



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Astaka Holdings Limited

Security: Astaka Holdings Limited

Meeting details:

Date: 23 October 2018

Time: 11.00 a.m.

Venue: Chartroom, Level 2, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404

Company Description

Astaka Holdings Limited, an investment holding company, engages in the property development business in Malaysia and Singapore. It is primarily involved in developing township projects. The company is headquartered in Johor Bahru, Malaysia. Astaka Holdings Limited is a subsidiary of Horizon Sea Limited.

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

1. As noted in the Chairman's statement, the group's maiden project, The Astaka @ One Bukit Senyum, received its Certificate of Completion and Compliance on 26th June 2018. The CEO has also disclosed that the revenue derived from The Astaka @ One Bukit Senyum has been recognised in the first nine months of FY2018 and that it was 70% sold before completion (page 13 of the annual report).

- (i) Could the company give shareholders an update on the sales progress of The Astaka @ One Bukit Senyum?**
- (ii) What is the total revenue derived from the sale of the residential units at The Astaka @ One Bukit Senyum?**
- (iii) What is the split between foreign and local buyers for the units sold so far at The Astaka @ One Bukit Senyum?**
- (iv) Could the company comment on the recent statements made by the Malaysian government in relation to Forest City, and how this may affect the demand for units at The Astaka @ One Bukit Senyum by foreigners?**
- (v) With additional capital control imposed by the Chinese government, has this impacted the settlement of the purchases of units at The Astaka @ One Bukit Senyum by the Chinese buyers?**
- (vi) Has the uncertainty over foreign ownership and the tougher capital control led to a spike in the cancellation of sales/default by foreign buyers, especially the Chinese?**

In Note 7 (page 71 – Development properties), the company recognised a carrying value for completed properties held for sale amounting to RM300.95 million, as at 30 June 2018. For reference the group recognised revenue of RM309 million in FY2017 and RM333 million in FY2018.

- (vii) Would management confirm that the RM300.95 million in unsold properties are the completed but unsold units at The Astaka @ One Bukit Senyum? How many units are left unsold? What is the breakdown according to the size of the units/number of bedrooms?**
- (viii) What are management's plans to market the remaining units given the current economic and political climate?**

On 25 September 2018, the company announced that there are material differences between the unaudited and audited financial statement for the financial year ended 30 June 2018. The main difference in revenue, gross profit and profit before tax of RM10.5 million was due to liquidated damages paid to buyers as late payment charges for the late delivery of the sold property units (presumably The Astaka @ One Bukit Senyum project).

- (ix) **Would the company help shareholders understand what caused the delay in the completion and in the handing over of units for the buyers of The Astaka @ One Bukit Senyum?**
- (x) **What improvements have the group made to its project management to ensure that its developments are on track and can be handled over to the purchaser on time to avoid liquidated damages?**

2. In Note 9 (page 74 - Trade and other receivables), the group has total receivables amounting to RM261.2 million, of which trade receivables from third parties amounted to RM153.5 million, as shown below:

9 Trade and other receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables from:				
- third parties	153,507,119	36,334,706	-	-
- a director	702,620	613,729	-	-
- a controlling shareholder	937,134	17,540	-	-
- key management personnel	2,307,515	1,656,089	-	-
	157,454,388	38,622,064	-	-
Retention sums receivables	9,352,953	-	-	-
Other receivables	89,742,591	84,952,504	-	-
Deposits	1,167,024	280,364	-	-
Advanced payments	3,263,176	4,349,000	-	-
Prepayments	201,724	311,276	42,991	200,244
	261,181,856	128,515,208	42,991	200,244

(Source: Company annual report)

- (i) **Can the company confirm that the RM153.5 million relates to the sales of the residential units of The Astaka @ One Bukit Senyum or is it for other development projects?**

The ageing analysis also showed that RM11.6 million of the trade and other receivables is past due more than 91 days but not impaired.

- (ii) **Would the RM11.6 million of receivables past due more than 91 days be related to the settlement amounts due to residential units?**
- (iii) **Can management disclose the default rate of the purchasers for the units at The Astaka @ One Bukit Senyum?**

Separately, has the board/management reviewed its liquidity position and evaluate the financing options available to the group should the development properties not be monetised in time or at the expected prices? The group has cash and cash

equivalents amounting to RM16.4 million, but generated only RM14.7 million of cash before working capital and has RM567 million of liabilities (including RM433 million in trade and other payables and RM89 million in loans and borrowings).

3. As disclosed in the company's Corporate Governance Report, the nominating committee and the board have reviewed the diversity of skills, experience and knowledge of the directors and have disclosed the board's core competencies as follows (page 27):

Core Competencies	Number of Directors	Proportion of Board
Accounting or Finance	3	75%
Business Management	3	75%
Legal or Corporate Governance	3	75%
Relevant industry knowledge or experience	1	25%
Strategic Planning experience	3	75%

(Source: Company annual report)

The board currently comprises one executive director (who is also the Chief executive officer) and three non-executive independent directors, including the chairman of the board.

Looking at the table above, one would assume that the executive director is the only director in the board with the relevant industry knowledge. Also, the three independent directors bring to the board their collective skills, expertise and knowledge of accounting, finance, legal, corporate governance and strategic planning.

- (i) **Would the nominating committee consider it beneficial to have more directors (especially independent directors) with deep experience and knowledge of property development so that critical and material matters relating to the real estate operations could be more robustly discussed in board meetings?**
- (ii) **How effective has the board been in identifying and managing risks associated to real estate development (including project management), such as the delay in handing over of units, budget and projection of construction costs, construction delays, costs overruns and settlement risks?**
- (iii) **In addition, can the audit committee help shareholders understand their efforts in reviewing the unaudited full year results which were adjusted downwards by more than RM10 million in accordance with FRS115 Revenue Recognition to account for the liquidated damages following the finalisation of audit?**
- (iv) **What improvements to the financial reporting process have been made by the board, especially the audit committee?**



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A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Astaka%20Holdings%20Ltd>

The company's response could be found here: -----