

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

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**RESPONSE TO QUERIES FROM THE SGX ON THE COMPANY'S ANNOUNCEMENT RELEASED ON THE SGXNET ON 5 SEPTEMBER 2019**

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Unless otherwise defined in this announcement, all capitalized terms shall have the same meanings given in the Announcement (as defined below).

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 6 September 2019 and 10 September 2019 in relation to the Company's announcement released on the SGXNET on 5 September 2019 (the "**Announcement**") and wishes to clarify as follows:

**SGX Query 1:**

Further to the SGX's queries of 2 September 2019, we note that the Company announced on 5 September 2019 that it received letters of demands from China State Construction Engineering (M) Sdn Bhd ("**CSCE**"). The Loan extended by CSCE was to be repaid by June 2017. What happened from then till now?

**Company's Response:**

The loan extended by CSCE to APSB (the "**Loan**") was not repaid as of the due date of 30 June 2017 (the "**Due Date**"). Under the terms of the loan agreement dated 12 April 2017 between CSCE and APSB (the "**Loan Agreement**"), in the event that APSB is unable to repay the Loan on such repayment date, CSCE shall upon receipt of APSB's written request grant APSB a final extension of time until 30 September 2017 to repay the Loan, provided that late interest shall be charged at the rate of 8.5% per annum on the outstanding Loan amount calculated from the expiry of the Due Date (or such period as stated in the written demand) until the date of full repayment of the Loan. APSB did not make a formal request to CSCE for a final extension to 30 September 2017. The Loan is secured against certain land parcels located in Bukit Pelali, Pengerang owned by Bukit Pelali Properties Sdn Bhd, a joint venture of APSB.

From the Due Date to the date of this response, there have been numerous meetings and correspondence between APSB and CSCE to discuss the amounts owing and certain proposals by APSB in respect of the repayment sum, structure and timeline. During the period of negotiations, APSB received 3 letters of demand dated 2 October 2018, 1 February 2019 and 11 July 2019 (collectively, the "**Letters of Demand**") from CSCE's solicitors. However, no formal action or claim has been filed with the courts by CSCE's solicitors in relation to the amount owed by APSB to CSCE to-date, and CSCE had continued to work on the property development project, the Astaka @ One Bukit Senyum (the "**Astaka Project**") until its completion in June 2018 when the Astaka Project received the Certificate of Compliance and Completion which was issued by the project architect after obtaining all clearances from the relevant local authorities. Currently, APSB is still in negotiations with CSCE to settle the amounts owing.

**SGX Query 2:**

The Company received 3 letters of demands from CSCE, on 2 October 2018, 1 February 2019 and 11 July 2019. Why was the Board only made aware of these after the release of the results announcement on 29 September 2019? Under what circumstances was the Board made aware?

**Company's Response:**

The Executive Director and Chief Executive Officer of the Company ("**CEO**") was of the view that the Letters of Demand were not material given the following:

- (i) the ongoing negotiations and discussions between APSB and CSCE in relation to the amount owing and the repayment proposals made by APSB for which CSCE had indicated support;
- (ii) no formal action or claim had been filed by CSCE or its solicitors with the courts in relation to the amount owed by APSB to CSCE;
- (iii) CSCE had continued to work on the Astaka Project until its completion in June 2018 when the Astaka Project received the Certificate of Compliance and Completion; and
- (iv) the Loan is secured against the land parcels located in Bukit Pelali, Pengerang which are not related to the Astaka Project and are of sufficient value to secure the repayment of the Loan. The CEO was also of the view that an amicable solution could be sought given that APSB had assets in the form of its unsold units in the Astaka Project (which are estimated to be worth approximately RM400M based on the then-listed selling price of the balance unsold units at the material time), as well as the undeveloped Bukit Pelali land over which CSCE has a caveat (the land value of which is estimated at approximately RM67m based on the valuation of the land as of 17 June 2016 as contained in the valuation report issued by Knight Frank Malaysia Sdn Bhd dated 2 November 2016), which together are of sufficient value to cover the outstanding amounts owed to CSCE. The caveat over the Bukit Pelali land was lodged in favour of CSCE in February 2018. For the avoidance of doubt, CSCE has not formally agreed to APSB's proposal to contra the amount owing with units in the Astaka Project.

In view of the above, the Letters of Demand had not been brought to the attention of the Board at the material time. The CEO is regretful that he did not appreciate the need to update the Audit Committee (“AC”) and the Sponsor about the Loan Agreement and the Letters of Demand in the mistaken belief that these were matters that were subject to ongoing negotiation with a friendly party for which an amicable solution could be reached.

The AC had previously sought confirmation from management during the AC meeting on 27 August 2019 that the Company/Group had not received any legal letters of demand. At that time, the CEO did not disclose to the AC that the Letters of Demand had been received in respect of the amount owing by APSB to CSCE as he was of the opinion that they were not material for the reasons set out above. Following the meeting with Ernst & Young Advisory Pte Ltd (“E&Y”) on 3 September 2019 to discuss E&Y's proposed scope of work for the Independent Review, the AC deliberated and decided to seek confirmation again from the Chief Financial Officer as to whether the Group/Company had received any letters of demand from CSCE as a subsequent event in anticipation of the lifting of the trading halt. It was at this time that the CEO advised the AC Chairman that there were Letters of Demand received by APSB dated 2 October 2018, 1 February 2019 and 11 July 2019.

**SGX Query 3:**

Why was the letter of demand not raised / discussed / questioned at Board meetings even though the matter on under-recognition of interest expenses in relation to the said Loan was disclosed in the Company's unaudited full year results announcement of 29 September 2019?

**Company's Response:**

Please refer to the Company's response to Query 2.

**SGX Query 4:**

How is the RM125,347,302.61 derived? Does this amount include the Loan outstanding of RM46,532,000? What is the latest status of the Contract between APSB and CSCE, is it still effective?

### **Company's Response:**

As per the most recent Letter of Demand dated 11 July 2019 (the "LOD") received by APSB from CSCE's solicitor, the amount being claimed by CSCE against APSB is RM125,347,302.61, the breakdown of which is set out in the third column of the table below.

<b>Date of Certificate Claim</b>	<b>Certificate Claim No.</b>	<b>Amount Claimed by CSCE (including GST) based on the LOD (RM) <sup>(1)</sup></b>	<b>Certificate Amount Sum (including GST) (RM) <sup>(2)</sup></b>	<b>Payment made by APSB (RM)</b>	<b>Amount Owing to CSCE (including GST) based on APSB's records as at 11.09.2019 (RM) <sup>(3)</sup></b>
05.12.2016	21	11,978,147 <sup>(4)</sup>	28,554,190	(16,576,042)	11,978,147 <sup>(4)</sup>
29.12.2016	22	17,126,918 <sup>(4)</sup>	17,126,918	-	17,126,918 <sup>(4)</sup>
02.02.2017	23	17,427,396 <sup>(4)</sup>	17,427,396	-	17,427,396 <sup>(4)</sup>
13.06.2018	38	20,533,509	20,542,006	(18,733,329)	1,808,677
07.08.2018	39	14,844,047	14,844,047	(9,083,746)	5,760,300
25.09.2018	40	9,883,834	9,883,834	(6,206,343)	3,677,490
11.10.2018	41	813,848	813,847	(662,484)	151,363
19.12.2018	42	14,660,830	14,660,830	(2,253,251)	12,407,579
27.03.2019	43	18,078,776	18,078,776	(6,409,622)	11,669,153
<b>Total</b>		<b>125,347,303</b>	<b>141,931,843</b>	<b>(43,348,776)</b>	<b>82,007,024</b>

### **Notes:**

- (1) Based on the LOD received by APSB from CSCE's solicitors, CSCE is claiming an amount of RM125,347,303 from APSB.
- (2) The certificate amounts were certified by the project architect.
- (3) Based on the APSB's records, after partial payments were made by APSB to CSCE, the amount owing to CSCE by APSB as of 11 September 2019 is RM82,007,024 (excluding interest due). The Company is in the midst of reconciling this amount with the amount claimed by CSCE pursuant to its LOD and has been in discussions with CSCE in relation thereto.
- (4) The amounts of RM11,978,147, RM17,126,918 and RM17,427,396 are amounts owing from APSB to CSCE which were converted into the Loan. As stated in the Company's announcement dated 5 September 2019, the amounts owing from APSB to CSCE under the Loan as of 30 June 2019 is approximately RM46,532,000.

Based on the LOD, the amount being claimed by CSCE against APSB includes the outstanding Loan of approximately RM46,532,000. Please refer to footnote 4 of the table above for further details.

The Contract between APSB and CSCE is still in effect. The defects liability period ("DLP") under the Contract runs for a 27-month period from 19 September 2018, being the date on which CSCE delivered the Astaka Project to APSB, to 18 December 2020. The Contract will terminate on 18 December 2020 upon the expiry of the DLP.

### **SGX Query 5:**

The Loan is secured against certain land parcels located in Bukit Pelali, Pengerang owned by Bukit Pelali Properties Sdn Bhd, a joint venture of APSB – who is the other joint venture partner of APSB? How much did APSB invest into the joint venture Bukit Pelali Properties Sdn Bhd thus far? How did the land parcels in Bukit Pelali, Pengerang owned by Bukit Pelali Properties Sdn Bhd get acquired?

### **Company's Response:**

APSB had entered into a joint venture agreement (the "JV Agreement") and joint development agreement ("JD Agreement") with Saling Syabas Sdn Bhd ("SSSB") on 3 October 2016 pursuant to which Bukit Pelali Properties Sdn Bhd ("BPPSB"), a 51:49 joint venture company, was incorporated to undertake a property development project on certain parcels of land located in Kota Tinggi, Johor, Malaysia owned by SSSB, with a total land area of 258.48 acres and which is free from encumbrances (the "Bukit Pelali Land").

SSSB is the registered owner of the Bukit Pelali Land. Pursuant to the JD Agreement, SSSB granted to BPPSB the sole and exclusive right to develop the Bukit Pelali Land and BPPSB shall have the absolute right and authority to look for prospective purchasers of the properties offered for sale in the Bukit Pelali Project.

BPPSB was incorporated with an issued and paid-up capital of RM1.0 million comprising 1,000,000 ordinary shares, of which 510,000 shares in BPPSB (representing a 51% equity interest in BPPSB) are held by APSB, and the remaining 490,000 shares in BPPSB (representing a 49% equity interest in the BPPSB) are held by SSSB. APSB made a contribution of RM510,000 to the initial paid-up share capital of BPPSB, in proportion to its equity interest held in BPPSB. As at 30 June 2019, APSB has made a total investment of RM3.06 million in BPPSB (including the initial capital contribution of RM510,000).

Please refer to the Company's circular dated 29 November 2016 for further information on the acquisition of the development right to the Bukit Pelali Land.

## **ON BEHALF OF THE BOARD**

**Dato Zamani Bin Kasim**  
**Executive Director and Chief Executive Officer**  
**11 September 2019**

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*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 Catalyst.*

*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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