
RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**” or “**Directors**”) of Astaka Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) would like to provide its responses to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Group’s annual report for the financial period ended 31 December 2021 (“**FY2021**”) (the “**Annual Report**”) prior to the upcoming annual general meeting for FY2021 to be held by way of electronic means on 28 April 2022 at 11:00 a.m. For avoidance of doubt, the Company did not respond to the commentaries made by SIAS as they merely set out the context of the questions raised.

2. QUERIES FROM SIAS

2.1 Question 1

At the extraordinary general meeting held on 12 April 2022, shareholders approved the proposed disposal of land at One Bukit Senyum.

In recent months, the group has reached settlement agreements with China State Construction Engineering (M) Sdn Bhd and Aliran Asia Sdn Bhd. In addition, the company had previously announced that it had, on 29 December 2021, submitted a revised resumption proposal to SGX-ST.

The company first requested for a trading halt on 2 September 2019, followed for a request for suspension on 5 September 2019. Trading of the company’s shares have been suspended for more than 2.5 years.

(i) Are there any updates from SGX on the company’s trading resumption proposal?

(ii) What are the remaining milestones before the trading of the company’s shares can resume?

(iii) Does the board have any visibility on the timeline for the resumption of trading?

(iv) What is the level of involvement by the independent directors to safeguard the interest of the company and of the (minority) shareholders during the past 2.5 years?

Company’s Response:

As announced by the Company on 30 December 2021, the revised proposal to resume trading was submitted to the SGX-ST on 29 December 2021.

Subsequently, the Company, through its continuing sponsor, has been liaising with the SGX-ST on the trading resumption application. The Company will make further announcement to update shareholders as and when there are material developments with regard to the Company’s resumption of trading.

The level of involvement by the Independent Directors to safeguard the interest of the Company and all shareholders have always been continuous. In particular, the Independent Directors have also focused on the safeguarding of minority shareholders' interest. All the Independent Directors, being members of the Audit Committee, are actively involved in the review of the external and internal audit scope and plan, review with management and updates on key standard operating procedures, delegation of authority and approval limits, etc. Further details can be found in the Company's response to Question 2(iii) below. In addition to the quarterly meetings, the Directors meet frequently and regularly (together with the management, where relevant) through virtual platforms and on an ad-hoc basis where required, to discuss and decide on key matters, as well as to ensure the smoother operations of the Company.

2.2 **Question 2**

The group launched the "new and highest show units" in The Astaka in December 2021. It also embarked on aggressive marketing campaigns through various sales packages and promotions, including special rebates and discount.

In Pengerang, the group aims to launch the commercial development projects, i.e. Phase 3A, 3B and 3C located in Bukit Pelali, Pengerang in the second quarter of 2022. The project benefits from its proximity to the Pengerang Integrated Petroleum Complex in south-eastern Johor, which is expected to help to drive up demand for residential units and commercial outlets.

The group signed a memorandum of understanding ("**MOU**") with DMR Holdings Sdn. Bhd for a potential collaboration to jointly undertake up to 42 acres of land development projects (including mixed commercial and light industrial development) in Johor, including Iskandar Puteri, Tampoi and Pengerang.

A second MOU is for the potential joint development of a commercial mix-used project in the popular township area of Taman Setia Indah.

At the company level, the company recognised accumulated losses of RM(1.259) billion. Equity was RM1.35 billion in FY2016/FY2017/FY2018 before the group started facing difficulties. Equity attributable to owners of the company stands at just RM196.8 million as at 31 December 2021.

(i) Can the board/management (re)state the group's competitive advantage in real estate development and elaborate on how it creates value for shareholders?

(ii) How different is the group today in terms of its business model and financial position than it is 3 years ago when it faced a severe liquidity crunch, received letters of demand and under-recognised interest expense, etc?

(iii) In particular, have the internal controls, corporate governance and board oversight been significantly improved?

(iv) With regard to the two recently signed MOU, how does the group shortlist and select its partners?

(v) Does the group have the necessary working capital and human capital to support its growth objectives?

(vi) What are the sales achieved for The Astaka?

Company's Response:

(i) The Group has always been focusing on our core competency in real estate development, which includes having a dedicated and strong core team, as demonstrated by the completion

of The Astaka @ One Bukit Senyum and numerous phases of the Bukit Pelali @ Pengerang township development. The Astaka @ One Bukit Senyum was the recipient of the coveted category award for Best Luxury Condo Development (Malaysia) in 2019 by PropertyGuru, which demonstrates the Group's expertise and forte in developing luxurious and quality residential developments.

Through the Group's many years of operating in Johor and extensive research, the Group has developed strong understanding and knowledge of the Johor real estate market to better understand the demands of our end-purchasers. At the same time, the Group has also managed to build a strong brand equity in the industry, allowing the Group to expand its network of connections. This is evident based on the recent MOU signed with DMR Holdings Sdn. Bhd. ("**DMR Holdings**"), an associate of our controlling shareholder, where the Group was able to leverage on its expertise and network to source for prime and strategic lands in Johor, Malaysia for the development of real estate projects catered to the flavour and demands of both local and foreign investors.

In addition, the recent MOUs signed also signifies the Group's strategic move in expanding its property development portfolio. Beyond residential real estate, the Group is also looking to venture into industrial development with the MOU signed with DMR Holdings, as well as to build up its commercial mix-used development segment. The Group's strong design and marketing capabilities have also allowed the Group to expand into providing consultancy services, as demonstrated by the partnership with Active Estates Sdn. Bhd. These will allow the Group to be well-rounded with various real estate segments to become a prominent integrated property developer in Johor and Malaysia.

Notwithstanding this, the Group will continue striving towards creating and enhancing more value for its shareholders.

- (ii) Please refer to the Company's response to Question 2(i) above with respect to the Group's business model which is currently focused on the expansion of the Group's property development portfolio including the Group's venture into industrial development.

In addition, as announced in recent months (29 November 2021 and 19 January 2022), the Group has signed settlement agreements to resolve the major outstanding legal matters. With the new management team in place since March 2020, the Group is on course to move on to the next phase of having new developments.

On top of the above and in terms of the Group's financial position, the Group has received enhanced financial support from our controlling shareholder, Dato' Malek, and his associated company(ies), with additional financial support in the form of loans totalling RM158.0 million. As of the date of this announcement, the Company has withdrawn a total of RM94.7 million ("**Withdrawn Amount**"), with a remaining RM63.3 million available to be withdrawn by the Company. The Withdrawn Amount was preliminarily used for working capital, as well as payments to the Company's creditors.

- (iii) During financial year ended 30 June 2020, the Board had appointed Ernst & Young Advisory Pte Ltd ("**EY**") to conduct an independent fact-finding exercise (the "**Exercise**") to look into, amongst others, identifying any lapses or weaknesses in internal and financial reporting controls and procedures, breaches in applicable rules, laws and regulation, making recommendations on remedial measures to enhance the system of internal controls and governance practices of the Group.

In addition, the Company also appointed internal auditors to conduct internal audit review for the Group on a yearly basis as well as the follow-up review of prior year's internal audit

findings, and an internal risk management and compliance team is in place to monitor the Group's internal controls closely. The internal auditor works closely with the Audit Committee which reviews the internal audit plan, program and scope before commencement of internal audit work. The Board is also apprised of the internal audit progress and findings and recommendations. As at 31 December 2021, the internal auditor has completed its 2-year audit cycle program covering all the key audit risk areas of the entities in the Group, and all the agreed plans to implement the recommendations by EY arising from the Exercise and by internal auditors have been implemented by the Group.

The Board is committed to maintaining high standards of corporate governance, and constantly review the adequacy and effectiveness of the Group's internal controls.

- (iv) The Group does its shortlisting of partners in accordance with a comprehensive evaluation process. A Business Development and Investment Committee was also formed, which comprises the Chief Executive Officer and the heads of various departments, to discuss and analyse, amongst others, the shortlisting of potential partners, which includes due diligence process on the potential partner(s), including but not limited to background searches and technical studies, feasibility studies, budget monitoring, as well as in shortlisting potential partners.
- (v) Yes. As part of the Group's continuous assessment and review of the Board's structure, size and composition of the Board Committees, the Group, as announced on 1 April 2022, have appointed a new Director (who has the relevant industry background and expertise) to the Board Committee, to further enhance the composition of the Board, as well as the Group's human capital. This will further assist the Group to unlock the shareholders' value, particularly in the corporate governance, projects' expansion, financing and etc.
- (vi) The take up rate of The Astaka @ One Bukit Senyum, as of the date of this announcement, is approximately 80%.

2.3 **Question 3**

In the independent auditors' report, the auditors have included a material uncertainty related to going concern, as follows:

We draw attention to Note 2 to the consolidated financial statements which indicates that the group incurred a net loss of RM22.79 million for the financial period ended 31 December 2021, and as of 31 December 2021, the Group reported net current assets of RM75.50 million, for which current assets include development properties amounting to RM337.28 million, representing the completed properties held for sale and properties in the course of development. As at 31 December 2021, the Company was in net current liability position of RM3.2 million. As stated in Note 2, these conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concern. Our opinion is not modified in respect of this matter.

Management has prepared the financial statements on a going concern basis due to the following:

- Resumption of vaccinated travel lanes ("VTL")
- Launch of Phase 3A, 3B and 3C of Bukit Pelali, Pengerang
- Disposal of a parcel of freehold land for RMB116 million (Note: Shall be RM, instead of RMB)
- Settlement with CSCE
- Settlement with Aliran Asia

- Settlement with JBB Kimlun (Note: It was a Supplemental Agreement, not a Settlement Agreement)
- Continuing support from the controlling shareholder, Dato' Daing A Malek Bin Daing A Rahaman, in the form of an unsecured, interest free loan facility of up to RM60 million

(i) Can the board/management help shareholders understand the future payments to be made under the various settlement agreements with the various parties?

(ii) Has the group drawn down on the RM60 million loan facilities offered by Dato' Malek?

(iii) What are the terms of the financial support by Dato' Malek, such as repayment schedule, maturity/expiration, etc?

(iv) Are there any other major uses of cash in the next 18-24 months?

Company's Response:

(i) (a) Settlement with Aliran Asia Sdn. Bhd.

The payment(s) to Aliran Asia Sdn. Bhd. ("**AASB**") pursuant to the settlement agreement of 19 January 2022 entered into between the Company's subsidiary, Astaka Padu Sdn. Bhd. ("**APSB**") and AASB has been completed.

(b) Settlement with CSCE

The Company has, as of the date of this announcement, paid a total of RM12,700,000 to CSCE pursuant to the settlement agreement of 29 November 2021 entered into between APSB and CSCE, with an outstanding amount of RM31,373,120 ("**Outstanding Amount to CSCE**") to be paid from April 2022 till March 2023, as announced by the Group on 30 November 2021 ("**CSCE Announcement**"). Notwithstanding this, an amount of RM11,535,817.00, which is part of the Outstanding Amount to CSCE, could be satisfied by the potential transfer of up to five (5) properties within the development, The Astaka @ Bukit Senyum from APSB to CSCE or nominees of CSCE, at the discretion of APSB. Please refer to the CSCE Announcement for more details.

(c) Supplemental Agreement with JBB Kimlun Sdn. Bhd. ("JBB Kimlun")

Pursuant to the supplemental agreement of 17 March 2022 entered into between APSB and JBB Kimlun ("**Supplemental Agreement**"), the Group has made the first payment of RM150,000.00 in March 2022 to JBB Kimlun, with the remaining balance of RM5,715,159.97 to be paid on a monthly basis from now till February 2024. In addition, there will be a transfer of 11 properties, as prescribed in the Supplemental Agreement, to JBB Kimlun's nominees, at a total net price of RM12,867,695. Please refer to the Group's announcement on 17 March 2022, for more details.

(ii) No. However, the loan facilities are readily available to be drawn down by the Group, as and when the Group requires.

(iii) In addition to the unsecured, interest-free RM60 million loan facility stated above, which is repayable within one year (unless automatically extended) or on demand, the other loans can be referenced from pages 82 and 83 of the Annual Report and the salient terms of the financial support by Dato' Malek (and his associate company(ies)) are as follows:

Dato' Malek, the controlling shareholder of the Company, had extended unsecured loans in aggregate outstanding principal amount of RM52,322,839 to the subsidiary of the Company, APSB, comprising

(a) a loan in principal outstanding amount of RM22,322,839 at a fixed interest rate of 4% per annum extended in FY2017, repayable on demand; and

- (b) a loan of RM30,000,000 pursuant to the loan agreement dated 14 February 2020 entered into between Dato' Malek and APSB (as supplemented by the supplemental letter agreement dated 3 November 2020) ("**DM Loan Agreement**") at a fixed interest rate of 8% per annum.

In respect of the DM Loan Agreement, the loan and interest are repayable within one year from the date of the first drawing date or on demand, and no interest shall be charged on any accrued interest. The tenure of the loan shall be extended automatically by each subsequent one (1) year period unless APSB receives a termination notice from Dato' Malek not less than 30 days prior to the repayment date, and provided that no event of default has occurred. The Company had obtained the approval from its shareholders on 28 October 2020 for the entry by APSB into the DM Loan Agreement as an interested person transaction under Chapter 9 of the Catalist Rules. Please refer to the Company's circular to its shareholders dated 9 October 2020 for further details on the DM Loan Agreement.

On 17 June 2020, APSB entered into a loan agreement with DMR Holdings (an associate of Dato' Malek) (the "**DMR Loan Agreement**"), pursuant to which DMR Holdings agreed to grant an unsecured loan in the principal amount of RM60,000,000 to APSB (as supplemented by the supplemental letter agreement dated 3 November 2020) (the "**DMR Loan**"). The DMR Loan is subject to an interest rate of 8% per annum on any principal amount outstanding for the time being of the DMR Loan. APSB has fully drawn down RM60,000,000 of the loan as at 31 December 2021.

APSB shall repay the DMR Loan and interest thereon within one year from the date of the first Drawing Date ("**Repayment Period**"), and no interest shall be charged on any accrued interest. Notwithstanding the Repayment Period above, the tenure of the DMR Loan shall be extended automatically by each subsequent one (1) year period unless APSB receives a notice of termination from DMR Holdings not less than thirty (30) days from the last date of the Repayment Period, and provided that no event of default has occurred. The Company had obtained the approval from its shareholders on 28 October 2020 for the entry by APSB into the DMR Loan Agreement as an interested person transaction under Chapter 9 of the Catalist Rules. Please refer to the Company's circular to its shareholders dated 9 October 2020 for further details on the DMR Loan Agreement.

In addition, APSB has on 8 December 2021 obtained an additional loan facility of up to RM8,000,000 for general corporate and working capital purposes.

- (iv) There is no major use of cash envisaged. However, the Group will assess, continuously, its expansion plans and usage of cash will be assessed and utilised as the Group's operating expenses, as and when required or necessary.

By Order of the Board

Khong Chung Lun
Executive Director and Chief Executive Officer

26 April 2022

This announcement has been prepared by the Company and reviewed by the Company's 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 Catalist.

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.

The contact person for the Sponsor is Mr Andrew Leo, Chief Executive Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.
