

**EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

Pursuant to Rule 704(4) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Section B: Rules of Catalist (“**Catalist Rules**”), the board of directors (the “**Directors**” or “**Board**”) of the Company wishes to announce that the Independent Auditor of the Company, Ernst & Young LLP (the “**Auditor**”), has issued the Independent Auditor’s Report dated 12 December 2016 (“**Independent Auditor’s Report**”) in respect of the audited financial statements of the Company and its subsidiaries (the “**Group**”) for the financial year ended 30 June 2016 (“**FY2016**”) (the “**FY2016 Audited Financial Statements**”) with an emphasis of matter (“**Emphasis of Matter**”).

The opinion of the Independent Auditor remains unqualified in respect of the Emphasis of Matter.

A copy of the Independent Auditor’s Report and the extract of the relevant notes to the FY2016 Audited Financial Statements is attached to this announcement.

Shareholders of the Company are advised to read the Independent Auditor’s Report and the FY2016 Audited Financial Statements, which can be found in the Company’s Annual Report for FY2016 that will be despatched in due course.

Having reviewed the significance of the Emphasis of Matter, the Board are of the opinion that, barring unforeseen circumstances, the Group will be able to continue as a going concern for the next 12 months and that the Company’s Shares can and should continue to be traded on the Catalist. The basis of such opinion are as follows:-

- (i) The banks have restructured the loan facilities and covenants such that the Group is no longer in breach of the covenants;
- (ii) As announced on 24 November 2016, Santak Metal Manufacturing Pte Ltd, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement dated 24 November 2016 (the “**SPA**”) with LY Investment (HK) Limited (the “**Purchaser**”) for the sale of 100% equity interest of Santak Metal Manufacturing (Wuxi) Co., Ltd. (“**Santak Wuxi**”) to the Purchaser (the “**Proposed Disposal**”). The consideration for the Proposed Disposal is US\$21 million in cash (subject to such adjustments provided for in the SPA) which shall be used to, *inter alia*, reduce the Group’s borrowings and thereby strengthen the financial position of the Group. The Group’s ability to continue as a going concern is on the premise that the conditions precedent for the completion of the Proposed Disposal is successfully fulfilled and the consideration for the Proposed Disposal is duly received.

The Board confirms that all material disclosures, facts or information of the Group (including disclosures pertaining to the going concern assumption, Company, Proposed Disposal and SPA) have been provided and announced for trading of the Company’s Shares to continue.

By Order of the Board

Lynn Wan Tiew Leng  
Company Secretary  
12 December 2016

*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.*

*The contact person for the Sponsor is Ms Foo Quee Yin  
Telephone number: 6221 0271*

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# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2016

## Independent Auditor's Report to the members of Santak Holdings Limited

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Santak Holdings Ltd (the "Company") and its subsidiary companies (the "Group") set out on pages 8 to 102, which comprise the balance sheets of the Group and the Company as at 30 June 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2016

## Independent Auditor's Report to the members of Santak Holdings Limited (cont'd)

### *Emphasis of Matter*

We draw attention to Note 2 in the financial statements, the Group incurred a net loss after taxation of \$22,576,000 for the year. In addition, the Group also breached bank covenants with its bankers as at 30 June 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As discussed in Note 2, on 24 November 2016 the Group entered into a sales and purchase agreement to dispose of its subsidiary Santak Metal Manufacturing (Wuxi) Co., Ltd to a third party for US\$21,000,000 (Note 35). The banks have also restructured the loan facilities and covenants such that the Group is no longer in breach of the covenants as at the date of this report. On the premise that the conditions precedent for the completion of the sale of China subsidiary is successfully executed and sales proceeds of the disposal of China subsidiary are duly received, the directors have prepared the financial statements of the Group on a going concern basis.

The ability of the Group to continue as a going concern depends on sales proceeds from disposal of China subsidiary. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
12 December 2016

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# NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 1. Corporate information

Santak Holdings Limited (the “Company”) is a limited liability company, incorporated and domiciled in the Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084.

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of its subsidiary companies are disclosed in Note 12 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “\$”), except when otherwise indicated.

#### Fundamental accounting concept

The Group incurred a net loss after taxation of \$22,576,000 (2015: \$3,292,000) for the year. As at 30 June 2016, the Group’s current and total assets exceeded current and total liabilities by \$12,387,000 (2015: \$23,919,000) and \$22,376,000 (2015: \$46,466,000) respectively.

As discussed in Note 22 to the financial statements, as at 30 June 2016, the Group has loans and borrowings totalling \$29,317,000 (2015: \$46,084,000). The Group breached bank covenants with the banker as the consolidated tangible net worth of the Group as at 30 June 2016 was \$22,376,000 versus the minimum requirement of \$27,000,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

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# NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 2. Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### Fundamental accounting concept (cont'd)

Notwithstanding the above, the directors have prepared these consolidated financial statements on a going concern basis as the Group has entered into a sales and purchase agreement on 24 November 2016 to dispose of its China subsidiary for US\$21,000,000 (Note 35). In addition, the bankers have granted accommodation on the breach of the bank covenants and have lowered the minimum consolidated tangible net worth requirement to \$15,000,000 so that the Group is no longer in breach of the bank covenants. Hence, the ability of the Group to continue as a going concern is dependent upon the successful execution of the conditions precedent in the sales and purchase agreement, receipt of full proceeds from the sales of its China subsidiary and cashflows generated from the Singapore operations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. In addition, under such circumstances the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 July 2015. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

# NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 34. Comparative figures (cont'd)

	Restated 2015 \$	Previous 2015 \$
<b>Loss attributable to:</b>		
Equity holders of the Company		
Loss from continuing operations, net of taxation	(510,000)	(3,291,811)
Loss from discontinued operation, net of taxation	(2,781,811)	–
	<hr/>	<hr/>
<b>Loss for the year attributable to equity owners of the Company</b>	<b>(3,291,811)</b>	<b>(3,291,811)</b>
	<hr/>	<hr/>
<b>Loss per share from continuing operations attributable to equity holders of the Company (cents per share)</b>		
Basic	(0.48)	(3.07)
Diluted	(0.48)	(3.07)
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<b>Loss per share (cents per share)</b>		
Basic	(3.07)	(3.07)
Diluted	(3.07)	(3.07)
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## 35. Events occurring after the report period

A wholly owned subsidiary of the Company, Santak Metal Manufacturing Pte Ltd (“Santak Singapore”) has entered into a sale and purchase agreement dated 24th November 2016 (the “SPA”) with LY Investment (HK) Limited (the “Purchaser”) for the sale of the wholly owned China subsidiary- Santak Metal Manufacturing (Wuxi) Co., Ltd. (“Santak Wuxi”) to the Purchaser for a consideration of US\$21,000,000.

In addition to the consideration, the Purchaser shall pay Santak Singapore based on the unaudited balance sheet of Santak Wuxi as at the completion date:

- (a) 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
- (b) 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.

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# NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 35. Events occurring after the report period (cont'd)

The Completion of the disposal of Santak Wuxi is conditional upon the following 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) this SPA and the new articles of association of Santak Wuxi having been approved by the Ministry of Commerce of the PRC or its local counterpart ("MOFCOM") and Santak Wuxi having received its new certificate of approval or filing receipt from MOFCOM reflecting the Purchaser as the sole shareholder of Santak Wuxi;
- (c) Santak Wuxi having received its new business license, reflecting the Purchaser as the sole shareholder of Santak Wuxi; and
- (d) all other consents and approvals required under all applicable laws and relevant agreements for the sale of Santak Wuxi 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 Santak Singapore or Santak Wuxi is a party or by which Santak Singapore or Santak Wuxi or their assets are bound) being obtained.

Further details of the proposed disposal can be found in the announcement dated 24 November 2016 on SGXNET.

## 36. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 12 December 2016.