ASTAKA HOLDINGS LIMITED
(Company Registration No.: 200814792H)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SGX ON THE COMPANY'S UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The board of directors (the "**Board**" or "**Directors**") of Astaka Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX**") on 2 September 2019 in relation to the Company's unaudited consolidated financial statements for the financial year ended 30 June 2019 ("**FY2019**") ("**FY2019 Results**") released on the SGXNET on 29 August 2019 and wishes to clarify as follows:

SGX Query 1a:

In Note 5, it was stated that the Group has inadvertently under-recognised an interest expense of RM3.96 million for the year ended 30 June 2018 ("**FY2018**"), arising from its overdue trade payable amounts owing to its main contractor, which was subject to an interest rate of 8.5% per annum.

In the FY2019 Results, finance costs were stated as RM10.6 million for FY2018 but the Annual Report for FY2018 stated that finance costs were RM0.7 million and finance income was RM2.7 million. Apart from the under-recognition of interest expense of RM3.96 million, what else makes up the difference?

Company's Response:

The remaining RM6.58 million which makes up the difference arose from the Tentative Agenda Decision issued by the IFRS Interpretation Committee (IFRIC) in the financial reporting standards where borrowing costs are expected to be expensed when incurred in the construction of a residential multi-unit estate development, instead of capitalizing. The Group has made retrospective adjustments in FY2018. Please refer to paragraph 5 of the Company's financial results announcement dated 29 August 2019.

Please refer to Appendix A for further details on the re-statement.

SGX Query 1b:

Is the inadvertent under-recognition of interest expense of RM3.96 million material to the audited results for FY2018? Does this have any impact on the earlier audited financial statements opinion? Are the external auditors and KPMG, aware of this under-recognition?

Company's Response:

Materiality is subjective and is dependent on the nature or magnitude of information, or both, according to the definition of materiality in Paragraph 7 of SFRS(I) 1-1 Presentation of Financial. In this regard, management has assessed the under-recognition of the interest expense to be material to the profit or loss statement for FY2018 as the percentage of expected adjustment to the profit after tax in FY2018 is approximately 40%.

KPMG is still in the process of finalising the audit for FY2019 and is unable to conclude on the opinion to be issued for FY2019, pending further information from management. Notwithstanding so, KPMG has also highlighted the accounting standard SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors, which does not specifically require a revision to the financial statements issued in prior periods if the error has been retrospectively corrected. Save for the audit opinion for FY2018 by KPMG, the under-recognition of interest expense does not impact earlier audited financial statements, as the loan interest is to be accrued in financial results from 1 July 2017 onwards (i.e. FY2018 onwards).

The external auditors of the Company, KPMG, is aware of the under-recognition in interest expenses. KPMG had received the interest expense calculation from management on 28 August 2019 and was informed by management of the validity of the loan agreement on 29 August 2019.

SGX Query 1c:

How did the inadvertent under-recognition of interest expense occur? Are there steps taken to ensure that such errors/omissions will not re-occur?

Company's Response:

The Company refers to Paragraph 4 of the Company's announcement dated 5 September 2019 and reiterates that the Company is in the midst of finalizing the appointment of Ernst & Young Advisory Pte Ltd as an independent reviewer to undertake a review of the matters that may have led to the inadvertent error/omission, including any lapses in internal controls ("**Independent Review**"). It is expected that the scope of the Independent Review will include, amongst others, reviewing the nature and circumstances of the oversight, identifying any lapses or weaknesses in internal and financial reporting controls and procedures, breaches in applicable rules, laws and regulations, and making recommendations on remedial measures to be taken by the Group.

SGX Query 2:

Note 8 stated that the Group's costs of sales increased mainly due to impairment losses on the carrying value of the unsold units on The Astaka of RM67.2 million, arising from the bulk purchase of units at a discounted price subsequent to financial year end. Please elaborate on the total value of The Astaka units carried in the books and the original sale price of such units vis-à-vis the sale price. Was the bulk purchase of units at a discounted price subsequent to financial year end made to related/interested parties of the Company?

Company's Response:

The bulk sale of units at a discounted price subsequent to the financial year end (the "**Sale**") was made to an independent third-party (the "**Purchaser**"). The Directors, controlling shareholder(s) and Chief Executive Officer and their associates have provided separate confirmations to the Company that they do not have any control and/or have any beneficial interest(s) in the Purchaser. Accordingly, the Sale was not made to interested/related parties of the Company

The value of the units sold in the Sale subsequent to the financial year end are as set out in the table below:

Total Value of Units Sold in Bulk Sale – as at the date of the Sale	
Carrying value	RM76 million
Original selling price	RM142 million
Discounted selling price	RM 35 million

The Company is still in the midst of responding to further queries from the SGX and will announce its response to such further queries in due course.

ON BEHALF OF THE BOARD

Dato Zamani Bin Kasim
Executive Director and Chief Executive Officer
10 September 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.*

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 Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).