ASTAKA HOLDINGS

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

EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of the Catalist, the Board of Directors of Astaka Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to inform shareholders of the Company ("**Shareholders**") that the independent auditors of the Company, Mazars LLP (the "**Independent Auditors**"), have included an emphasis of matter in the Independent Auditors' Report on the audited financial statements of the Group for the financial year ended 30 June 2020 (the "**Financial Statements**") in respect of a material uncertainty related to the Group's ability to continue as a going concern.

The opinion of the Independent Auditors remains unqualified.

A copy of the Independent Auditors' Report together with the extract of the relevant note to the Financial Statements are annexed to this announcement. Notwithstanding, Shareholders are advised to read the Company's Financial Statements in its annual report for the financial year ended 30 June 2020, which will be despatched in due course.

Shareholders are advised to exercise caution when dealing in the shares of the Company. Shareholders should note that there is no certainty or assurance that the shares of the Company will eventually resume trading on the SGX-ST. Shareholders are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Khong Chung Lun
Executive Director and Chief Executive Officer
29 September 2020

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.

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.

ANNEXURE

Independent auditors' report

Members of the Company
Astaka Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Astaka Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of RM18.08 million for the financial year ended 30 June 2020, and as of 30 June 2020, the Group reported net current assets of RM91.20 million, for which current assets include development properties amounting to RM454.91 million, representing the completed properties held for sale, properties in the course of development and future phases of land to be developed. As stated in Note 2, the directors of the Company have considered the slowdown in the property market in Malaysia in recent years and for which the situation was inevitably worsened by the repercussions of the COVID-19 outbreak, which has impacted the sale of development properties of the Group. In the event that the Group is unable to sell its completed properties as planned, the Group may not be able to generate sufficient operating cash flows for the next 18 months to cover its operating costs and settle its current liabilities. This indicates that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. However, taking into consideration the going concern basis of assumptions made by the Group as disclosed in Note 2, the directors of the Company believe that the Group and the Company will be able to continue operations in the foreseeable future, and that the preparation of the accompanying consolidated financial statements on a going concern basis is appropriate. Our opinion is not modified in respect of this matter.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of Audit

For the audit of the current financial year's financial statements, we identified 2 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

These significant components were audited by RSM Malaysia as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of Focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatements, including areas which involve significant accounting estimates and critical judgements to be made by directors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Recognition of revenue and cost of sales of development properties, and completeness of trade and other payables (refer to Note 15 and Note 26 to the financial statements)	
The Group enters into contracts with customers to deliver specified building units to the customers based on the plan and specifications as set out in the contracts. In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the contracts comprise one or more performance obligations, determining whether the performance obligations are satisfied over time or at a point in time, the method used to measure progress for revenue recognition where performance obligations are satisfied over time and estimated variable consideration included in the transaction price represent areas requiring critical judgement and estimates by the Group. For those contracts where revenue is recognised over time, the Group measures its work progress by reference to the construction costs incurred to date to the estimated total construction costs, including contingencies and variation orders, which are highly judgmental. Any changes in these estimates could result in material variance in revenue recognised and the recognition for the provision of rectification costs and liquidated damages. There is a broad range of possible outcomes resulting from these judgements that could lead to different revenue, costs and loss being reported in the consolidated financial statements. We hence consider this as a key audit matter.	Our audit procedures included, and were not limited to, the following: • Evaluated the Group's processes over revenue recognition for sales of development properties and assessed the basis for the identification of performance obligations; • Read the sales and purchase agreements of development properties and discussed each of the developments with management to obtain an understanding of the specific terms so as to identify performance obligations; • Assessed whether the criteria are met for recognising revenue over time or at point in time of revenue recognition; • Assessed the appropriateness of methods and amounts used to measure the progress of the construction of specified building units by reference to construction costs incurred to date compared to the estimated total construction costs where the performance obligation is satisfied over time; • Assessed the adequacy of the estimated total construction costs by comparing them with the actual costs incurred to-date and discussed with management on the progress of the projects, taking into consideration of any significant deviation in design plans or potential delays;

Key Audit Matters (Continued)

Matter	Audit response
Recognition of revenue and cost of sales of development properties, and completeness of trade and other payables (refer to Note 15 and Note 26 to the financial statements) (Continued)	
	Our audit procedures included, and were not limited to, the following (Continued): • Reviewed management's assessment of the estimated costs to complete the projects and the probability of further costs to be incurred arising from the progress of the projects. For works that have been contracted to third party contractors, we agreed to the underlying contracts. For construction costs incurred to date, we tested the significant items of cost components by vouching to the supporting documents pertaining to the claims from main contractors to ascertain the existence and accuracy of the costs of work done; • Assessed the appropriateness of assumptions used to measure the variable consideration, which includes rebates, discounts, transaction costs borne by the Group and liquidated damages included in the transaction price by comparing the supporting documents pertaining to rebates and discounts granted by the Group. For transaction costs borne by the Group, we discussed with management, taking into consideration the historical costs borne by the Group. For liquidated damages, we compared the actual delivery date of the property developments against the promised delivery date as well as penalty terms in the contracts; • Inspected relevant documents to review the additional variation orders placed by management for additional scope of works to be performed by the main contractors; and • Discussed with the quantity surveyors and external main contractors on the work done to date, and status of the outstanding claims to be submitted and obtained confirmation from the main contractors.

Key Audit Matters (Continued)

Matter	Audit response
Valuation of development properties and contract costs (refer to Note 15 and Note 16 to the financial statements)	
As at 30 June 2020, the Group's development properties were RM454.91 million which represents 89.05% of the Group's current assets. The Group has residential and commercial development properties held for sale in its core market, Malaysia. Development properties are stated at the lower of their cost and their net realisable values. Net realisable value represents the estimated future selling price, less estimated costs of completion and selling expenses. The estimated future selling prices is dependent on the Group's expectation of the market development in Malaysia. There is therefore a risk that the estimated net realisable value exceeds the future actual selling prices, resulting in losses when these properties are sold. The Group assessed the net realisable value of development properties and recoverable amounts of contract costs, based on the estimated selling prices, future costs to complete the projects and development plans of the Group, taking into consideration available industry data, status of construction progress, deviation in design plans, cost overruns and current market factors. For developed but unsold units in The Astaka Tower, the Group has assessed the net realisable value based on latest valuation obtained from an independent external valuer. Significant judgement and estimates are involved in determining the appropriate valuation methods and assumptions applied in the valuation. The determination of allowance for foreseeable losses involves a high level of judgement, which may have significant impact on the financial statements. We hence consider the management's assessment of valuation of development properties and contract costs as a key audit matter.	Our audit procedures included, and were not limited to, the following: • Assessed the reasonableness of the Group's estimated selling prices by comparing them with recent transacted selling prices of the development properties; and • Evaluated the independence, objectivity and competency of the independent external valuer for valuation on the unsold unit of The Astaka Tower. Considered the valuation methodologies used and assessed the reasonableness of the key assumptions used by the independent external valuer, which included a comparison of the discount rates, and price per square feet, against historical rates and available market data, taking into consideration comparable and market factors.

Key Audit Matters (Continued)

Matter	Audit response
Impairment of investment in subsidiaries (refer to Note 13 to the financial statements)	
As at 30 June 2020, the Company's investment in subsidiaries were RM811.83 million which represents 99.92% of the Company's total assets. Management assessed the recoverable amount of the investment in subsidiaries based on the estimated cash flows generated from the sale of development properties and proposed development projects to be undertaken by the subsidiaries. The Company has assessed the estimated selling prices, future costs to complete the projects and development plans of the Group, taking into consideration available industry data, status of construction progress, deviation in design plans, cost overruns and current market factors to estimate the cash flows generated from the sale of development properties and future phases to be developed. The determination of impairment of investment in subsidiaries involves a high level of judgement, which may have significant impact on the financial statements. We hence consider this as a key audit matter.	Our audit procedures included, and were not limited to, the following: ▪ Evaluated the reasonableness of the cash flow estimate from sale of development properties and future phases to be developed by comparing the estimated selling prices against the recent transacted prices of the development properties. ▪ Discussed with management on their planned strategies, revenue growth strategies and cost initiatives; and ▪ Reviewed the sensitivity analysis to assess the impact on the recoverable amount of the cash-generating units subsequent to reasonably possible changes to the key assumptions for adequacy of disclosure in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

The financial statements of the Group for the financial year ended 30 June 2019 and statement of financial position of the Company as at 30 June 2019 were audited by another firm of auditors who expressed an unmodified opinion on the report dated 6 January 2020.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chan Hock Leong, Rick.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2020

EXTRACT OF NOTE 2 TO THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Going Concern

The Group incurred a net loss of RM18.08 million for the year ended 30 June 2020 (2019: RM113.73 million) and, as of 30 June 2020, the Group reported net current assets of RM91.20 million, for which current assets included development properties amounting to RM454.91 million (2019: RM467.13 million), representing the completed properties held for sale, properties in the course of development and future phases of land to be developed. Due to the slowdown in the property market in Malaysia in recent years and for which the situation was inevitably worsened by the repercussions of the COVID-19 outbreak, the Group may not be able to generate sufficient operating cash flows for the next 18 months to cover its operating costs and settle its current liabilities. Furthermore, a subsidiary of the Group has defaulted on the settlement to a main contractor. The details of the default of settlement are disclosed in Note 26.

The above matters represent material uncertainty that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern and therefore, the Group and the Company may not be able to realise their assets and discharge their liabilities in the normal course of business.

Notwithstanding the above, the financial statements have been prepared on a going concern basis. To support the financial statements having been prepared on going concern basis and to ensure the adequacy of funds required to meet the Group's obligations and working capital needs, the Group has prepared a 18-month consolidated cash flow forecast from 1 July 2020. In preparing the 18-month consolidated cash flow forecast, the Group exercised judgement and made certain key assumptions and basis of judgements including the following:

(i) Within the next 18 months, the Director is in view that the Group is able to sell its certain completed properties as planned during the forecasted period.

(ii) Subsequent to the financial year end, the Group has preliminarily agreed with the main contractor to continue with the defect rectification works with a monthly instalment of RM0.5 million. As of the date of this report, the Group is still in the midst of negotiating with the main contractor on a revised settlement agreement and repayment schedule for the outstanding sum owing to the main contractor. Nonetheless, the Group is protected from the winding-up proceedings until 31 December 2020 by the Companies (Exemption) (No 2) Order 2020 (the "Order"). The Order serves as a protection to the Group from winding up proceedings in the near future.

(iii) Continuing support from its controlling shareholder of the Company. The controlling shareholder of the Company has undertaken to provide the necessary financial support to the Group to enable it to continue its operations and to pay its debts as and when they fall due. Furthermore, a subsidiary of the Group intends to enter into the Supplemental Letter Agreement to upsize the loan from DMR Holdings Sdn Bhd, an associate of the controlling shareholder from RM19 million to RM60 million in aggregate to anticipate additional working capital required by the Group. The additional loan amount is based on cashflow forecast with the assumption that no bank loan was secured.

The directors of the Company believe that the Group and the Company will be able to continue operations in the foreseeable future, and that the preparation of the accompanying consolidated financial statements on a going concern basis is appropriate.

If the going concern assumption were inappropriate, the Group may be unable to discharge its liabilities in the normal course of business and, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. No such adjustments have been made to the financial statements.