SANTAK HOLDINGS LIMITED
DISPOSAL OF ASSETS

1. Introduction

Santak Holdings Limited (the “Company”) wishes to announce that its wholly owned subsidiaries, Santak Electronics Pte Ltd and Santak Electronics Sdn Bhd (hereinafter collectively referred to as the “Sellers”) have entered into an Asset Purchase Agreement on 23 February 2005 with Sokymat Technology Sdn Bhd (the “Purchaser”) pursuant to which:

a) the Sellers have agreed to transfer to the Purchaser certain assets comprising of machinery, equipment and other fixed assets of the Sellers (hereinafter referred to as the “Assets”);

b) the Sellers have agreed to transfer to the Purchaser the inventory of the Sellers (hereinafter referred to as the "Inventory");

c) the Sellers have agreed to transfer to the Purchaser the tenancy contract relating to the Plant (as defined in paragraph 3) (hereinafter referred to as the “Contract”);

d) the Purchaser has agreed to offer employment opportunities to the employees currently employed by the Sellers; and

e) the Purchaser has agreed to operate the Plant,

(collectively, the "Disposal").

2. Information About the Purchaser

The Purchaser is a company incorporated under the laws of Malaysia and is a wholly-owned subsidiary of Sokymat SA (“Sokymat”), a company incorporated in Switzerland. Sokymat is currently a major customer of the Sellers.

3. Information about the Sellers

The Sellers, which constitute the Electronics Manufacturing Division of the Santak Group (the "Group"), are mainly engaged in the manufacturing of coils for contactless smartcards/tags as well as coils for motor in home appliances/industrial products and contactless clamshell smartcards. The Sellers also operate a production facility in Johor, Malaysia (hereinafter referred to as the “Plant”).

4. Rationale for the Disposal

The Sellers' electronic components manufacturing business has been making losses for the six months ended 31 December 2004 and is not expected to turnaround in the foreseeable future. In line with the Company's strategy of focusing on the core business, the Company has decided to divest the electronic components manufacturing business which is not a significant contributor to the Group..

The Board of Directors of the Company is of the opinion that the Disposal is in the best interest of the Company and that the sale proceeds can be utilized to expand its other existing core businesses, in particular its Precision Engineering Division.

5. Valuation, Consideration and Payment Schedule

The sale price for the Assets ("Sale Price A") shall be the sum of RM 564,065.55 being the respective book values of the Assets determined according to International Financial Reporting Standards ("IFRS") standards as at 31 October 2004.

The sale price for the Inventory ("Sale Price B") shall be the respective book values of the inventory items on stock upon Closing (as defined below). It is agreed that Sale Price B shall not amount to more than the aggregate sum of RM 154,000 and S$175,000 ("Limit") provided that the Limit shall exclude any inventory covered by purchase orders from Sokymat and its affiliates, as customers. The combined net book values of the Assets and the Inventory as at 31 December 2004 was S$432,231. Subject to the foregoing, the Disposal will result in a maximum net gain of approximately S$51,000, assuming the Disposal had taken place on 31 December 2004.

The maximum total sale price for the Disposal ("Maximum Total Sale Price") shall be the equivalent of S$483,182.64 (based on an exchange rate of S$1:RM 2.33 as at 22 February 2005).

Closing of the Asset Purchase Agreement shall take place at the offices of Santak Electronics Pte Ltd at such time and place as the Purchaser and the Sellers may mutually agree in writing ("Closing").

The consideration shall be payable as follows:

a) At Closing, the Purchaser shall pay an amount equivalent to Sale Price A to the Sellers.

b) Sale Price B shall be paid as soon as the valuation of the Inventory as at Closing has been determined in accordance with the Agreement.

The Purchaser's payment obligations are guaranteed by Sokymat, the parent company of the Purchaser.

6. Post-Closing Due Diligence

As soon as practicable after Closing, the Purchaser or PriceWaterhouseCoopers Singapore shall determine and audit the book values of the Inventory as at the date of Closing and determine the adjustments to be made to Sale Price B in accordance with IFRS standards.

7. Details of the Asset Purchase Agreement

The obligations of the Purchaser to consummate the transactions contemplated by the Asset Purchase Agreement shall be subject to the fulfillment, at or prior to Closing of, *inter alia*, the following conditions precedent:-

a) any and all permits and approvals from any authority required for the lawful consummation of the transactions contemplated by the Asset Purchase Agreement shall have been obtained;

b) all necessary consents to the assignment for all the Contracts requiring the consent of third parties to the assignment thereof to the Purchaser shall have been obtained;

c) there shall not have occurred, between the date of the Asset Purchase Agreement and Closing, any material adverse change with respect to the Plant, the Contracts or the value or utility of the Assets, or with respect to the ability of the Sellers to consummate the transactions contemplated therein; and

d) the Sellers having used its best efforts to ensure that as many as possible of the persons set out in the Asset Purchase Agreement shall have entered into employment agreements with the Purchaser upon the same terms and conditions as their employment under the Sellers.

The obligations of the Sellers to consummate the transactions contemplated by the Asset Purchase Agreement shall be conditional upon, if so required by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company obtaining the prior approval of its shareholders in general meeting for the transactions to be performed by the Sellers as contemplated in the Asset Purchase Agreement (including without limitation the Disposal) on the terms and subject to the conditions contained therein.

8. Financial Effects and Relative Figures

8.1 For illustration purposes only, based on the financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2004 ("FY2004") (the "FY2004 Group Financial Statements") and the Maximum Total Sale Price, the financial effects of the Disposal on the Group would be as follows:

(a) the net asset value per share of the Group would be decreased from 15.87 cents to 15.82 cents, assuming that the Disposal had been completed on 30 June 2004; and

(b) the earnings per share of the Group would be decreased from 1.03 cents to 0.89 cents, assuming that the Disposal had been completed on 1 July 2003.

The above financial effects are shown for illustrative purposes only and do not necessarily reflect the actual future financial position and prospects of the Company or its subsidiaries or associated companies after the Disposal.

8.2 The relative figures that were computed on the bases set out in Rules 1006 of the Listing Manual of the SGX-ST, based on the financial statements of the Group for the half-year ended 31 December 2004 are as follows:

<u>Rule 1006 (a)</u>
The net asset value of the Assets and Inventory to be disposed of is S$432,231 as at 31 December 2004, which constitutes approximately 2.32 per cent. of S$18,603,837, being the net asset value of the Group as at 31 December 2004.

<u>Rule 1006(b)</u>
Where goodwill written off by the Group was not attributed to the business of the Sellers, the net loss before income tax, minority interests and extraordinary items attributable to the Assets and Inventory for the half year ended 31 December 2004 is S$209,663, which constitutes approximately negative 30.70 per cent. of S$683,029, being the net profit before income tax, minority interests and extraordinary items of the Group for the half year ended 31 December 2004.

Where goodwill written off by the Group was attributed to the Assets and Inventory, the net loss before income tax, minority interests and extraordinary items attributable to the Assets and Inventory for the half year ended 31 December 2004 is S$609,049, which constitutes approximately negative 89.17 per cent. of S$683,029, being the net profit before income tax, minority interests and extraordinary items of the Group for the half year ended 31 December 2004.

<u>Rule 1006 (c)</u>
The Maximum Total Sale Price of S$483,182.64 constitutes approximately 3.48 per cent. of the market capitalisation of the Issuer of approximately S$13,875,432, based on the weighted average price of the Issuer's shares transacted on 16 February 2005, being the last market day on which the Issuer’s shares were transacted preceding the date of the Asset Purchase Agreement.

<u>Rule 1006 (d)</u>
Not applicable.

9. General

No director or controlling shareholder has any interest direct or indirect in the Disposal.

A copy of the Asset Purchase Agreement will be made available for inspection during normal business hours at the Company’s registered office for a period of three months from the date of this announcement.