

Issuer: Astaka Holdings Limited

Security: Astaka Holdings Limited

Meeting details:

Date: 30 October 2017

Time: 11.00 a.m.

Venue: Enterprise Room Level 4, Raffles City Convention Centre, Fairmont Singapore, 80 Bras Basah Road, Singapore 189560

Company Description

Astaka Holdings Limited, an investment holding company, engages in the real estate development business in Singapore and Malaysia. The company is headquartered in Johor Bahru, Malaysia.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42S)

Q1. As shown in the Project summary on page 3 of the annual report, the group's flagship project, One Bukit Senyum, sits on 11.85 acres of freehold land in Johor Bahru with a gross development value (GDV) of RM5.3 billion. The components include Southeast Asia's tallest residential towers, The Astaka, a five-star hotel, branded residences, serviced apartments, a shopping mall, an office tower, and the headquarters of Johor Bahru's City Council, Menara MBBJ.

In the CEO's Statement (page 11), the sales of The Astaka was said to have hit 70%. With percentage completion reaching 75% and the Certificate of Completion and Compliance expected to be received in 2018, the group is said to be "ramping up on our sales and marketing with roadshows locally and overseas".

- a) **Can management let shareholders know the profile of the buyers for The Astaka so far?**
- b) **Where would the group be marketing the balance of The Astaka in the coming months?**
- c) **Is the percentage of foreign buyers significant?**
- d) **What is the risk of default by the buyers who have bought the units in the project but would be unable or unwilling to complete the purchase?**
- e) **For the Menara MBBJ, has the company estimated its return on investment based on the sale and purchase agreement to develop and sell to MBBJ a 15-storey Grade A office tower for a contracted amount of RM308.0 million?**

Q2. The group's second project is Bukit Pelali at Pengerang, which is envisaged to be a 363-acre strata township comprising of residential units, shop offices, a clubhouse, hotel, private hospital, mart, school, mosque, food and beverage hub and petrol station. Located five kilometres away from the Pengerang Integrated Petroleum Complex (PIPC) in southern Johor, the Bukit Pelali project has an estimated GDV of RM2.3 billion.

As announced on 22 May 2017, prior to the project's launch, the group has already achieved 50% sales of Phase 1A.

- a) **Can the group help shareholders understand how it managed to achieve sales of 50% of Phase 1A prior to the launch?**
- b) **Can management provide an update to the sales progress?**
- c) **Of the GDV of RM2.3 billion, what is the estimated GDV for Phases 1A and 1B?**
- d) **Given the location of the Bukit Pelali project, would the success of the township be closely tied to the growth of PIPC?**

Q3. As announced on 28 September 2017, the independent auditors, KPMG LLP, have included an emphasis of matter with respect to the comparative information presented as at and for the financial years ended 30 June 2016 and 2015 in their Independent Auditors' Report.

The opinion of the Independent Auditors remains unqualified.

The emphasis of matter related to the group electing to early adopt FRS 115 Revenue from Contracts with Customers with a date of initial application of 1 July 2016 and has made retrospective adjustments to the comparative information in the accompanying financial statements.

As announced by the group on 11 July 2017, the early adoption of FRS 115 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 Construction Contracts, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers.

- a) **Can the audit committee explain the deliberations it had prior to making the decision to early adopt FRS 115?**
- b) **Can the audit committee help shareholders understand why it opted to early adopt FRS 115?**

As disclosed in Note 2 (page 65 - Early adoption of FRS 115 Revenue from Contracts with Customers), under FRS 115, the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- c) **Can the audit committee confirm that without the early adoption of FRS 115, the group will most likely report lower revenue and also likely to report lower profits?**