the financial period ended 31 December 2018 compared with those of the audited financial statements for the financial year ended 30 June 2018, except for the adoption Singapore Financial Reporting Framework (International) ("SFRS(I)") ,a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted SFRS(I) on 1 July 2018, including improvements to SFRS(I) and Interpretations of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2018, and in the period ended 31 December 2018, where applicable. The adoption of the SFRS(I) is not expected to have material impact on the financial statements in the year of initial application.

6. Earnings/(loss) 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.

Earnings/(loss) per ordinary share of the Group:	Latest Half Year 31 December 2018	Previous Half Year 31 December 2017
(a) Based on the weighted average number of ordinary shares on issue; and	0.07 cents	(1.05) cents
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	0.07 cents	(1.05) cents

Basic and diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares for basic earnings/(loss) per share computation.

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

	Latest Half Year 31 December 2018	Previous Half Year 31 December 2017
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings/(loss) per share (S\$'000)	75	(1,132)
Weighted average number of ordinary shares (in thousands) on issue applicable to basic earnings/(loss) per share	107,581	107,581
Weighted average number of ordinary shares (in thousands) applicable to diluted earnings/(loss) per share	107,581	107,581

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 December 2018	30 June 2018	31 December 2018	30 June 2018
Net asset value per ordinary share based on issued share capital of the issuer at the end of the financial period/year reported on	19.69 cents	19.64 cents	12.78 cents	12.68 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.**

**HY2019 vs HY2018
Review of Income Statement**

Revenue increased by 27.9% from S\$6.46 million in HY2018 to S\$8.26 million in HY2019. The increase was mainly due to higher sales derived from the Group's Precision Engineering Division ("PE") at S\$5.4 million, an increase of S\$0.81 million or 17.7% compared to prior corresponding period. The increase in sales in PE compared to prior year was mainly due to the higher sales arising from stronger demand from its data storage sector. In addition, the Group's Trading & Distribution Division ("T&D") also registered higher sales at S\$2.85 million in HY2019 compared to S\$1.98 million in HY2018 mainly due to higher demand from the security/access control systems business. The Group's gross profit was substantially higher at S\$1.48 million in HY2019 compared to S\$0.33 million in HY2018 resulting in higher gross profit margin of approximately 17.9% in HY2019. This was mainly due to better economy of scale achieved as a result of the increase in turnover, higher machine utilization as well as reduction in production overhead mainly arising from lower depreciation expense and payroll cost. The decrease in depreciation expense by approximately S\$0.35 million in HY2019 was mainly due to decrease in depreciation charge by S\$0.13 million on plant and machinery as more machines became fully depreciated as well as the absence of depreciation charge of approximately S\$0.22 million on the leasehold property in HY2019 following the reclassification of the leasehold property of a wholly-owned subsidiary of S\$11.21 million to assets of a subsidiary classified as held for sale in the second half of the previous financial year FY2018.

The lower other operating expenses in HY2019 of S\$0.04 million compared to S\$0.31 million in the previous corresponding period was due to decrease in foreign exchange loss by S\$0.27 million in HY2019 arising from the strengthening of USD against SGD during HY2019. Other operating income decreased by S\$6,000 mainly due to absence of government grant in HY2019.

The increase in distribution and selling expenses by S\$0.13 million to S\$0.63 million was mainly due to higher payroll cost and freight charges in HY2019 in line with the higher turnover. The prior period comparatives was restated due to reclassification of sales commission expense to offset against revenue in accordance with the implementation of SFRS(I) 15 in HY2019. The lower administrative expenses of S\$0.78 million in HY2019 compared to S\$0.87 million in the previous corresponding period was mainly due to lower payroll expenses, audit and professional fees in HY2019. The decrease in financial expenses by approximately S\$3,000 in HY2019 was the result of reduced interest expenses arising from the lower finance lease obligations during HY2019 compared to HY2018.

A profit before tax of approximately S\$0.06 million was registered for HY2019 compared to a loss before tax of S\$1.33 million in the previous corresponding period. The higher tax credit of S\$0.20 million in HY2018 was due to the decrease in the deferred tax liabilities mainly arose from higher tax losses balance as at 31 December 2017. The profit after tax for HY2019 was approximately S\$0.08 million while loss after tax for HY2018 was S\$1.13 million. The Group's basic and diluted earnings per share were both 0.07 cents for HY2019 versus basic and diluted loss per share of 1.05 cents in the prior corresponding period.

Review of Financial Position

The increase in property, plant and equipment by S\$3.45 million was mainly due to the completion of the acquisition of a factory property in Johor Malaysia by the Group's new subsidiary in Malaysia as announced on 12 December 2018, 22 October 2018 and 23 March 2018.

The lower trade receivables by S\$0.33 million as at 31 December 2018 versus 30 June 2018 was mainly due to faster collection of trade receivables in HY2019 versus FY2018. The slight decrease in inventories by S\$0.09 million was mainly due to higher inventories turnover arising from higher turnover in HY2019. The decrease in prepayment by S\$0.21 million was mainly due to the reclassification of the down payment of S\$0.39 million for the acquisition of the factory property in Johor Malaysia to property, plant and equipment as the acquisition was completed as explained earlier. This decrease was partially offset by the down payment of S\$0.17 million made in HY2019 for the renovation of the new factory building in Johor. The increase in trade payables by S\$0.25 million was in line with the higher cost of sales in HY2019. The increase in other liabilities by approximately S\$0.09 million was mainly due to higher accruals of payroll expenses and sales commission in HY2019.

The decrease in cash and cash equivalent by S\$2.48 million from S\$7.05 million to S\$4.57 million is explained in the cash flow explanation in the following paragraph below. The decrease in finance lease obligations by approximately S\$0.04 million was a result of repayments made during FY2019.

Review of Cash Flow

The Group's operations generated net cash flows from operating activities of approximately S\$0.91 million in HY2019 compared to net cash flows used in operating activities of S\$0.51 million in the previous corresponding period. This was mainly attributable to a profit before tax recorded in HY2019 instead of a loss before tax in the corresponding period as well as decrease in trade receivables and inventories balances and increase in trade payables and other liabilities balances as at 31 December 2018.

Net cash used in investing activities was higher at S\$3.34 million in HY2019 compared to S\$0.02 million in HY2018 mainly as a result of the full payment of S\$3.16 million for the acquisition of a factory property in Johor Malaysia and down payment of S\$0.17 million for renovation of factory in HY2019.

The decrease in net cash used in financing activities during the period by S\$0.04 million to S\$0.04 million was mainly due to the absence of repayments of bank borrowings in HY2019 compared to previous corresponding period.

Overall, cash and cash equivalents decreased by S\$2.48 million during HY2019 to S\$4.57 million as at 31 December 2018 compared to the balance of S\$7.05 million as at 30 June 2018.

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

Not applicable.

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 and demanding going forward in the current financial year ending 30 June 2019 ("FY2019"). Challenges remain in terms of pricing and costs as well as foreign exchange volatility as in prior periods.

As part of its effort for cost rationalization and optimisation and streamlining of the Group's operations, the Group had completed its acquisition of a new factory property in Johor Malaysia (as announced on 12 December 2018) and is currently renovating the new factory in preparation for the relocation of its current manufacturing facility from Singapore to this new factory for better management of cost and availabilities of labour in the long term which will also enhance the Group's competitiveness.

In relation to the proposed disposal of its leasehold factory property in Singapore ("Proposed Disposal") in line with the Group's strategy to relocate its current manufacturing facility from Singapore to Johor, the Group is continuing its efforts to look for potential buyers for the Proposed Disposal. In addition, the Board and the Management will continue to seek opportunities which offer potential growth for the Group and enhancement of value for the Shareholders as and when appropriate.

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 and the reason(s) for the decision.

The Board has not declared or recommended any dividend in respect of the six months period ended 31 December 2018 so as to conserve cash for working capital and capital expenditure purposes.

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 Pursuant to Rule 720(1) of the Catalist Rules

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7(H) under Rule 720(1) of the Catalist Rules.

15. 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 2018 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
14 February 2019

*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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