

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

Half Year Financial Statement And Dividend Announcement for the Period Ended 31 December 2013

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

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

	GROUP		
	Latest Half Year 31 December 2013 S\$'000	Previous Half Year 31 December 2012 S\$'000	% Increase / (Decrease)
Revenue	39,095	49,345	(21)
Cost of sales	(32,086)	(37,345)	(14)
Gross profit	7,009	12,000	(42)
Other income	810	580	40
Distribution and selling expenses	(1,264)	(1,197)	6
Administrative expenses	(1,640)	(1,693)	(3)
Other operating expenses	(453)	(695)	(35)
Financial expenses	(493)	(709)	(30)
Financial income	53	31	71
Profit before taxation	4,022	8,317	(52)
Taxation	(80)	(1,721)	(95)
Profit for the period	3,942	6,596	(40)
Attributable to equity holders of the Company	3,942	6,596	(40)
Statement Of Comprehensive Income			
Profit for the period	3,942	6,596	(40)
Other comprehensive income :			
<i>Items that may be reclassified subsequently to profit and loss :</i>			
Foreign currency translation	603	(605)	n.m
Total other comprehensive income for the period	603	(605)	n.m
Total comprehensive income for the period	4,545	5,991	(24)
Total comprehensive income attributable to equity holders of the Company	4,545	5,991	(24)

n.m. – not meaningful

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

	GROUP	
	Latest Period	Previous Period
	31 December 2013	31 December 2012
	S\$'000	S\$'000
Other income	810	580
Interest Income	53	31
Interest on borrowings	(371)	(531)
Depreciation and amortisation	(2,329)	(2,505)
Write back/(allowance) for stocks obsolescence (net)	74	(132)
Write off of stocks	(3)	(165)
Foreign exchange loss	(452)	(667)
Over/(under) provision of tax in respect of prior years	168	(14)
Loss on disposal of property, plant and equipment	-	(25)

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

	GROUP		COMPANY	
	31 Dec 2013 S\$'000	30 June 2013 S\$'000	31 Dec 2013 S\$'000	30 June 2013 S\$'000
Non-current assets				
Property, plant and equipment	23,106	25,043	308	330
Investments in subsidiary companies	-	-	8,113	8,113
Intangible assets	211	238	56	67
Loan to a subsidiary company	-	-	4,030	4,030
Deferred tax assets	2,159	2,128	-	-
Restricted fixed deposits	3,058	3,050	-	-
	<u>28,534</u>	<u>30,459</u>	<u>12,507</u>	<u>12,540</u>
Current assets				
Stocks	11,795	9,391	-	-
Trade debtors	26,292	16,963	-	-
Other debtors, deposits and prepayments	764	774	50	11
Due from subsidiary companies (non-trade)	-	-	1,942	1,781
Dividend receivable	-	-	-	2,200
Cash and cash equivalents	22,710	31,062	28	390
	<u>61,561</u>	<u>58,190</u>	<u>2,020</u>	<u>4,382</u>
Current liabilities				
Trade creditors	13,452	5,079	-	-
Other creditors and accruals	3,856	5,407	576	946
Provision for taxation	414	512	6	5
Loans and borrowings (secured) - current portion	18,780	22,525	-	-
Finance lease obligations - current portion	403	531	30	35
	<u>36,905</u>	<u>34,054</u>	<u>612</u>	<u>986</u>
Net current assets	24,656	24,136	1,408	3,396
Non-current liabilities				
Loan and borrowings (secured) - non-current portion	2,785	6,539	-	-
Finance lease obligations - non-current portion	409	546	218	233
Deferred tax liabilities	1,159	1,195	1	4
	<u>4,353</u>	<u>8,280</u>	<u>219</u>	<u>237</u>
Net assets	<u>48,837</u>	<u>46,315</u>	<u>13,696</u>	<u>15,699</u>

	GROUP		COMPANY	
	31 Dec 2013 S\$'000	30 June 2013 S\$'000	31 Dec 2013 S\$'000	30 June 2013 S\$'000
Equity attributable to equity holders of the Company				
Share capital	12,708	12,595	12,708	12,595
Share option reserve	542	542	542	542
Retained earnings	30,234	28,428	446	2,562
Revaluation reserve	2,463	2,463	-	-
Translation reserve	1,935	1,332	-	-
Statutory reserves	955	955	-	-
	<u>48,837</u>	<u>46,315</u>	<u>13,696</u>	<u>15,699</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 31/12/2013		As at 30/06/2013	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
19,183,000	0	23,056,000	0

Amount repayable after one year

As at 31/12/2013		As at 30/06/2013	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
3,194,000	0	7,085,000	0

Details of any collateral

- 1) The term loans are secured as follows:
 - (a) S\$19,938,000 (2013: S\$26,312,000) is secured by way of a legal mortgage over a subsidiary company's leasehold property with a net book value as at 31 December 2013 of S\$5,712,000 (At 30 June 2013: S\$5,808,000), a charge over a subsidiary company's fixed deposit of S\$2,558,000 as at 31 December 2013 (At 30 June 2013: S\$2,550,000) and a corporate guarantee from the Company, and
 - (b) S\$750,000 (2013: S\$1,333,000) is secured by a charge over a subsidiary company's fixed deposit of S\$500,000 as at 31 December 2013 (At 30 June 2013: S\$500,000) and a corporate guarantee from the Company, and
 - (c) S\$877,000 (30 June 2013: S\$1,419,000) is secured by corporate guarantees from the Company.
- 2) Finance lease obligations are secured over the respective machineries and motor vehicles as well as corporate guarantees from the Company.

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

	GROUP	
	Latest Half Year 31 Dec 2013 S\$'000	Previous Half Year 31 Dec 2012 S\$'000
Cash flows from operating activities		
Profit before taxation	4,022	8,317
Adjustments:		
Depreciation of property, plant and equipment	2,302	2,481
Amortisation of intangible assets	27	24
Loss on disposal of property, plant and equipment	-	25
Interest expenses	371	531
Interest income	(53)	(31)
Operating cash flows before working capital changes	6,669	11,347
Stocks	(2,404)	(1,622)
Trade debtors	(9,329)	(17,084)
Other debtors, deposits and prepayments	10	474
Trade creditors	8,373	6,032
Other creditors and accruals	(1,579)	(1,306)
Cash generated from/(used in) operations	1,740	(2,159)
Interest received	53	31
Income taxes paid, net	(214)	(797)
Currency realignment	320	(215)
Net cash generated from/(used in) operating activities	1,899	(3,140)
Cash flows from investing activities		
Purchase of property, plant and equipment	(118)	(1,653)
Purchase of intangible assets	-	(19)
Proceeds from disposal of property, plant and equipment	-	42
Net cash used in investing activities	(118)	(1,630)
Cash flows from financing activities		
(Repayment)/proceeds from loans and borrowings, net	(7,474)	11,803
Repayment of finance leases, net	(265)	(255)
Proceeds from share issue	113	221
Dividends paid	(2,136)	(1,586)
Placement of a fixed deposit	-	(500)
Interest paid	(371)	(531)
Net cash (used in)/generated from financing activities	(10,133)	9,152
Net (decrease)/increase in cash and cash equivalents	(8,352)	4,382
Cash and cash equivalents at beginning of period	31,062	15,047
Cash and cash equivalents at end of the period	22,710	19,429

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 2013.

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 2012	12,314	542	20,429	2,463	739	63	36,550
Profit net of tax	-	-	6,596	-	-	-	6,596
Other comprehensive income for the period	-	-	-	-	-	(605)	(605)
Total comprehensive income for the period	-	-	6,596	-	-	(605)	5,991
Dividends on ordinary shares	-	-	(1,586)	-	-	-	(1,586)
Transfer to statutory reserves	-	-	(221)	-	221	-	-
Exercise of employee share options	221	-	-	-	-	-	221
Balance at 31 Dec 2012	12,535	542	25,218	2,463	960	(542)	41,176
Balance at 1 July 2013	12,595	542	28,428	2,463	955	1,332	46,315
Profit net of tax	-	-	3,942	-	-	-	3,942
Other comprehensive income for the period	-	-	-	-	-	603	603
Total comprehensive income for the period	-	-	3,942	-	-	603	4,545
Dividends on ordinary shares	-	-	(2,136)	-	-	-	(2,136)
Exercise of employee share options	113	-	-	-	-	-	113
Balance at 31 Dec 2013	12,708	542	30,234	2,463	955	1,935	48,837

COMPANY

	Share capital S\$'000	Share option reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 July 2012	12,314	542	1,941	14,797
Total comprehensive income for the period	-	-	2	2
Dividends on ordinary shares	-	-	(1,586)	(1,586)
Exercise of employee share options	221	-	-	221
Balance at 31 Dec 2012	<u>12,535</u>	<u>542</u>	<u>357</u>	<u>13,434</u>
Balance at 1 July 2013	12,595	542	2,562	15,699
Total comprehensive income for the period	-	-	20	20
Dividends on ordinary shares	-	-	(2,136)	(2,136)
Exercise of employee share options	113	-	-	113
Balance at 31 Dec 2013	<u>12,708</u>	<u>542</u>	<u>446</u>	<u>13,696</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.

During the half year ended 31 December 2013, the Company issued and allotted 650,000 new ordinary shares upon the exercise of share options granted under Santak Share Option Scheme 2001. The shares were issued ranking pari passu in all respects with the existing issued ordinary shares in the capital of the Company. As a result of the above, the issued and paid-up capital of the Company increased from S\$12,594,938 as at 30 June 2013 to S\$12,707,988 as at 31 December 2013.

As at 31 December 2013, there were 3,350,000 share options outstanding (30 June 2013: 4,000,000). The movement of share options of the Company during the financial period was as follows:

Balance as at 1.7.2013	Exercised	Balance as at 31.12.2013	Exercise price S\$	Exercise period
1,000,000	(450,000)	550,000	\$0.145	22.6.2005 to 21.6.2014
3,000,000	(200,000)	2,800,000	\$0.239	15.9.2006 to 14.9.2015
<u>4,000,000</u>	<u>(650,000)</u>	<u>3,350,000</u>		

There was no share held as treasury shares as at 31 December 2013 (30 June 2013: 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 2013, the total number of issued shares of the Company were 106,780,980 shares (30 June 2013: 106,130,980).

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.

Nil.

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.

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 2013 compared to the audited financial statements as at 30 June 2013.

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 July 1, 2013. The adoption of these new/revised FRS and INT FRS does 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.

The 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.

Earnings per ordinary share of the Group:	Latest period	Previous corresponding period
(a) Based on the weighted average number of ordinary shares on issue; and	3.70 cents	6.27 cents
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	3.65 cents	6.17 cents

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

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

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

	Latest period	Previous corresponding period
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (S\$'000)	3,942	6,596
Weighted average number of ordinary shares (in thousands) on issue applicable to basic earnings per share	106,437	105,185
Effect of dilutive securities: Share options	1,585	1,795
Adjusted weighted average number of ordinary shares (in thousands) applicable to diluted earnings per share	108,022	106,980

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 2013	30 June 2013	31 Dec 2013	30 June 2013
Net asset value per ordinary share based on issued share capital of the issuer at the end of the financial period reported on	45.74 cents	43.64 cents	12.83 cents	14.79 cents

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

The Group registered a turnover of S\$39.10 million, a decrease of S\$10.25 million or 21% for the six months ended 31 December 2013 ("HY2014") versus a turnover of S\$49.35 million for the previous corresponding period ("HY2013"). Nevertheless, compared to the immediately preceding six months period ended 30 June 2013, the revenue of the Group was higher by S\$10.61 million or 37%. Sales of the Group's Precision Engineering Division ("PE") was S\$37.30 million, lower by S\$10.83 million or 23% as compared to HY2013. The decrease in sales in PE was mainly due to the lower sales arising from weaker demand and pricing pressure for our precision machined components in HY2014 for the electronics sector mainly in our China operations. On the other hand, the Group's Trading & Distribution Division ("T&D") registered a slightly higher sales at S\$1.79 million compared to S\$1.22 million in HY2013 mainly from stronger demand from the security/access control systems sector. The decrease in cost of sales was relatively in line with the lower turnover achieved by the Group in HY2014. The Group's gross profit was lower in HY2014 compared to HY2013 following the decrease in turnover. The decline in gross margin percentage was mainly due to lower economy of scale resulting from the lower turnover as well as pricing and cost pressures.

The decrease in administrative expenses was attributable to the lower turnover achieved in HY2014. The slight increase in distribution and selling expenses was mainly due to the increase in marketing activities during HY2014. The higher other income was mainly a result of the incentives rebates received from the local authorities in China in HY2014 which was absent in the prior corresponding period as well as higher sales of scraps. On the other hand, the decrease in other operating expenses was mainly due to the lower foreign exchange losses in HY2014 arising from the strengthening of the USD. The decrease in financial expenses was the result of lower bank interest expenses and bank facilities fees arising from the decrease in bank borrowings following repayments made during HY2014.

The Group recorded a lower profit before tax of S\$4.02 million in HY2014, a decrease of S\$4.30 million or 52%, versus S\$8.32 million in the six months period ended 31 December 2012 (HY2013). On the other hand, the profit before tax of the Group increased by S\$2.32 million or

137% compared to the immediately preceding six months period ended 30 June 2013. The lower tax expense in HY2014 was in line with the decrease in profit before tax of the Group. The lower effective tax rate for HY2014 was the result of the utilisation of tax losses from previous year, write-back of overprovision of tax in respect of prior years, tax rebates enjoyed as well as lower deferred tax liabilities. Our basic and diluted earnings per share were 3.70 cents and 3.65 cents respectively for HY2014 versus basic and diluted earnings per share of 6.27 and 6.17 cents respectively in the prior comparative period. The Group's net asset value per share was 45.74 cents as at 31 December 2013 as compared to 43.64 cents as at 30 June 2013.

The increase in the Group's trade debtors and stocks balances by S\$9.33 million and S\$2.40 million as at 31 December 2013 versus balances as at 30 June 2013 respectively were in line with the growth in turnover during the financial period especially in the last quarter of HY2014 compared to the immediately preceding six months period ended 30 June 2013. Similarly, the increase in trade creditors by approximately S\$8.37 million to S\$13.45 million was in line with the increase in cost of sales during the period compared to the immediately preceding six months period ended 30 June 2013. Other creditors and accruals decreased by S\$1.55 million to S\$3.86 million mainly due to the lower accruals for payroll cost as well as renovation cost as at 31 December 2013 as compared to 30 June 2013. The increase in translation reserve was mainly due to the strengthening of RMB.

The decrease in cash and cash equivalent by S\$8.35 million from S\$31.06 million to S\$22.71 million is explained in the cash flow explanation in the following paragraph below. The decrease in provision for taxation was in line with the lower profit registered in HY2014. Loans and borrowings (excluding finance leases) decreased by S\$7.50 million from S\$29.06 million to S\$21.56 million mainly due to repayments made during HY2014.

Following the decrease in profit before tax and sales revenue, the Group's operations generated lower operating cash inflow before working capital changes of approximately S\$6.67 million in HY2014, compared to S\$11.35 million in the previous corresponding period. However, due to the higher trade creditors registered as at 31 December 2013 resulting from the increase in the purchases during the financial period especially in the last quarter of HY2014, partially offset by increase in trade debtors and stocks balances, the Group registered a net cash generated from operating activities of S\$1.90 million compared to a net cash used in operating activities of S\$3.14 million during the prior corresponding period. Cash utilised in investing activities was S\$0.12 million compared to S\$1.63 million in HY2013 due to lower purchase of machinery and equipment in HY2014. Net cash used in financing activities was S\$10.13 million mainly arising from repayment of loans and borrowings, dividend payment of S\$2.14 million, interest expense paid of S\$0.37 million as well as net repayment of finance lease of approximately S\$0.27 million during the period, partially offset by S\$0.11 million of proceeds from the issuance of shares arising from the exercise of share options. Overall, cash and cash equivalents decreased by S\$8.35 million during HY2014 to S\$22.71 million as at 31 December 2013 as compared to the balance of S\$31.06 million as at 30 June 2013.

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

The results for the current period ended 31 December 2013 are in line with the prospect statement in our previous full year results announcement on 27 August 2013.

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

The market in which the Group operates remains competitive. Going forward, the business environment is expected to be more challenging and the demand for our products and business conditions are expected to be weaker in the second half of FY2014 ending 30 June 2014 as compared to the first half ended 31 December 2013 ("HY2014"). Barring any unforeseen circumstances, the Group is expected to remain profitable for the full year ending 30 June 2014 ("FY2014"). Similar to prior periods, cost and pricing pressures as well as foreign exchange volatility are expected to continue to be challenging.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial 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 2013.

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 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lee Keen Whye
Chairman

Ng Weng Wei
Director

BY ORDER OF THE BOARD

Lai Foon Kuen
Company Secretary
12 February 2014

*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*