

**THE PROPOSED DISPOSAL OF THE PROPERTY AT 31 SENOKO SOUTH ROAD,
WOODLANDS EAST INDUSTRIAL ESTATE, SINGAPORE 758084**
- GRANT OF OPTION TO PURCHASE

1. INTRODUCTION

The Board of Directors (the “**Board**” or “**Directors**”) of Santak Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Santak Metal Manufacturing Pte. Ltd. (the “**Vendor**”), its wholly-owned subsidiary, has on 27 June 2019 granted an option to purchase (the “**Option**”) to an independent third party purchaser (the “**Purchaser**” or “**Buyer**”), for the sale of the Vendor’s property located at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 (the “**Property**”) for an aggregate consideration of S\$10,500,000 (the “**Consideration**”) on the terms and subject to the conditions of the Option (the “**Proposed Disposal**”). In view of commercial reason, further details on the Buyer will be announced only when the Option is exercised. The Option shall remain valid for acceptance/exercise by the Purchaser within two weeks from 27 June 2019, being the date of the grant of the Option.

The Option, once exercised by the Purchaser, is subject to, *inter alia*, the approval from Jurong Town Corporation (“**JTC**”) on application by the Purchaser, and the approval of the shareholders of the Company (“**Shareholders**”) unless such requirement for Shareholders’ approval is waived by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). An application (“**Application for Waiver**”) will be made to the SGX-ST for, *inter-alias*, waiver of the need for Shareholders’ approval for the Proposed Disposal (“**Waiver**”). In the event that the Waiver is obtained, the grant of the Option and the Proposed Disposal will not be subjected to Shareholders’ approval.

To support the Application for Waiver, undertakings (“**Undertakings**”) from Mr. Tan Chee Hawaii, Mdm Heng Kheng Hwai, and Mr. Tan Sin Hock, who collectively are referred as “**Undertaking Shareholders**” and hold in aggregate approximately 55.06% of the issued share capital of the Company, has been obtained. Pursuant to the Undertakings, each of the Undertaking Shareholders has undertaken to vote each of their entire shareholdings in the Company in favour of the Proposed Disposal if an extraordinary general meeting is to be convened for the purposes of the Proposed Disposal.

2. THE PROPOSED DISPOSAL AND SALIENT TERMS OF THE OPTION

2.1 Information on the Property

The Property is a leasehold property granted by the JTC with a 30-year lease tenure commencing from 16 September 1993 with a further term of 30 years. It is a detached factory, and has a land area of approximately 8,944 square metres and gross floor area of approximately 4,145 square metres.

The Property is currently used as the Group’s manufacturing facility for precision machined components.

2.2 Consideration and Payment Terms

The Consideration shall be fully satisfied in cash and was arrived at after arms’ length negotiations and based on a willing-buyer willing-seller basis, having taking into account, *inter alia*, the net book value of the Property of approximately S\$11.208 million; and the balance lease period of approximately 34 years and 3 months as at the date of the Option.

Under the Option, the Consideration shall be payable by the Purchaser to the Vendor as follows:

- (a) the sum of S\$105,000 (the “**Option Money**”) shall be payable before/upon the grant of the Option by the Vendor; and
- (b) the sum of S\$1,018,500 (the “**Balance Deposit**”) (plus GST on both the Option Money and the Balance Deposit) shall be payable upon the exercise of the Option by the Purchaser; and
- (c) the balance of the Consideration, which is equivalent to 90% of the Consideration (plus GST) shall be payable upon completion of the Proposed Disposal (“**Completion**”).

Under the terms of the Option, in the event that the Option is not exercised by the Purchaser, the Option Money shall be forfeited by the Vendor. The Option to purchase is subject to *inter-alia* the JTC’s approval of the Purchaser’s application to purchase the Property and the approval of the Shareholders (unless waived by the SGX-ST).

2.3 **Conditional Disposal**

The grant of the Option and the Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent (the “**Conditions Precedent**”):

- (i) the approval of Shareholders being obtained for the grant of the Option and the Proposed Disposal or the Waiver being granted by the SGX-ST;
- (ii) the written consent from the JTC being obtained by the Purchaser for the assignment/transfer of the remainder of the lease by the Vendor to the Purchaser and to the Purchaser’s use of the Property (the “**JTC’s Approval**”); and
- (iii) the Purchaser’s solicitors having received satisfactory replies to the usual legal requisitions sent to the various relevant government departments.

Under the terms of the Option, in the event that the JTC’s Approval is not obtained within six (6) months from the date of submission to JTC the requisite application for approval to the assignment / transfer of the Property, the Purchaser may apply to the Vendor for an extension of time not exceeding three (3) months to obtain the JTC’s approval and the Vendor shall grant the said extension of time, and if the JTC’s approval is still not obtained or refused by JTC within the expiry of the extended time and the failure to obtain the JTC’s approval is not due to the Purchaser’s default, then the Option shall be treated as cancelled void and the Vendor shall refund to the Purchaser the Deposit (without interests or deductions whatsoever) and thereafter neither party shall have any claim(s) against the other whatsoever, whether for damages, losses expenses or costs.

Under the terms of the Option, in the event that approval of Shareholders is not obtained or the Waiver is not granted by the SGX-ST, the Option shall be null and void in which event the Deposit paid by the Purchaser to the Vendor shall be refunded to the Purchaser without interest and neither party shall have any further claim or demand against the other.

If the Option is not exercised by the Purchaser in accordance with the terms of the Option, it shall become null and void and it will of no further effect whatsoever, and the Vendor shall forfeit the Option Money absolutely and thereafter neither party shall have any claim against the other whatsoever.

2.4 **Completion**

Completion of the Proposed Disposal is expected to take place on:

- (i) The date falling forty two (42) weeks from the date of the Purchaser's exercise of the Option; or
- (ii) The date falling twelve (12) weeks from the date of JTC's Final Approval and JTC's written confirmation that the transfer/assignment instrument between the Purchaser and the Vendor may be executed.

whichever is the later (the "**Completion Date**")

Save as disclosed above, there is no other material conditions attached to the Option.

3. **RATIONALE FOR THE PROPOSED DISPOSAL**

Notwithstanding the Proposed Disposal shall results in a disposal loss of S\$833,000 (after deducting the estimated transactional expenses of approximately S\$125,000 to be incurred in connection with the Proposed Disposal), the Board is of the view that the Proposed Disposal of the Property is in the best interest of the Group given the following:-

- (a) The Proposed Disposal will enable the Group to realize the value of the Property and thereby free up cash. In addition, it is in line with the Group's strategy to relocate its manufacturing facility from Singapore to its recent acquired property in Johor Malaysia (as announced on 12 December 2018) as part of its restructuring for better management of cost and availabilities of labour to the Group.
- (b) The Management has been in search for and negotiation with potential buyers after the cancellation of the previous option to purchase the Property as announced on 7 September 2018. The Company confirmed that there is no other firm alternative offer for the Property and the Consideration is the best price offered for the Property as at the date of the grant of the Option.
- (c) The original purchase cost for the Property in 1993 was approximately S\$4.41 million and in the event the Company continued to record the said Property based on the original purchase price less depreciation, the carrying net book value of the Property would have been approximately S\$2.18 million as at 31 December 2018.
- (d) The Property was revalued at S\$11.50 million as at 30 June 2018 based on the market value ascribed by independent professional valuer and it was subsequently re-classified as "asset held for sale" and no depreciation had been accorded to the Property since March 2018. In the event the Property remained to be depreciated, its carrying net book value would have been approximately S\$10.84 million as at 31 December 2018 (and thus the loss on the Proposed Disposal would have been reduced to approximately S\$0.47 million).

4. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

The pro forma financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not necessarily reflect the future actual financial position and results of the Group following Completion

4.1 **Net Tangible Asset ("NTA") per Share**

For illustrative purposes only, assuming the Proposed Disposal had been effected on 30 June 2018 (being the end of the latest announced audited financial year for the Group), the pro-forma financial effect of the Proposed Disposal on the Group's NTA per Share would be as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA attributable to the Shareholders of the Company (S\$'000)	21,062	20,229 ⁽¹⁾
Number of Shares (excluding treasury shares)	107,580,980	107,580,980
Consolidated NTA per share attributable to the Shareholders of the Company (Singapore Cents)	19.58	18.80

Note:

(1) The computation of NTA after the Proposed Disposal has taken into account the transactional expenses related to the Proposed Disposal.

4.2 **Loss per Share (“LPS”)**

For illustrative purposes only, assuming the Proposed Disposal had been effected on 1 July 2017 (being the beginning of the latest announced audited financial year for the Group), the proforma financial effects of the Proposed Disposal on the LPS for the financial year ended 30 June 2018 (“FY2018”) would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net Profit attributable to the Shareholders of the Company (S\$'000)	(1,704)	(2,204) ⁽¹⁾
Weighted average number of Shares (excluding treasury shares)	107,580,980	107,580,980
Consolidated LPS (Singapore Cents)	(1.58)	(2.05)

Note:

(1) The proforma financial effects are determined after taking into account the loss on disposal as at 1 July 2017 and based on the assumptions of depreciation, expenses, and property tax.

4.3 **Value of the Property**

The open market value of the Property was S\$11,500,000 based on the desktop valuation report dated 19 September 2018 issued by Dennis Wee Realty Pte. Ltd. The NTA value (and book value) of the Property is approximately S\$11,208,000 as at 31 December 2018 and as at 30 June 2018. No net profit are attributable to the Property for FY2018 and the six month period ended 31 December 2018, as it is used solely for the Group’s manufacturing activities. The loss of the Consideration for the Proposed Disposal over the book value of the Property as at 31 December 2018 is approximately S\$833,000 (after deducting the estimated transactional expenses of approximately S\$125,000 to be incurred in connection with the Proposed Disposal).

4.4 **Use of Proceeds**

The Company expects to receive gross proceeds of S\$10,500,000 from the Proposed Disposal (excluding estimated transactional expenses of approximately S\$125,000 to be incurred in connection with the Proposed Disposal). The proceeds from the Proposed Disposal shall be used for general working capital of the Group.

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. **REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL**

Rule 1006 and Rule 1014 of the Listing Manual

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
1006 (a)	Net asset value of the assets to be disposed of, compared with the group’s net asset value	52.9% ⁽¹⁾
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group’s net profits	Not applicable ⁽²⁾
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer’s market capitalisation, based on the total number of issued shares excluding treasury shares	104.9% ⁽³⁾
1006 (d)	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
1006 (e)	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 the Disposed Assets of approximately S\$11.21 million as at 31 December 2018 and the net assets value of the Group of approximately S\$21.18 million as at 31 December 2018.
- (2) Not applicable as the Property is for the Group’s own-use and thus does not generate any income or revenue.
- (3) Computed based on the Consideration of S\$10.50 million and the market capitalisation of the Group of approximately S\$10.00 million as at 8 January 2019, being the last trading day for the Company’s shares (“**Shares**”) preceding the date of the grant of the Option. 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\$0.093 per Share on 8 January 2019, being the last traded price for the Shares preceding the date of the grant of the Option.

As the relative figures under Rules 1006(a) and 1006(c) of the Catalist Rules exceed 50%, the Proposed Disposal constitutes a “major transaction” under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders in a general meeting.

However, it is noted that, pursuant to Practice Note 10(A) paragraph 8(c) of the Catalist Rules, “where an issuer proposes to dispose of a non-core business or a non-core asset (for example, a vacant factory) without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. The Exchange may grant a waiver under such circumstances”. As mentioned in section 3 of this announcement, the Group’s manufacturing facility is in the process of being relocated from Singapore to Malaysia. As announced on 12 December 2018, the acquisition for a property located at No. 8 Jalan Teknologi Perintis 1/3, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor (the “**Malaysia Property**”) has been completed.

Accordingly, the Company intends to seek clarification from and will be applying to the SGX-ST for a waiver to hold an extraordinary general meeting to seek Shareholders’ approval for the grant of the Option and the Proposed Disposal. The Company will provide updates to Shareholders, where applicable, in due course. In the event that the Waiver is obtained, the grant of the Option and the Proposed Disposal will not be subjected to Shareholders’ approval.

6. INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, controlling Shareholders or substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

7. SERVICE AGREEMENTS

No person will be appointed to the Board of Directors of the Company, and no service agreements will be entered into by the Company, in connection with the Proposed Disposal.

8. DOCUMENTS FOR INSPECTION

A copy of the Option to Purchase and Valuation Report will be made available for inspection by shareholders during normal business hours at the registered office of the Company (31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084) for a period of three (3) months commencing from the date of this announcement.

9. FURTHER ANNOUNCEMENT

The Company will make further announcements in relation the Proposed Disposal as and when there are material developments.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Property, the Option to Purchase, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement 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 the announcement in its proper form and context.

By Order of the Board

Lai Foon Kuen
Company Secretary
27 June 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

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

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