

**CIRCULAR DATED 10 JANUARY 2017**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

This Circular is issued by Santak Holdings Limited (“**Santak**” or the “**Company**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Asian Corporate Advisors Pte. Ltd., (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Circular, including the accuracy, completeness or correctness of any of the figures used, statements or opinions made. The contact person for the Sponsor is Ms Foo Quee Yin. Telephone number: (65) 6221 0271.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the statements made, opinions expressed or reports contained in this Circular.



**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST OF SANTAK METAL MANUFACTURING (WUXI) CO., LTD., AN INDIRECT WHOLLY OWNED SUBSIDIARY OF THE COMPANY**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	24 January 2017 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	26 January 2017 at 10.30 a.m.
Place of Extraordinary General Meeting	:	31 Senoko South Road Woodlands East Industrial Estate Singapore 758084

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

- “Act”** : The Companies Act, Chapter 50 of Singapore, as amended, varied or supplemented from time to time
- “Adjusted Consideration”** : Has the meaning ascribed to it in paragraph 3.2 of this Circular
- “Adjustments”** : Has the meaning ascribed to it in paragraph 3.2 of this Circular
- “Announcement”** : The announcement by the Company dated 24 November 2016 that the Vendor had entered into the SPA with the Purchaser in respect of the Proposed Disposal
- “Annual Report”** : The annual report of the Company
- “Associate”** : a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board” or “Directors”** : The board of directors of the Company or the directors of the Company as at the date of this Circular
- “Business Day(s)”** : A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore, Hong Kong, and the PRC
- “Catalist”** : The sponsored-supervised listing platform of the SGX-ST
- “Catalist Rules”** : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 10 January 2017 in relation to the Proposed Disposal

<b>“Company”</b>	:	Santak Holdings Limited (Company Registration Number: 200101065H)
<b>“Completion”</b>	:	The completion of the sale and purchase of the Equity Interest pursuant to paragraph 3.4 of this Circular
<b>“Completion Date”</b>	:	Has the meaning ascribed to it in paragraph 3.2 of this Circular
<b>“Conditions”</b>	:	Has the meaning ascribed to it in paragraph 3.3 of this Circular
<b>“Consideration”</b>	:	Has the meaning ascribed to it in paragraph 3.2 of this Circular
<b>“Constitution”</b>	:	The Constitution of the Company, being the Memorandum and Articles of Association of the Company
<b>“Controlling Shareholder(s)”</b>	:	A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder; or</li> <li>(b) in fact exercises control over the Company</li> </ul>
<b>“EGM” or “Extraordinary General Meeting”</b>	:	The extraordinary general meeting of the Company to be held on 26 January 2017, notice of which is set out on pages 23 to 24 of this Circular
<b>“Equity Interest”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“Force Majeure”</b>	:	An event beyond the control of and not caused by the acts or omissions of the party claiming, including without limitation, acts of God, acts of civil or military authority, fires, strikes, lockouts, epidemics, governmental restrictions, the unreasonable and unforeseeable delay or failure of governmental authorities to grant approvals or issue permits or licences, changes to applicable laws existing as at the date hereof, wars, terrorist acts, riots, earthquakes, storms, typhoons, floods and breakdowns in electronic and computer information and communications systems.
<b>“FY”</b>	:	Financial year ended, or ending (as the case may be) on 30 June
<b>“Group”</b>	:	The Company and its subsidiaries, collectively
<b>“Latest Practicable Date”</b>	:	4 January 2017, being the latest practicable date prior to the printing of this Circular
<b>“Long Stop Date”</b>	:	The date falling five (5) months after the date of the SPA
<b>“LPS”</b>	:	Loss per Share
<b>“MOFCOM”</b>	:	Ministry of Commerce of the PRC or its local counterpart
<b>“NAV”</b>	:	Net asset value

“Notice of EGM”	:	The notice of the EGM as set out on pages 23 to 24 of this Circular
“NTA”	:	Net tangible assets
“PRC”	:	The People’s Republic of China
“Proposed Disposal”	:	The proposed disposal of 100% equity interest of Santak Wuxi by the Vendor to the Purchaser
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Purchaser”	:	LY Investment (HK) Limited (领益 (香港) 有限公司)
“SAIC”	:	The State Administration for Industry and Commerce and its local counterpart
“Santak Wuxi”	:	Santak Metal Manufacturing (Wuxi) Co., Ltd.
“Securities Account”	:	A securities account maintained by a Depositor with CDP, but does not include securities sub-accounts maintained with a depository agent
“SFA”	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNET”	:	The corporate announcement system maintained by the SGX- ST for the submission of announcements by listed companies
“Shareholder(s)”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “ <b>Shareholders</b> ” shall, in relation to such Shares and where the context so admits, mean the Depositors in the Depository Register maintained by the CDP and whose Securities Accounts are credited with those Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Shares”	:	The issued and paid-up ordinary shares in the capital of the Company
“SPA”	:	The sale and purchase agreement dated 24 November 2016 entered into between the Vendor and the Purchaser in relation to the Proposed Disposal
“Substantial Shareholder(s)”	:	A person (including a corporation) who has an interest (directly or indirectly) in not less than five per cent. (5%) of the voting shares in the Company
“Vendor”	:	Santak Metal Manufacturing Pte Ltd, a wholly owned subsidiary of the Company
“Vendor’s Account”	:	Has the meaning ascribed to it in paragraph 3.2 of this Circular

“%” or “per cent.”	:	Per centum or percentage
“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$” and “cents”	:	Singapore dollars and cents, the lawful currency of the Republic of Singapore
“USD”	:	United States dollars and cents, the lawful currency of the United States of America

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Catalist Rules as for the time being, unless otherwise stated.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Act, the SFA, the Catalist Rules or any relevant laws of the Republic of Singapore or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA, the Catalist Rules or any relevant laws of the Republic of Singapore or any statutory modification thereof as the case may be, unless the context requires otherwise.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

# SANTAK HOLDINGS LIMITED

(Company Registration Number: 200101065H)  
(Incorporated in the Republic of Singapore)

## Directors:

Mr Lee Keen Whye (Non-Executive Chairman/Independent Director)  
Mr Tan Chee Hawaii (Group Managing Director)  
Mr Ng Weng Wei (Executive Director)  
Mr Tan Sin Hock (Executive Director)  
Mdm Heng Kheng Hwai (Non-Executive Director)  
Mr Ch'ng Jit Koon (Independent Director)

## Registered Office:

31 Senoko South Road,  
Woodlands East Industrial Estate  
Singapore 758084

10 January 2017

To: **The Shareholders of Santak Holdings Limited**

Dear Sir/Madam

## **PROPOSED DISPOSAL OF 100% EQUITY INTEREST OF SANTAK METAL MANUFACTURING (WUXI) CO., LTD., AN INDIRECT WHOLLY OWNED SUBSIDIARY OF THE COMPANY**

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### 1. INTRODUCTION

On 24 November 2016, the Company announced that the Vendor had entered into the SPA with the Purchaser in relation to the Proposed Disposal.

The purpose of this Circular is to provide Shareholders with information on the Proposed Disposal, and to seek approval of the Shareholders at the EGM for the matters set out in the Notice of EGM on pages 23 to 24 of this Circular.

### 2. INFORMATION ON SANTAK WUXI AND THE PURCHASER

#### 2.1 Information on Santak Wuxi

Santak Wuxi is a limited liability company incorporated and existing under the laws of the PRC and having its registered address at Plants 22-2 and 23, Wang Zhuang Industrial Park, Wuxi New District and is a wholly owned subsidiary of the Vendor.

Santak Wuxi is engaged in the manufacturing of the precision machined components, sub-assembly, die casting, as well as mould/fixture design and fabrication and its products are mainly used in consumer electronic devices, telecommunication devices, fibre-optics connectors, mobile phones, optical instrument devices, medical equipment, connectors/contacts as well as computer peripherals. Santak Wuxi recorded net loss after tax of approximately S\$21.07 million and S\$2.78 million for FY2016 and FY2015 respectively. The net asset value and net tangible asset value of Santak Wuxi as at 30 June 2016 are approximately S\$27.1 million and S\$27.1 million respectively.

The summary of the audited statement of financial performance and position of Santak Wuxi for FY2016 and FY2015 are set out below:

#### **Santak Wuxi - Statement of financial performance**

<b>S\$'000</b>	<b>FY2016</b>	<b>FY2015</b>
Revenue	14,915	44,497
Cost of sales	(30,616)	(43,430)
Gross (loss)/profit	(15,700)	1,067
Loss before taxation	(16,010)	(2,782)
Loss after taxation	(21,065)	(2,782)

### **FY2016 vs FY2015**

During FY2016, Santak Wuxi recorded revenue of approximately S\$14.9 million, a decline of approximately S\$29.6 million (or 66.5%) from approximately S\$44.5 million in FY2015 which was mainly due to lower orders arising from weaker demand for the consumer electronics sector in China operations. Santak Wuxi's cost of sales declined by approximately S\$12.8 million (or 29.5%) to approximately S\$30.6 million in FY2016.

Santak Wuxi recorded gross loss of approximately S\$15.7 million in FY2016 as compared to a gross profit in FY2015 of approximately S\$1.1 million, mainly due to a significant decrease in revenue coupled with substantial selling price erosions particularly during second half of FY2016 ("2H2016"), as well as the substantial fixed operating overheads arising from additional two factory facilities set up in FY2015 for the precision machined component projects and the on-going efforts to restructure the Group's business.

As a result of the above and an income tax expense of approximately S\$5.1 million in FY2016 (which arose mainly from the de-recognition of deferred tax assets of approximately S\$5.0 million), Santak Wuxi registered a loss after tax of approximately S\$21.1 million in FY2016 as compared to a loss after tax of approximately S\$2.8 million in FY2015.

### **Santak Wuxi - Statement of financial position**

<b>S\$'000</b>	<b>As at end of FY2016</b>	<b>As at end of FY2015</b>
Current assets	22,608	52,080
Non-current assets	15,678	24,112
Current liabilities	11,221	34,373
Net asset value	27,065	41,819

### **FY2016 vs FY2015**

Santak Wuxi's current assets decreased by approximately S\$29.5 million (or 56.6%) from approximately S\$52.1 million as at 30 June 2015 to approximately S\$22.6 million as at 30 June 2016 mainly due to the decrease in both the trade debtors and inventories by a total of approximately S\$29.1 million arising from the decline in sales especially in 2H2016, whilst non-current assets declined by approximately S\$8.4 million (or 35.0%) from approximately S\$24.1 million as at 30 June 2015 to approximately S\$15.7 million as at 30 June 2016 mainly due to the de-recognition of deferred tax assets of approximately S\$5.0 million as well as depreciation expense of approximately S\$4.2 million and partially offset by fixed assets addition during FY2016.

Santak Wuxi's liabilities consist of only current liabilities for the period under review, which declined by approximately S\$23.2 million (or 67.4%) from approximately S\$34.4 million as at 30 June 2015 to approximately S\$11.2 million as at 30 June 2016 mainly due to decrease in trade payables by approximately S\$18.6 million in view of the decline in sales as well as decrease in other liabilities by approximately S\$4.6 million mainly as a result of lower provision for payroll cost and other payables for renovation as at 30 June 2016 as compared to 30 June 2015.

No valuation has been conducted by the Company in respect of Santak Wuxi for the purpose of the Proposed Disposal. The Board is of the opinion that a formal valuation in respect of Santak Wuxi was not required in view of the following: (a) the key benefit for the Group is that upon completion of the Proposed Disposal, the proceeds received would be utilised to reduce significantly its existing borrowings (approximately S\$29.7 million as at 30 June 2016) to a manageable level of between approximately S\$0.4 million to S\$3.6 million, hence it would allow the Group to substantially reduce its liabilities (as well as contingent liabilities, in terms of the corporate guarantees issued by the Company in favour of certain financial institutions for banking and finance lease liabilities granted to and utilised by a subsidiary company) as well as improve the Group's balance sheet in terms of gearing ratio from approximately 1.33 times as at 30 June 2016 to between approximately 0.02 – 0.15 times as the Group's borrowings would be significantly reduced (please refer to paragraph 8 for further details); (b) the Adjusted Consideration for the Proposed Disposal is higher than and represents a premium of approximately 5.5% over the NAV of Santak Wuxi of approximately S\$27.1



million as at 30 June 2016, while the Shares of the Company were last traded at S\$0.14 as at 26 September 2016 (being the last trading day for the Shares preceding the date of Announcement of the Proposed Disposal) which is well below the Group's NAV per Share of S\$0.21 as at 30 June 2016; and (c) the rationale of the Proposed Disposal including *inter alia* significant reduction of the Group's existing borrowings, improvement of the Group's financial position, reasonableness of the Consideration or the Adjusted Consideration *vis a vis* the Company's market capitalisation, and opportunity to monetize the Company's investment in Santak Wuxi considering the current and prevailing market conditions. Please refer to paragraph 4 for further details on the rationale of the Proposed Disposal.

## 2.2 Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong and having its registered office at Flat C 22/F Blk 3 Hong Kong Gold Coast, Phase 1A, T.M.T.L.238, So Kwun Wat, Tuen Mun, N.T., Hong Kong. The Purchaser is part of the TriumphLead Group (领胜集团) which is primarily engaged in computer numerical control precision machining, mould/fixture cutting, metal stamping, equipment manufacturing and medical sector covering electronics, electrical appliances manufacturing, computers, communications, automotive, medical, transportation and other fields. The TriumphLead Group has six production bases in Shenzhen, Suzhou, Chengdu, Langfang, Dongtai and Dongguan in PRC.

The Purchaser is an independent third party and is not in any way related to the Group. The Purchaser is not related to any of the Directors or Controlling Shareholders of the Company or their Associates (as defined in the Catalist Rules). Neither the Directors nor the Controlling Shareholders of the Company have any relationship, direct or indirect, with the Purchaser, its directors and/or its shareholders.

## 3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

### 3.1 Sale and Purchase

Subject to the terms and conditions of the SPA, the Vendor shall sell as legal and beneficial owner and the Purchaser shall purchase the 100% equity interest of Santak Wuxi ("**Equity Interest**"), free from all encumbrances (being any mortgage, assignment of receivables, debenture, lien, hypothecation, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or other similar right, right of first refusal, or any other encumbrance or condition), and together with all rights, dividends and entitlements as of and including the Completion Date.

### 3.2 Consideration

The consideration for the Equity Interest is US\$21,000,000 ("**Consideration**"). However, subject to the adjustments ("**Adjustments**") as provided for in the SPA, the Consideration may be adjusted ("**Adjusted Consideration**") as set out in point (c) below.

The Consideration shall be paid by the Purchaser in US\$ in accordance with the following provisions:

- (a) within seven (7) Business Days after the date of the SPA, the Purchaser shall pay a first instalment of US\$5,200,000 to the Vendor by telegraphic transfer to the bank account designated by the Vendor ("**Vendor's Account**");
- (b) on the date falling five (5) Business Days after the date on which the Conditions set out in paragraph 3.3 below have been fulfilled or such other date as both the Vendor and the Purchaser may mutually agree in writing ("**Completion Date**"), the Purchaser shall pay the remaining Consideration of US\$15,800,000 to the Vendor by telegraphic transfer to the Vendor's Account; and

- (c) in addition to the Consideration, on the Completion Date, the Purchaser shall pay to the Vendor, based on the unaudited balance sheet of Santak Wuxi as at the Completion Date (to be provided by the Vendor on the Completion Date):
  - (i) an amount equal to the total account receivables plus cash balance minus the total account payables. If the amount is negative, this amount shall be deducted from the Consideration; and
  - (ii) an amount equal to the aggregate amount of deposits and prepayments paid by or on account of Santak Wuxi in respect of leased premises, utilities services, insurance policies, professional services contracts, maintenance and services contracts and such similar amounts.

Computed based on the Consideration of US\$21.0 million (or approximately S\$29.95 million based on the exchange rate of US\$1: S\$1.426 as at 23 November 2016 being the Business Day immediately preceding the date of SPA), the Consideration is approximately S\$2.85 million in excess of the net book value of Santak Wuxi of approximately S\$27.1 million as at 30 June 2016. For illustrative purpose only, in the event the adjustments as highlighted in (c) above are taken into account, the Adjusted Consideration will be approximately US\$20 million (or approximately S\$28.6 million based on the exchange rate of US\$1: S\$1.426 as at 23 November 2016) which is approximately S\$1.5 million in excess of the net book value of Santak Wuxi of approximately S\$27.1 million as at 30 June 2016.

The Proposed Disposal is part of an ongoing restructuring involving the Group's business. The Consideration was arrived at after an arms-length negotiation and on a willing seller and willing buyer basis taking into account, *inter alia*, the net book value of Santak Wuxi as at 30 June 2016 and the fact that Santak Wuxi has been in the loss making position in FY2014 - FY2016.

Based on the audited consolidated financial statements of the Group for FY2016 and the Adjusted Consideration, the Group will recognise a gain of approximately S\$2.5 million from the Proposed Disposal subject to any accounting adjustments which may be necessary upon the finalisation of the transaction.

### 3.3 Conditions Precedent

Completion of the sale and purchase of the Equity Interest is conditional upon the following conditions ("**Conditions**") having been fulfilled:

- (a) The Company having received the approval of its Shareholders in a general meeting of the transaction contemplated under the SPA, or the SGX-ST granting a waiver of the requirement for such Shareholders' approval;
- (b) the SPA and the new articles of association of Santak Wuxi having been approved by MOFCOM and Santak Wuxi having received its new certificate of approval or filing receipt from MOFCOM reflecting the Purchaser as its sole shareholder;
- (c) Santak Wuxi having received its new business license, reflecting the Purchaser as its sole shareholder; and
- (d) all other consents and approvals required under all applicable laws and relevant agreements for the sale of the Equity Interest and to give effect to the transaction contemplated under the SPA (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Vendor or Santak Wuxi is a party or by which the Vendor or Santak Wuxi or their assets are bound) being obtained.

Each of the Vendor and the Purchaser shall use its best efforts to procure the fulfilment of the Conditions by the Long Stop Date or such other date as the Vendor and the Purchaser shall mutually agree in writing. If any of the Conditions is not fulfilled by the Long Stop Date or such other date as the Vendor and the Purchaser shall mutually agree in writing, the SPA shall be terminated in accordance with terms and conditions of the SPA.

The Vendor and the Purchaser will jointly handle all necessary approval and registration procedures for the transaction contemplated hereunder, including but not limited to obtaining approval from MOFCOM and completing the registration with SAIC.

### **3.4 Completion**

Subject to paragraph 3.3 above, Completion of the Proposed Disposal shall take place on the Completion Date at the office of Santak Wuxi (or at such other place as the Vendor and the Purchaser may agree).

On the Completion Date, the Vendor shall deliver the documents and/or items set out in the SPA to the Purchaser at the registered office of Santak Wuxi (or such other place agreed by the Vendor and the Purchaser).

On the Completion Date, the Purchaser shall pay the amounts referred to in paragraph 3.2 above.

Unless otherwise provided in the SPA, all contracts, agreements and other documents executed by Santak Wuxi prior to Completion as well as all debts and liabilities incurred by Santak Wuxi prior to Completion shall continue to be assumed by Santak Wuxi after Completion.

### **3.5 Vendor's Undertakings**

3.5.1 Subject to completion of the Proposed Disposal pursuant to paragraph 3.4 above, from the date of the SPA to the date falling 12 months after the Completion Date, the Vendor undertakes to the Purchaser that it:

- (a) shall not, without the prior written consent of the Purchaser, dispose of, or agree to dispose of, create or have outstanding any encumbrance over any production machines owned by the Vendor; and
- (b) shall perform email verification of the trade account receivables balances of Santak Wuxi as at the Completion Date with the respective customers.

3.5.2 On or before the Completion Date, the Vendor shall ensure the waiver of all intercompany loan amounts between the Vendor and Santak Wuxi.

### **3.6 VENDOR'S REPRESENTATIONS AND WARRANTIES**

The Vendor represents, warrants and undertakes to the Purchaser under the SPA that:

- (a) the Vendor is currently the legal and beneficial owner of the Equity Interest which represents 100% of the registered capital of Santak Wuxi;
- (b) the Equity Interest representing 100% registered capital of Santak Wuxi has been fully paid up;
- (c) the Vendor is entitled to sell the Equity Interest together with all rights, dividends and entitlements attaching thereto to the Purchaser, and to the best of the Vendor's knowledge, as at the date of the SPA there are no encumbrances existing over the Equity interest;
- (d) it has full power and authority to execute and deliver the SPA and to consummate the transactions contemplated and that the SPA constitute its valid and legally binding obligations, enforceable against it. The execution and delivery of, and the performance by the Vendor of its obligations under the SPA shall not:
  - (i) result in a breach of the articles of association of the Vendor and/or Santak Wuxi and do not infringe, or constitute a default under, any instrument, contract, document or agreement to which any of the Vendor and/or Santak Wuxi is a party or by which the Vendor, Santak Wuxi or their respective assets are bound; or

- (ii) result in a breach of any law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including, without limitation, any relevant stock exchange or securities council) to which any of the Vendor and/or Santak Wuxi is a party or by which the Vendor, Santak Wuxi or their respective assets are bound;
- (e) the audited accounts and the management accounts of Santak Wuxi have been prepared in accordance with all applicable laws and accounting standards, policies, principles and practices generally accepted at the date hereof in the PRC; and
- (f) without prejudice to any other remedy available to the Purchaser, within one (1) year commencing from the Completion Date, the Vendor shall compensate the Purchaser for losses arising from material liabilities claimed by a third party in relation to Santak Wuxi existing before the Completion Date that are undisclosed in the management accounts at the time of Completion.

### 3.7 PURCHASER'S REPRESENTATIONS AND WARRANTIES

The Purchaser represents, warrants and undertakes to the Vendor under the SPA that:

- (a) the Purchaser has sufficient funds to conduct the transaction contemplated hereunder and it will pay the Consideration in accordance with the provisions in the SPA; and
- (b) it has full power and authority to execute and deliver the SPA and to consummate the transaction contemplated and that the SPA constitutes its valid and legally binding obligations, enforceable against it. The execution and delivery of, and the performance by the Purchaser of its obligations under the SPA shall not:
  - (i) result in a breach of the articles of association of the Purchaser and do not infringe, or constitute a default under, any instrument, contract, document or agreement to which any of the Purchaser is a party or by which the Purchaser or its assets are bound; or
  - (ii) result in a breach of any law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including, without limitation, any relevant stock exchange or securities council) to which any of the Purchaser is a party or by which the Purchaser or its assets are bound.

The Purchaser has acknowledged, agreed and confirmed that save for the representations and warranties made by the Vendor in paragraph 3.6 above, the Purchaser has not relied on and the Vendor makes no other representations or warranties in relation to Santak Wuxi, the Equity Interest or itself.

### 3.8 Termination

Unless otherwise agreed, if the Vendor or the Purchaser (the "**Party**" or collectively known as the "**Parties**") is in breach of the SPA or any of its representations or warranties is found to be untrue or false, the non-breaching Party may claim against the breaching Party for all losses arising from such breach.

Before Completion, under any of the following circumstances, either Party may immediately terminate the SPA by giving the other Party a written notice and no Party shall be liable against each other:

- (a) any Condition precedent as described in paragraph 3.3 above is not fulfilled by the Long Stop Date or any other date agreed by the Parties in writing for a reason not attributable to the fault of any of the Parties; or
- (b) an event of *Force Majeure* occurs and lasts for more than consecutive ninety (90) days prior to Completion.

Before Completion, under any of the following circumstances, the Vendor may immediately terminate the SPA by giving the Purchaser a written notice and require the Purchaser to pay liquidated damages of US\$1,000,000 to the Vendor:

- (a) any Condition precedent set out in paragraph 3.3 above is not fulfilled by the Long Stop Date or any other date agreed by the Parties in writing for a reason attributable to the fault of the Purchaser;
- (b) the Purchaser fails to perform any of its obligations under paragraph 3.2 above and no remedy has been made within fourteen (14) days after receiving a written notice from the Vendor;
- (c) the Purchaser fails to proceed to Completion in accordance with the SPA and no remedy has been made within fourteen (14) days after receiving a written notice from the Vendor; or
- (d) the Purchaser breaches any other provisions of the SPA, including but not limited to a breach of any representations, warranties or undertakings made by it in paragraph 3.7 above, and no remedy has been made within fourteen (14) days after receiving a written notice from the Vendor.

Before Completion, under any of the following circumstances, the Purchaser may immediately terminate the SPA by giving the Vendor a written notice and require the Vendor to pay liquidated damages of US\$1,000,000 to the Purchaser:

- (a) any Condition precedent set out in paragraph 3.3 above is not fulfilled by the Long Stop Date or any other date agreed by the Parties in writing for a reason attributable to the fault of the Vendor;
- (b) the Vendor fails to proceed to Completion in accordance with the SPA and no remedy has been made within fourteen (14) days after receiving a written notice from the Purchaser; or
- (c) the Vendor breaches any other provisions of the SPA, including but not limited to a breach of any representations, warranties or undertakings made by it in paragraph 3.6 above, and no remedy has been made within fourteen (14) days after receiving a written notice from the Purchaser.

In an event if the Vendor delays in proceeding to Completion as set out in paragraph 3.4 above, the Purchaser shall have the right to request the Vendor to continue to perform its obligations under the SPA and the Vendor shall pay liquidated damages to the Purchaser at 0.2% of the total Consideration for each day delayed.

In an event if the Purchaser delays in performing any of its obligations as set out in paragraph 3.2 above or proceeding to Completion as provided in paragraph 3.4 above, the Vendor shall have the right to request the Purchaser to continue to perform its obligations under the SPA and the Purchaser shall pay liquidated damages to the Vendor at 0.2% of the total Consideration for each day delayed.

#### **4. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS**

##### **4.1 Rationale**

The Proposed Disposal resulted from the ongoing business restructuring plan which was announced on 29 August 2016 and 22 September 2016. The Board is of the view that the Proposed Disposal is in the best interest of the Company and the Shareholders after taking into account the financial position (including *inter alia* breach of the financial covenants) and business prospects of the Group as a whole and the weak financial performance of Santak Wuxi (loss making for FY2014 - FY2016) which resulted from the weak demand for its China's operation. The Proposed Disposal would allow the Company to monetize its investment in Santak Wuxi and subsequently reduce significantly its existing borrowings (approximately S\$29.7 million as at 30 June 2016) to a manageable level of between approximately S\$0.4 million to S\$3.6 million, hence it would allow the Group to substantially reduce its liabilities (as well as contingent liabilities, in terms of the corporate

guarantee issued by the Company in favour of certain financial institutions for banking and finance lease liabilities granted to and utilised by a subsidiary company) as well as improve the Group's balance sheet in terms of gearing ratios from approximately 1.33 times as at 30 June 2016 to between approximately 0.02 – 0.15 times as the Group's borrowings would be significantly reduced.

The Board has also considered the following factors in deciding to enter into the Proposed Disposal:-

- (i) As stated in the results announcement for FY2016 (announced on 29 August 2016) and the announcement dated 10 October 2016 as well as disclosed in the Annual Report for the Group for FY2016, during FY2016, the Group breached covenants in respect of its term loans. The Company's subsidiary did not fulfil the requirements to maintain a minimum consolidated tangible net worth of S\$35 million for certain term loans and a minimum consolidated tangible net worth of S\$27 million for another term loan. Due to the breach of covenant clauses, the banks are contractually entitled to request for immediate repayment of the outstanding loan amounts.

One of the banks constituting 91% of the total outstanding bank loans had agreed to accommodate the breach on a one off basis for 3 months from 29 August 2016. The remaining bank granted an indulgence on the covenant breach. Subsequently, both banks have lowered the minimum consolidated tangible net worth covenants to S\$15 million so that the Group is no longer in breach of the bank covenants.

As such, the proceeds from the Proposed Disposal will be utilised to, *inter alia*, reduce the Group's borrowings and thereby strengthen the financial position of the Group.

- (ii) The Adjusted Consideration constitutes approximately 1.9 times the market capitalisation of the Company of approximately S\$15.1 million as at 26 September 2016, being the last trading day for the Shares preceding the date of Announcement of the Proposed Disposal.
- (iii) The Adjusted Consideration for the Proposed Disposal is higher than and represents a premium of approximately 5.5% over the NAV of Santak Wuxi of approximately S\$27.1 million as at 30 June 2016, while the Shares of the Company were last traded at S\$0.14 as at 26 September 2016 (being the last trading day for the Shares preceding the date of Announcement of the Proposed Disposal) which is well below the Group's NAV per Share of S\$0.21 as at 30 June 2016.
- (iv) Santak Wuxi requires significant capital injection for growth and development which the Group faces challenges raising in view of the current economic environment and the Group's current debt servicing obligations.

Based on the above, the Board is of the view that the Proposed Disposal is an attractive opportunity for the Company to monetize its investment in Santak Wuxi in light of the current and prevailing market conditions (including the fact that Santak Wuxi has been in the loss making position for FY2014 - FY2016), and is being entered into by the Group as part of its strategy to unlock value for the Shareholders.

#### **4.2 Use of proceeds**

For illustrative purpose only, assuming the Proposed Disposal had been completed on 30 June 2016, the Group intends to utilise the estimated net proceeds of approximately S\$28.3 million (based on the Adjusted Consideration of approximately S\$28.6 million as at 30 June 2016 and after taking into account estimated expenses of approximately S\$0.3 million) for the following purposes:-

- (i) Based on total loans and borrowings balance outstanding of approximately S\$29.3 million as at 30 June 2016, up to S\$25.0 million from the estimated net proceeds will be utilised for the repayment of the Group's term loans (please refer to the statements of financial position of the Remaining Entities on page 16 and its footnotes).

- (ii) The balance (amount of which will depend on, *inter alia*, the actual proceeds to be received and the actual repayment amount for the Group's term loans described in point (i) above), will be utilised for the Group's general corporate and working capital (including, *inter alia*, the Group's other remaining debt obligations).

Pending deployment of the proceeds from the Proposed Disposal for such purposes, the proceeds may be placed in deposits with banks or financial institutions as the Directors may, in their absolute discretion, deem fit.

## 5. REMAINING BUSINESS UPON COMPLETION OF THE PROPOSED DISPOSAL

### 5.1 Remaining Entities

Upon completion of the Proposed Disposal, the Company shall continue with its Singapore operations under the following subsidiaries:-

- (i) Santak Metal Manufacturing Pte Ltd, a wholly owned subsidiary of the Company, which is mainly engaged in the manufacturing of the precision machined components; and
- (ii) Santak Industrial Pte Ltd, a wholly owned subsidiary of the Company, which is mainly engaged in the trading and distribution of electronic, electrical and mechanical components/products.

The Company, Santak Metal Manufacturing Pte Ltd and Santak Industrial Pte Ltd are referred as the "**Remaining Entities**".

For illustrative purpose only, the summary of the pro-forma financial performance for FY2016, and FY2015 and pro-forma financial position of the Remaining Entities as at end of FY2016 are set out below:

#### Remaining Entities - Statement of financial performance

<b>S\$'000</b>	<b>FY2016</b>	<b>FY2015</b>
Revenue	48,695	58,651
Cost of sales	(45,435)	(54,127)
Gross profit	3,260	4,524
Loss before taxation	(1,715)	(516)
Loss after taxation	(1,511)	(510)

Remaining Entities - Statement of financial position

		Full repayment scenario <sup>(1)</sup>	Minimum repayment scenario <sup>(2)</sup>
S\$'000	Audited as at end of FY2016	Pro-forma after Proposed Disposal	Pro-forma after Proposed Disposal
<b>Non-current assets</b>			
Property, plant and equipment	12,068	12,068	12,068
Intangible assets	92	92	92
<b>Total Non-current Assets</b>	<b>12,160</b>	<b>12,160</b>	<b>12,160</b>
<b>Current assets</b>			
Restricted fixed deposits	3,509	-	-
Inventories	1,810	1,810	1,810
Prepayments	76	76	76
Trade receivables	7,684	6,869	6,869
Other receivables	1	1	1
Tax credit	29	29	29
Cash and cash equivalents	5,216	8,770	11,941
	18,325	17,555	20,726
Assets of subsidiary classified as held for sale	38,286	-	-
<b>Total current assets</b>	<b>56,611</b>	<b>17,555</b>	<b>20,726</b>
<b>Total Assets</b>	<b>68,771</b>	<b>29,715</b>	<b>32,886</b>
<b>Current liabilities</b>			
Trade payables	1,226	1,226	1,226
Other liabilities	2,394	2,394	2,394
Loans and borrowings	29,317	-	3,171
Obligations under finance lease	66	66	66
	33,003	3,686	6,857
Liabilities of subsidiary classified as held for sale	11,221	-	-
<b>Total current liabilities</b>	<b>44,224</b>	<b>3,686</b>	<b>6,857</b>
<b>Net current assets</b>	<b>12,387</b>	<b>13,869</b>	<b>13,869</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	339	339	339
Deferred tax liabilities	1,832	1,832	1,832
<b>Total non-current Liabilities</b>	<b>2,171</b>	<b>2,171</b>	<b>2,171</b>
<b>Total Liabilities</b>	<b>46,395</b>	<b>5,857</b>	<b>9,028</b>
<b>Net assets</b>	<b>22,376</b>	<b>23,858</b>	<b>23,858</b>

Notes:

- (1) Assuming the full repayment of the Group's borrowings (excluding obligations under finance leases) of approximately S\$29.3 million as at 30 June 2016 comprising (a) repayment of term loans of approximately S\$28.5 million which is to be repaid from the proceeds of the Proposed Disposal (approximately S\$25.0 million) and the restricted fixed deposits (approximately S\$3.5 million); and (b) repayment of bank advances on factored trade receivables of approximately S\$0.8 million which is to be repaid from collection of the trade receivables.



- (2) Assuming the minimum repayment of the Group's borrowings of approximately S\$26.1 million as at 30 June 2016 (which is based on the current discussion and negotiation with the Group's lenders) comprising (a) repayment of term loans of approximately S\$25.3 million which is to be repaid from the proceeds of the Proposed Disposal (approximately S\$21.8 million) and the restricted fixed deposits (approximately S\$3.5 million); and (b) repayment of bank advances on factored trade receivables of approximately S\$0.8 million which is to be repaid from collection of the trade receivables.

## 5.2 Future plans

The market in which the Group operates remains competitive and demanding. The demand for the Group's precision machined components is expected to be uncertain and challenging in FY2017. The Board together with the management of the Company ("**Management**") will review and, where applicable, restructure the Remaining Entities' operations, *inter alia*, to improve its capabilities and business (including but not limited to further expansion of the existing product offering and/or geographical expansion). In addition, the Board and the Management may also explore, *inter alia*, new viable business, investment, acquisition and realisation opportunities (as and when they may arise). As at the Latest Practicable Date, there are no advanced discussions or definitive agreements entered into by the Company in connection with any new business, investment, acquisition and realisation opportunities. Lastly, the Board and the Management will continue its effort for cost optimisation and streamlining of the Remaining Entities' operations.

Shareholders should note that the potential future plans for the Group as set out above may change as the Board and the Management continue to seek opportunities which offer potential growth for the Group and enhancement of value for the Shareholders.

## 5.3 Risk statements

To the best of the Board's knowledge and belief as at the Latest Practicable Date, the risk factors that are material to the Shareholders in making an informed judgment on the Proposed Disposal are set out below. Shareholders should carefully evaluate each of the following risk factors prior to deciding on the Proposed Disposal.

In general, the Company could be affected by a number of risks that may generally arise from, among others, economic, business, market and political factors, including the risks set out herein. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Board or that the Board may currently deem immaterial, which could affect the future revenues arising from the business of the Remaining Entities. If any such risk develops into an actual event, the potential revenue arising from the business of the Remaining Entities could be materially and adversely affected. In such event, the financials of the Remaining Entities may be adversely affected.

### Change in risk profile and no assurance that the future plans will be successful

There will be a change in the Group's business and risk profile after the Proposed Disposal as there will not be any revenue and profit/loss contributions from Santak Wuxi. As mentioned above, the Board and the Management will, *inter alia*, review and, where applicable, restructure the Remaining Entities' operations, explore new viable business, investment, acquisition and realisation opportunities, and continue its effort for cost optimisation. Shareholders should note that there is no assurance that the steps taken or to be taken by the Company subsequent to the Proposed Disposal to improve its profitability and the Shareholders' value will be successful or would result in the enhancement of the Shareholders' value. As such, there may be material negative impact on the Remaining Entities' financial performance and profitability.

In addition, the Group's business and risk profile will change after the Proposed Disposal as the net proceeds from the Proposed Disposal would be utilised to significantly reduce the Group's existing borrowings and this will substantially reduce the Remaining Entities' liabilities and improve the Group's balance sheets in terms of its gearing ratios.

The Remaining Entities' future growth may be limited by its current capabilities and capacity

The Remaining Entities' growth may be constrained by the current capabilities and capacity of its Singapore operations in terms of *inter alia*, production capacity and production equipment. This will have an adverse effect on the Remaining Entities' turnover, financial performance and future growth.

The Remaining Entities' performance is dependent upon its ability to continually secure new orders and/or customers

The Remaining Entities does not have any long term contracts with its existing customers and its revenue is dependent on a small number of major customers in the precision engineering and assembly as well as access control systems sectors. If it is unable to retain its existing customers or attract new customers, the Remaining Entities' financial performance and profitability will be adversely affected.

## 6. IRREVOCABLE UNDERTAKINGS

Mr. Tan Chee Hawaii, the Group Managing Director of the Company, has on 4 January 2017 provided an irrevocable undertaking in favour of the Company to, *inter alia*, vote, or procure the voting of, 37,580,570 Shares (directly held under his name), representing approximately 34.93% of the total issued Shares, in favour of the Proposed Disposal and any other matter necessary for such purpose at any meeting of the Shareholders. As at the Latest Practicable Date, Mr. Tan Chee Hawaii has a direct interest in 47,858,570 Shares (representing approximately 44.49% of the total issued Shares), which includes 10,278,000 Shares held in the name a custodian account, and has a deemed interest in 4,667,000 Shares (representing approximately 4.34% of the total issued Shares) held by his spouse, Mdm. Heng Kheng Hwai.

Mdm. Heng Kheng Hwai, the Non-Executive Director of the Company, has on 4 January 2017 provided an irrevocable undertaking in favour of the Company to, *inter alia*, vote, or procure the voting of, 4,667,000 Shares (directly held under her name), representing approximately 4.34% of the total issued Shares, in favour of the Proposed Disposal and any other matter necessary for such purpose at any meeting of the Shareholders. As at the Latest Practicable Date, Mdm. Heng Kheng Hwai has a direct interest in 4,667,000 Shares (representing approximately 4.34% of the total issued Shares) and has a deemed interest in 47,858,570 Shares (representing approximately 44.49% of the total issued Shares) held by her spouse, Mr. Tan Chee Hawaii.

Mr. Tan Sin Hock, the Executive Director of the Company, has on 4 January 2017 provided an irrevocable undertaking in favour of the Company to, *inter alia*, vote, or procure the voting of, 6,704,100 Shares (directly held under his name), representing approximately 6.23% of the total issued Shares, in favour of the Proposed Disposal and any other matter necessary for such purpose at any meeting of the Shareholders. As at the Latest Practicable Date, Mr. Tan Sin Hock has a direct interest in 6,704,100 Shares (representing approximately 6.23% of the total issued Shares).

Each of Mr. Tan Chee Hawaii, Mdm. Heng Kheng Hwai, and Mr. Tan Sin Hock has represented separately that they are not related to the Purchaser, its directors and shareholders and are therefore entitled to vote in the EGM to be convened for the Proposed Disposal. The resolution for the Proposed Disposal will require a simple majority for approval. It is noted that, based on the irrevocable undertakings by Mr. Tan Chee Hawaii, Mdm. Heng Kheng Hwai, and Mr. Tan Sin Hock, in aggregate approximately 48,951,670 Shares (representing approximately 45.50% of the total issued Shares) will vote in favour of the Proposed Disposal and any other matter necessary for such purpose at any meeting of the Shareholders.

## 7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures computed on the applicable bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the audited consolidated financial statements of the Group for FY2016 are set out below.

Rule 1006	Computations	Percentage (%)
(a)	Net asset value of the assets disposed of compared with the Group's NAV.	120.9% <sup>(1)</sup>
(b)	Net profit attributable to the assets disposed of, compared with the Group's net profits.	Not Meaningful <sup>(2)</sup>
(c)	The aggregate value of the Consideration received compared to the Group's market capitalization based on the total number of issued shares excluding treasury shares.	217.5% <sup>(3)</sup>
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable.

### Notes:

- (1) Based on the net asset value of Santak Wuxi of approximately S\$27.06 million as at 30 June 2016 and the net assets value of the Group of approximately S\$22.38 million as at 30 June 2016.
- (2) Not meaningful as both Santak Wuxi and the Group recorded pre-tax loss for FY2016 of approximately S\$16.01 million and S\$17.73 million respectively.
- (3) Computed based on the Consideration of US\$21.0 million (or approximately S\$29.95 million based on the exchange rate of US\$1: S\$1.426 as at 23 November 2016 being the Business Day immediately preceding the date of SPA) which has not taken into account the Adjustments and the market capitalisation of the Group of approximately S\$13.77 million as at 26 September 2016, being the last trading day for the Company's shares preceding the date of signing of the SPA. The Group's market capitalisation is computed based on the number of issued Shares of 107,580,980 and the weighted average price of approximately S\$0.1280 per Share on 26 September 2016, being the last trading day for the Shares preceding the date of signing of the SPA. Assuming that the Consideration takes into account the Adjustments, the Adjusted Consideration will be approximately US\$20 million (or approximately S\$28.6 million) which represents 207.7% of the Group's market capitalisation.

As the relative figures calculated pursuant to Rule 1006(a) and Rule 1006(c) exceed 50%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Catalist Rules, and is subject to the approval of the Shareholders.

The SGX-ST has been consulted as the relative figures calculated under Rule 1006(b) involves a negative figure. Based on the information provided by the Company, the SGX-ST concurred that the Proposed Disposal constitutes a major transaction under Chapter 10 of the Catalist Rules.

## 8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro-forma financial effects of the Proposed Disposal, prepared based on the audited consolidated financial statements of the Group for FY2016, are set out below. The pro-forma financial effects of the Proposed Disposal are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group after Completion of the Proposed Disposal.

### 8.1. Net Tangible Assets per Share

Assuming the Proposed Disposal had been completed on 30 June 2016, being the end of the most recently completed financial year of the Group, the financial effects on the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
<b>NTA (S\$'000)</b>	22,278	23,766
<b>Number of Shares</b>	107,580,980	107,580,980
<b>NTA per Share (S\$)</b>	0.21	0.22

### 8.2. Profit/(Loss) per Share

Assuming that the Proposed Disposal had been effected on 1 July 2015, being the beginning of the most recently completed financial year of the Group, the financial effects on the loss per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
<b>Profit/ (Loss) after tax attributable to equity holders of the Company (S\$'000)</b>	(22,576)	1,007 <sup>(1)</sup>
<b>Number of Shares</b>	107,580,980	107,580,980
<b>Profit/(Loss) per Share (S\$ cents)</b>	(20.98)	0.94

**Note:**

(1) Taking into account the potential gain from the Proposed Disposal of approximately S\$2.5 million.

### 8.3. Gearing

Assuming the Proposed Disposal had been completed on 30 June 2016, being the end of the most recently completed financial year of the Group, the Proposed Disposal would have the following impact to the Group's gearing:

	Before the Proposed Disposal	After the Proposed Disposal
<b>Total borrowings <sup>(1)</sup> (S\$'000)</b>	29,722	405 <sup>(2)</sup> / 3,576 <sup>(3)</sup>
<b>Net assets value (S\$'000)</b>	22,376	23,858
<b>Gearing (times)</b>	1.33	0.02 / 0.15

**Notes:**

- (1) Total borrowings as at 30 June 2016 include all bank loans and borrowings (including bank advances on factored trade receivables) as well as obligations under finance lease.
- (2) Assuming the full repayment of the Group's borrowings (excluding obligations under finance leases) of approximately S\$29.3 million as at 30 June 2016 comprising (a) repayment of term loans of approximately S\$28.5 million which is to be repaid from the proceeds of the Proposed Disposal (approximately S\$25.0 million) and the restricted fixed deposits (approximately S\$3.5 million); and (b) repayment of bank advances on factored trade receivables of approximately S\$0.8 million which is to be repaid from collection of the trade receivables.
- (3) Assuming the minimum repayment of the Group's borrowings of approximately S\$26.1 million as at 30 June 2016 (which is based on the current discussion and negotiation with the Group's lenders) comprising (a) repayment of term loans of approximately S\$25.3 million which is to be repaid from the proceeds of the Proposed Disposal (approximately S\$21.8 million) and the restricted fixed deposits (approximately S\$3.5 million); and (b) repayment of bank advances on factored trade receivables of approximately S\$0.8 million which is to be repaid from collection of the trade receivables.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 9.1. Interests in the Company

The interests of the Directors and Substantial Shareholders (both direct and deemed) in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders' Shareholdings kept by the Company are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>						
Lee Keen Whye	200,000	0.19%	-	0.00%	200,000	0.19%
Tan Chee Hawai <sup>(1)</sup>	47,858,570	44.49%	4,667,000	4.34%	52,525,570	48.82%
Ng Weng Wei	1,618,000	1.50%	-	0.00%	1,618,000	1.50%
Tan Sin Hock	6,704,100	6.23%	-	0.00%	6,704,100	6.23%
Heng Kheng Hwai <sup>(2)</sup>	4,667,000	4.34%	47,858,570	44.49%	52,525,570	48.82%
<b>Substantial Shareholders (other than Directors)</b>						
Tan Ah Wo	16,776,810	15.59%	-	0.00%	16,776,810	15.59%
Go Mei Lin	6,107,000	5.68%	-	0.00%	6,107,000	5.68%
Yap Quan or Christine Yap Lye Kum	5,647,000	5.25%	-	0.00%	5,647,000	5.25%
<b>Total number of Shares of the Company</b>					<b>107,580,980</b>	<b>100.00%</b>

#### Notes:

- (1) Mr Tan Chee Hawai's direct interest is derived from 37,580,570 Shares held in his own name and 10,278,000 Shares in the name of a custodian account. Mr Tan Chee Hawai's deemed interest is derived from 4,667,000 Shares held by his spouse, Mdm Heng Kheng Hwai.
- (2) Mdm Heng Kheng Hwai's deemed interest is derived from 47,858,570 Shares held by her spouse, Mr Tan Chee Hawai.
- (3) The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 107,580,980 Shares (excluding treasury shares) as at the Latest Practicable Date.

### 9.2. Interests in the Proposed Disposal

Other than through their respective shareholdings in the Company, none of the Directors and/or Controlling Shareholders of the Company has any interest (direct or indirect) in the Proposed Disposal.

## 10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly no service contract is proposed to be entered into between the Company and any such person.

## 11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held at 31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 on 26 January 2017 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution set out in the Notice of EGM in relation to the Proposed Disposal.

## **12. DIRECTORS' RECOMMENDATIONS**

Having considered the rationale, the financial effects and the terms of the Proposed Disposal, the Directors are of the opinion that the Proposed Disposal is in the best interest of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolution in respect of the Proposed Disposal, as set out in the Notice of EGM contained in this Circular.

## **13. ACTION TO BE TAKEN BY SHAREHOLDERS**

### **13.1 Appointment of Proxies**

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 not less than forty-eight (48) hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

### **13.2 When Depositor regarded as Shareholder**

A Depositor will not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the time fixed for the EGM.

## **14. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

## **15. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 during normal business hours from the date of this Circular and up to and including 24 February 2017 (or 3 months from 24 November 2016, being the date of announcement of the Proposed Disposal):

- (a) the Constitution of the Company;
- (b) the SPA; and
- (c) the Annual Report of the Company for FY2016.

Yours faithfully

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng  
Company Secretary  
10 January 2017

## SANTAK HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200101065H)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (“EGM”) of **SANTAK HOLDINGS LIMITED** (the “**Company**”) will be held at 31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 on 26 January 2017 at 10.30 a.m., for the purpose of considering, and if thought fit, passing with or without modifications, the following resolution:-

*Unless otherwise defined, the capitalized terms used herein in this Notice of EGM shall have the same meanings as set out in the circular dated 10 January 2017 (“**Circular**”) issued by the Company to the shareholders of the Company.*

#### **ORDINARY RESOLUTION**

#### **THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST OF SANTAK METAL MANUFACTURING (WUXI) CO., LTD. (“SANTAK WUXI”), AN INDIRECT WHOLLY OWNED SUBSIDIARY OF THE COMPANY**

That:-

- (a) the entry by Santak Metal Manufacturing Pte Ltd, a wholly-owned subsidiary of the Company, into the sale and purchase agreement dated 24 November 2016 (“**SPA**”) with LY Investment (HK) Limited (领益 (香港) 有限公司) (the “**Purchaser**”) in connection with the proposed disposal of 100% equity interest of Santak Wuxi (the “**Equity Interest**”) to the Purchaser be approved, confirmed and ratified, and adopted as the act and deed of the Company (the “**Proposed Disposal**”);
- (b) the sale of Equity Interest by Santak Metal Manufacturing Pte Ltd to the Purchaser pursuant to, and in accordance with, the terms of the SPA, being a major transaction under Chapter 10 of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) be and is hereby approved; and
- (c) the Directors and the authorised corporate representative of the Company and each of them be and is hereby authorised to complete and do all such acts and things (including executing all such documents and ancillary agreements and to make all such amendments thereto as may be required in connection with the Proposed Disposal) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution and to the SPA as they or he may deem fit.

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng  
Company Secretary  
10 January 2017

**Notes:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the extraordinary general meeting (“**EGM**”).
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than forty-eight (48) hours before the time appointed for holding the EGM.

*This notice 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 notice including the correctness of any of the figures used, statements or opinions made.*

*This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.*

*The contact person for the Sponsor is Ms Foo Quee Yin*

*Telephone number: 6221 0271*

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.



# SANTAK HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200101065H)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Santak Holdings Limited's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purpose if used or purported to be used by them.

I/We, \_\_\_\_\_

(Name) of \_\_\_\_\_

(Address) being a member/members of Santak Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to vote for \*me/our behalf at the EGM to be held at 31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 on 26 January 2017 at 10.30 a.m., and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies may vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

Ordinary Resolution	<sup>1</sup> No of Votes For	<sup>1</sup> No of Votes Against
To approve the Proposed Disposal		

<sup>1</sup> If you wish to exercise all your votes "For" or "Against" the Resolution, please tick (√) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Shareholder(s)  
or Common Seal of Corporate Shareholder

\*Delete where inapplicable



**Notes:**

1. Please insert the total number of shares of the Company (“Shares”) held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a Member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than 48 hours before the time appointed for the EGM.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 10 January 2017.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

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