

**RECEIPT OF LETTER OF DEMAND  
 IN RELATION TO THE SETTLEMENT AGREEMENT**

**1. INTRODUCTION**

The board of directors (the “**Board**” or “**Directors**”) of Astaka Holdings Limited (the “**Company**”) refers to the Company’s announcements dated 5 September 2019, 6 September 2019, 11 September 2019, 2 October 2019 and 9 April 2020 (collectively, the “**Announcements**”), in relation to the settlement agreement entered into between the Company’s subsidiary, Astaka Padu Sdn Bhd (“**APSB**”) and China State Construction Engineering (M) Sdn Bhd (“**CSCE**”) on 1 October 2019 (the “**Settlement Agreement**”).

The Board wishes to announce that APSB had on 1 July 2020, received a letter of demand dated 1 July 2020 from CSCE in relation to the Settlement Agreement (the “**Letter of Demand**”).

*Unless otherwise defined herein, all capitalised terms used herein shall have the same meanings as defined in the Announcements.*

**2. LETTER OF DEMAND**

Following the receipt of the Letter of Default as announced by the Company on 9 April 2020, the Company had engaged CSCE in relation to its delay in payment pursuant to the Settlement Agreement. On 10 April 2020, CSCE had, without prejudice to all its other rights under the Settlement Agreement, granted an extension of time for the payment of certain instalments under the Settlement Agreement, in the following manner:

<b>Original Due Date for Payment in the Settlement Agreement</b>	<b>Extended Due Date for Payment</b>	<b>Sums Due (RM)</b>
29.02.2020	30.04.2020	2,500,000.00
31.03.2020	31.05.2020	2,500,000.00
30.04.2020	31.05.2020	2,500,000.00

On 3 June 2020, CSCE had, without prejudice to all its other rights under the Settlement Agreement, granted a final extension of time for the payment of certain instalments under the Settlement Agreement, in the following manner:

<b>Original Due Date for Payment in the Settlement Agreement</b>	<b>Extended Due Date for Payment</b>	<b>Sums Due (RM)</b>
29.02.2020	30.06.2020	2,500,000.00
31.03.2020	30.06.2020	2,500,000.00
30.04.2020	30.06.2020	2,500,000.00
31.05.2020	30.06.2020	2,500,000.00

Arising from the lapse of the extended due date of payment, APSB received the Letter of Demand from CSCE on 1 July 2020 in relation to the Settlement Agreement. Pursuant to the Letter of Demand, CSCE claims that it is entitled to immediately initiate legal proceedings against APSB for the entire unpaid portion of the Settlement Sum and any other amount due including interest without any further reference to APSB, including but not limited to:

- (i) initiating adjudication in accordance with the Construction Industry Payment and Adjudication Act; and/or
- (ii) commencing winding up proceedings against APSB.

CSCE demands that APSB pays CSCE the outstanding sum (together with applicable interest) within seven (7) days from the date of the Letter of Demand, failing which CSCE would initiate legal proceedings against APSB to recover the outstanding sums. In such event, CSCE shall hold APSB liable for the costs and interests incurred by CSCE, as a result of the default of the terms of the Settlement Agreement. CSCE claims that pursuant to Clause 2.1(ix) of the Settlement Agreement, the interest amount that CSCE is entitled to impose on APSB is currently RM2,759,732.24 (calculated as at 30 June 2020), and that the interest amount will continue to accrue until full payment of each of the instalment under the Settlement Agreement.

The Letter of Demand sets out a table corresponding to the payments made by APSB to CSCE and the accumulated interests owed from APSB to CSCE as follows:

<b>Date</b>	<b>Payments made by APSB to CSCE (RM)</b>	<b>Outstanding Settlement Sum (RM)</b>	<b>Interest by Month (RM)</b>	<b>Accumulated Interest (RM)</b>
31.08.2019		57,378,046.43		
30.09.2019	11,540,405.00	45,837,641.43	324,683.29	324,683.29
31.10.2019	2,018,408.13	43,819,233.30	310,386.24	635,069.53
30.11.2019	2,568,906.80	41,250,326.50	292,189.81	927,259.34
31.12.2019	2,500,596.00	38,749,730.50	274,477.26	1,201,736.60
31.01.2020	7,676.00	38,742,054.50	274,422.89	1,476,159.49
29.02.2020	2,500,000.00	36,242,054.50	256,714.55	1,732,874.04
31.03.2020	0.00	36,242,054.50	256,714.55	1,989,588.59
30.04.2020	0.00	36,242,054.50	256,714.55	2,246,303.14
31.05.2020	0.00	36,242,054.50	256,714.55	2,503,017.69
30.06.2020	0.00	36,242,054.50	256,714.55	2,759,732.24

### 3. NEXT STEPS

Following receipt of the Letter of Demand, the management of APSB will (i) continue to engage CSCE to negotiate a further extension of time and/or a revised Settlement Agreement as APSB's ability to repay the outstanding sums under the Settlement Agreement has been impeded as a result of the government of Malaysia's imposition of the Movement Control Order to curb the spread of COVID-19, and the weak property market sentiment in Malaysia, especially the high-end condominium/service apartment sector; and (ii) verify the payments due to CSCE as set out in the Letter of Demand.

In the meantime, the Company notes that:

- (a) the government of Malaysia has since announced numerous initiatives to ease corporate burdens during the Movement Control Order. The initiatives include:

- (i) increasing the threshold of the indebtedness under Section 466(1)(a) of the Companies Act 2016 of Malaysia (the “**Companies Act 2016**”); and
  - (ii) exempting all companies from the application of Section 466(1)(a) of the Companies Act 2016 which provides that a company that fails to respond to a statutory demand for debt owed in a sum exceeding the prescribed amount by the Minister within twenty (21) days shall be deemed "unable to pay its debts" and will be susceptible to winding-up proceedings;
- (b) pursuant thereto the Companies (Exemption) (No. 2) Order 2020 (the “**Exemption Order**”) was gazetted. Under the Exemption Order, any company shall be deemed to be unable to pay its debts under Section 466(1)(a) of the Companies Act 2016 if the said company neglects any notice of demand by any creditor to pay its debt or to secure its debt or to compound its debt to the satisfaction of the creditor within a period of six (6) months after the statutory demand is served on the said company provided that the statutory demand is served upon the company within the period from 23 April 2020 until 31 December 2020; and
- (c) therefore, CSCE may only initiate winding up action against APSB on the grounds of inability to pay the outstanding sum (together with applicable interest) after the period of six (6) months from the date of the Letter of Demand has expired, and APSB is protected from such winding-up proceedings commenced against it by CSCE until 31 December 2020.

The Company will make the appropriate announcements as and when there are any further material developments on the above matters.

## **ON BEHALF OF THE BOARD**

Khong Chung Lun  
Executive Director and Chief Executive Officer  
2 July 2020

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*This announcement has been prepared by the Company and reviewed by the sponsor, Novus Corporate Finance Pte. Ltd. (the “Sponsor”), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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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