

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

**Half Year Financial Statement And Dividend Announcement for the Period Ended
31 December 2015**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY
(Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP		
	Latest Half Year 31 December 2015 S\$'000	Previous Half Year 31 December 2014 S\$'000	% Increase / (Decrease)
Revenue	44,410	40,140	11
Cost of sales	(47,101)	(39,522)	19
Gross (loss)/profit	(2,691)	618	n.m
Other income	1,280	1,155	11
Distribution and selling expenses	(1,590)	(1,418)	12
Administrative expenses	(1,742)	(1,623)	7
Other operating expenses	-	(4,633)	(100)
Financial expenses	(758)	(488)	55
Financial income	21	16	31
Loss before taxation	(5,480)	(6,373)	(14)
Taxation	(124)	139	n.m
Loss for the period	(5,604)	(6,234)	(10)
Attributable to equity holders of the Company	(5,604)	(6,234)	(10)
Statement of Comprehensive Income			
Loss for the period	(5,604)	(6,234)	(10)
Other comprehensive income :			
<i>Items that may be reclassified subsequently to profit and loss :</i>			
Foreign currency translation	219	2,018	(89)
Total other comprehensive income for the period	219	2,018	(89)
Total comprehensive income for the period	(5,385)	(4,216)	(28)
Total comprehensive income attributable to equity holders of the Company	(5,385)	(4,216)	(28)

n.m. – not meaningful

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

	GROUP	
	Latest Period	Previous Period
	31 December 2015	31 December 2014
	S\$'000	S\$'000
Other income	1,280	1,155
Interest Income	21	16
Interest on borrowings	(580)	(242)
Depreciation and amortisation	(2,582)	(2,346)
Allowance for stocks obsolescence (net)	(331)	(45)
Write off of stocks directly to profit and loss account	(4)	(7)
Foreign exchange gain/(loss)	127	(127)
(Under)/Over provision of tax in respect of prior years	(135)	27
Gain/(Loss) on disposal of property, plant and equipment	61	(2)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31 Dec 2015 S\$'000	30 June 2015 S\$'000	31 Dec 2015 S\$'000	30 June 2015 S\$'000
Non-current assets				
Property, plant and equipment	31,127	31,976	213	244
Investments in subsidiary companies	-	-	8,113	8,113
Intangible assets	119	136	15	25
Loan to a subsidiary company	-	-	4,030	4,030
Deferred tax assets	4,998	4,976	5	4
Restricted fixed deposits	2,875	2,735	-	-
	<u>39,119</u>	<u>39,823</u>	<u>12,376</u>	<u>12,416</u>
Current assets				
Restricted fixed deposits	1,002	1,251	-	-
Stocks	23,743	26,043	-	-
Trade debtors	25,289	45,363	-	-
Other debtors, deposits and prepayments	1,439	3,802	8	22
Due from subsidiary companies (non-trade)	-	-	1,614	1,799
Dividend receivable	-	-	-	200
Cash and cash equivalents	13,527	15,523	91	132
	<u>65,000</u>	<u>91,982</u>	<u>1,713</u>	<u>2,153</u>
Current liabilities				
Trade creditors	16,453	27,656	-	-
Other creditors and accruals	4,902	9,114	429	444
Provision for taxation	84	79	8	10
Loans and borrowings (secured) – current portion	22,858	31,160	-	-
Finance lease obligations – current portion	55	54	32	31
	<u>44,352</u>	<u>68,063</u>	<u>469</u>	<u>485</u>
Net current assets	20,648	23,919	1,244	1,668
Non-current liabilities				
Loans and borrowings (secured) – non-current portion	16,885	14,923	-	-
Finance lease obligations – non-current portion	300	328	154	170
Deferred tax liabilities	1,967	2,025	-	-
	<u>19,152</u>	<u>17,276</u>	<u>154</u>	<u>170</u>
Net assets	<u>40,615</u>	<u>46,466</u>	<u>13,466</u>	<u>13,914</u>

	GROUP		COMPANY	
	31 Dec 2015 S\$'000	30 June 2015 S\$'000	31 Dec 2015 S\$'000	30 June 2015 S\$'000
Equity attributable to equity holders of the Company				
Share capital	12,852	12,780	12,852	12,780
Share option reserve	-	305	-	305
Retained earnings	16,010	21,847	614	829
Revaluation reserve	7,347	7,347	-	-
Translation reserve	3,444	3,225	-	-
Statutory reserves	962	962	-	-
	<u>40,615</u>	<u>46,466</u>	<u>13,466</u>	<u>13,914</u>

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

As at 31/12/2015		As at 30/06/2015	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
22,913,000	0	31,214,000	0

Amount repayable after one year

As at 31/12/2015		As at 30/06/2015	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
17,185,000	0	15,251,000	0

Details of any collateral

- 1) The loans and borrowings are secured as follows:
 - (a) S\$36,301,000 (2015*: S\$41,611,000) is secured by way of a legal mortgage over a subsidiary company's leasehold property with a net book value as at 31 December 2015 of S\$10,910,000 (2015*: S\$11,107,000), a charge over a subsidiary company's fixed deposit of S\$2,875,000 as at 31 December 2015 (2015*: S\$2,735,000) and a corporate guarantee from the Company, and
 - (b) S\$3,340,000 (2015*: S\$4,170,000) is secured by a charge over a subsidiary company's fixed deposit of S\$1,002,000 as at 31 December 2015 (2015*: S\$1,251,000) and a corporate guarantee from the Company, and
 - (c) S\$102,000 (2015*: S\$302,000) is secured by corporate guarantees from the Company.

*2015 refers to as at 30 June 2015.
- 2) Finance lease obligations are secured over the respective machineries and motor vehicles as well as corporate guarantees from the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	Latest Half Year 31 Dec 2015 S\$'000	Previous Half Year 31 Dec 2014 S\$'000
Cash flows from operating activities		
Loss before taxation	(5,480)	(6,373)
Adjustments:		
Depreciation of property, plant and equipment	2,559	2,318
Amortisation of intangible assets	23	28
(Gain)/Loss on disposal of property, plant and equipment	(61)	2
Interest expenses	580	242
Interest income	(21)	(16)
Unrealised exchange (gain)/loss	(90)	798
Operating cash flows before working capital changes	(2,490)	(3,001)
Stocks	2,300	(6,295)
Trade debtors	20,074	(11,954)
Other debtors, deposits and prepayments	2,363	(1,367)
Trade creditors	(11,203)	11,991
Other creditors and accruals	(4,901)	(75)
Cash generated from/(used in) operations	6,143	(10,701)
Interest received	21	16
Income taxes paid, net	(176)	(104)
Net cash generated from/(used in) operating activities	5,988	(10,789)
Cash flows from investing activities		
Purchase of property, plant and equipment	(968)	(3,327)
Purchase of intangible assets	(5)	(1)
Proceeds from disposal of property, plant and equipment	103	2
Net cash used in investing activities	(870)	(3,326)
Cash flows from financing activities		
(Repayment)/proceeds from loans and borrowings, net	(6,340)	11,892
Repayment of finance leases, net	(27)	(137)
Proceeds from share issue	72	-
Dividends paid	(538)	(536)
Interest paid	(580)	(242)
Repayment/(placement) of a fixed deposit	249	(1,000)
Net cash (used in)/generated from financing activities	(7,164)	9,977
Net decrease in cash and cash equivalents	(2,046)	(4,138)
Effect of exchange rate changes on cash and cash equivalent	50	478
Cash and cash equivalents at beginning of year	15,523	14,946
Cash and cash equivalents at end of year	13,527	11,286

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the period ended 31 December 2015.

GROUP

	Share capital	Share option reserve	Retained earnings	Revaluation reserve	Statutory reserves	Translation reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2014	12,780	542	25,445	7,347	955	426	47,495
Loss net of tax	-	-	(6,234)	-	-	-	(6,234)
Other comprehensive income for the period	-	-	-	-	-	2,018	2,018
Total comprehensive income for the period	-	-	(6,234)	-	-	2,018	(4,216)
Dividends on ordinary shares	-	-	(536)	-	-	-	(536)
Balance at 31 Dec 2014	12,780	542	18,675	7,347	955	2,444	42,743
Balance at 1 July 2015	12,780	305	21,847	7,347	962	3,225	46,466
Loss net of tax	-	-	(5,604)	-	-	-	(5,604)
Other comprehensive income for the year	-	-	-	-	-	219	219
Total comprehensive income for the year	-	-	(5,604)	-	-	219	(5,385)
Dividends on ordinary shares	-	-	(538)	-	-	-	(538)
Transfer of reserve	-	(305)	305	-	-	-	-
Exercise of employee share options	72	-	-	-	-	-	72
Balance at 31 Dec 2015	12,852	-	16,010	7,347	962	3,444	40,615

	Share capital	Share option reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2014	12,780	542	867	14,189
Total comprehensive income for the period	-	-	25	25
Dividends on ordinary shares	-	-	(536)	(536)
Balance at 31 Dec 2014	<u>12,780</u>	<u>542</u>	<u>356</u>	<u>13,678</u>
Balance at 1 July 2015	12,780	305	829	13,914
Total comprehensive income for the year	-	-	18	18
Dividends on ordinary shares	-	-	(538)	(538)
Transfer of reserve	-	(305)	305	-
Exercise of employee share options	72	-	-	72
Balance at 31 Dec 2015	<u>12,852</u>	<u>-</u>	<u>614</u>	<u>13,466</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The issued and paid-up capital of the Company was S\$12,852,188 as at 31 December 2015 (31 December 2014: S\$12,780,488).

The share options were nil as at 31 December 2015 (30 June 2015: 2,800,000). The movement of share options of the Company during the financial period was as follows:

Balance as at 1.7.2015	Exercised	Lapsed	Balance as at 31.12.2015	Exercise price S\$	Exercise period
2,800,000	(300,000)	(2,500,000)	-	\$0.239	15.09.2006 to 14.09.2015

There was no share held as treasury shares as at 31 December 2015 (30 June 2015: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2015, the total number of issued shares of the Company were 107,580,980 shares (30 June 2015: 107,280,980).

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

There were no treasury shares as at 31 December 2015.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period ended 31 December 2015 compared to the audited financial statements as at 30 June 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2015. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effects on the amounts reported for the current or prior periods.

Management has considered and anticipated that the adoption of FRS, INT FRS and amendments to FRS that were issued but not effective until future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

6. Earnings/(loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Loss per ordinary share of the Group :	Latest period	Previous corresponding period
(a) Based on the weighted average number of ordinary shares on issue; and	(5.21) cents	(5.81) cents
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	(5.21) cents	(5.81) cents

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The diluted loss per share is equal to the basic loss per share as the Group reported losses for the current and prior financial periods.

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

	Latest period	Previous corresponding period
Net loss attributable to ordinary shareholders for basic and diluted loss per share (S\$'000)	(5,604)	(6,234)
Weighted average number of ordinary shares (in thousands) on issue applicable to basic loss per share	107,477	107,281
Weighted average number of ordinary shares (in thousands) applicable to diluted loss per share	107,477	107,281

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	GROUP		COMPANY	
	Latest period	Previous financial year	Latest period	Previous financial year
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
Net asset value per ordinary share based on issued share capital of the issuer at the end of the financial period/year reported on	37.75 cents	43.31 cents	12.52 cents	12.97 cents

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period**

The Group recorded a turnover of S\$44.41 million, an increase of approximately S\$4.27 million or 10.6% for the six months period ended 31 December 2015 ("HY2016") compared to a turnover of S\$40.14 million in previous corresponding period ("HY2015"). Sales of the Group's Precision Engineering Division ("PE") came in at S\$42.28 million, higher by S\$3.61 million or 9.3% compared to HY2015 mainly due to additional revenue in HY2016 from the Group's new precision machined component projects as mass production commenced only towards the end of HY2015. The Group's Trading & Distribution Division ("T&D") also registered higher sales at S\$2.13 million compared to S\$1.47 million in HY2015 mainly due to stronger demand from the security/access control systems sector. The Group's gross loss in HY2016 was mainly attributable to a substantial increase in operating expenses arising from the significant expansion of our operation with the addition of two new factory facilities for the new precision machined component projects which were set up in the previous financial year ended 30 June 2015 ("FY2015"). Although the Group's turnover was higher in HY2016, this business increase was lower than expected and was insufficient to offset the greater operating cost increase from the operation of the two new factory facilities. The substantial increase in operating cost plus price erosions had contributed to the loss during HY2016.

The increase in distribution and selling expenses of S\$0.17 million was largely due to the increase in marketing activities during HY2016. The increase in other income by S\$0.13 million to S\$1.28 million was mainly due to a foreign exchange gain arising from the strengthening of USD during HY2016 versus a foreign exchange loss during HY2015. On the other hand, the decrease in other operating expenses of S\$4.63 million were mainly due to S\$4.50 million of qualification and development cost incurred in HY2015 (including the new production facilities expenses and factory overhead incurred in preparation for the mass production) of the Group's new precision machined component projects. The increase in financial expenses by approximately S\$0.27 million in HY2016 was the result of higher bank interest expenses and bank charges arising from the higher bank borrowings balances during HY2016 compared to HY2015. The higher depreciation and amortisation expenses of S\$2.58 million were mainly due to higher plant and equipment balance in the Group's China operation in HY2016 compared to HY2015. The increase in allowance for stocks obsolescence was mainly due to higher allowance for stocks from the mass production of the new precision machined component projects.

The Group registered a loss before tax of S\$5.48 million in HY2016 compared to a loss before tax of S\$6.37 million in the previous corresponding period. The tax expense of S\$0.12 million was mainly due to under provision of tax in respect of prior years charged in HY2016. The loss after tax for HY2016 was S\$5.60 million compared to S\$6.23 million in HY2015. The Group's basic and diluted loss per share were both 5.21 cents for HY2016 versus 5.81 cents in HY2015. The Group's net asset value per share was 37.75 cents as at 31 December 2015 compared to 43.31 cents as at 30 June 2015.

The decrease in property, plant and equipment by S\$0.85 million was mainly due to depreciation charge during HY2016. The decrease in the Group's stocks by S\$2.3 million as at 31 December 2015 versus 30 June 2015 was mainly due to lower production during HY2016 versus the second half of FY2015 ("2H2015"). The decrease in trade debtors and trade creditors by S\$20.1 million and S\$11.20 million as at 31 December 2015 versus 30 June 2015 was mainly in line with the lower turnover in the last quarter of HY2016 compared to the last quarter of 2H2015. The decrease in other debtors, deposits and prepayments by S\$2.36 million to S\$1.44 million as at 31 December 2015 was mainly due to lower deposits and prepayments for equipment and materials as well as lower receivable from sales of product samples. Other creditors and accruals decreased by approximately S\$4.21 million to S\$4.90 million mainly as a result of lower provision for payroll cost and other payables for renovation as at 31 December 2015 compared to 30 June 2015.

The decrease in cash and cash equivalent by S\$1.99 million from S\$15.52 million to S\$13.53 million is explained in the cash flow explanation in the following paragraph below. Loans and borrowings (excluding finance leases) decreased by S\$6.34 million from S\$46.08 million to S\$39.74 million mainly due to repayments of loans and borrowings during HY2016. The decrease in finance lease obligations was also a result of repayments during FY2015. The increase in translation reserves was mainly the result of the strengthening of RMB against SGD as at 31 December 2015 compared to 30 June 2015.

Following the loss incurred, the Group's operations generated operating cash outflow before working capital changes of approximately S\$2.49 million in HY2016, compared to S\$3.00 million in HY2015. As a result of lower trade debtors and stocks balances as at 31 December 2015, partially offset by lower trade creditors, the Group recorded a net cash generated from operating activities of approximately S\$5.99 million in HY2016, compared to net cash outflow of S\$10.79 million in HY2015. Cash utilised in investing activities decreased by S\$2.46 million mainly as a result of lower renovation of factory facilities in HY2016. Net cash used in financing activities during the period was S\$7.16 million mainly arose from repayments of bank borrowings of S\$6.34 million, dividend payment of S\$0.54 million and interest expense payment of S\$0.58 million. Overall, cash and cash equivalents decreased by S\$1.99 million during HY2016 to S\$13.53 million as at 31 December 2015 compared to the balance of S\$15.52 million as at 30 June 2015.

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

This announcement is in line with the profit guidance announcement released by the Company via SGXNet on 22 January 2016.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The demand for our precision machined components is expected to be uncertain and challenging in the second half of current financial year ending 30 June 2016 ("2H2016"). Challenges remain in terms of pricing and costs as well as foreign exchange volatility as in prior periods. The market in which the Group operates is expected to be weaker and more competitive.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

None.

(b) *If Corresponding Period of the Immediately Preceding Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/ recommended for the six months period ended 31 December 2015.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained any general mandate for interested person transactions.

14. CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

We, Lee Keen Whye and Ng Weng Wei, being two Directors of Santak Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the half year financial results ended 31 December 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lee Keen Whye
Chairman

Ng Weng Wei
Director

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng
Company Secretary
3 February 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
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