REPLY TO THE QUERY FROM BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

TAKASO RESOURCES BERHAD (“TRB” OR “COMPANY”)

1. JOINT VENTURE FOR A MIXED DEVELOPMENT PROJECT ON A PARCEL OF LAND IN BANDAR KUANTAN, KUANTAN, PAHANG (“JVA”)
2. DIVERSIFICATION IN OPERATIONS INTO PROPERTY DEVELOPMENT ACTIVITIES.

We refer to the Company's announcement made on 1 June 2015 (“Announcement”) and the query from Bursa Malaysia Securities Berhad dated 2 June 2015 (“Query”) in relation to:

1. Joint Venture for a Mixed Development Project on a parcel of land in Bandar Kuantan, Kuantan, Pahang (“JVA”)
2. Diversification in operations into property development activities.

Unless otherwise stated, defined terms used in this reply shall carry the same meanings as defined in the Announcement.

The Company wishes to provide the following additional information pursuant to the Query.


Reply

There is no relationship between SSPP and Pasdec. They are independent parties.

Further information on Pasdec is stated below.

<table>
<thead>
<tr>
<th>Date and place of incorporation</th>
<th>08 February 1980, Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered office</td>
<td>Tingkat 14, Menara Teruntum, Jalan Mahkota, Kuantan, Pahang.</td>
</tr>
<tr>
<td>Principal activity</td>
<td>Property development and project management.</td>
</tr>
<tr>
<td>Issued share capital</td>
<td>100,000,000 ordinary shares of RM1.00 each</td>
</tr>
</tbody>
</table>
| Name of directors               | 1. Dato’ Mohd. Khairuddin bin Abdul Manan  
|                                 | 2. Dato’ HJ Abdul Rahim bin Mohd Ali |
| Name of shareholders            | Pasdec Holdings Berhad (100%) |
2. The detailed basis in deriving at SSPP’s entitlement which shall not be less than RM17 million.

Reply

The determination of SSPP’s entitlement which shall be not less than RM17 million was based on the estimated market value of the said Land amounting to approximately RM17 million (equivalent to RM175.79 per square feet).

The aforesaid estimated market value was determined based on the reference from a local famous property website known as www.iproperty.com.my (“the website” or “the local famous property website”) on similar land located nearby. Per the website, a piece of similar vacant leasehold located at Teluk Chempedak in Pahang (nearby to the said Land) was worth RM142.79 per square feet recently.

Taking into consideration the said Land is very strategically located in Kuantan city centre as it is just within five minutes walking distance from the East Coast Mall (the most vibrant shopping mall in Kuantan), Zenith Tower (the tallest attractive façade building in Kuantan) and Zenith Hotel (the only five star hotel with high occupancy rate hotel in Kuantan) and considering SSPP as the land owner and JV partner shall be able to share in the future development profit or potential increase of land value upon planning approval from appropriate authorities, the Company opines that the minimum consideration amount offered by SSPP in respect of the said Land which is worth about RM175.79 per square feet is reasonable fair.

3. Full details of the Land and Project pursuant to Part C(1) to (4), Appendix 10A of Main Market Listing Requirements (“MMLR”) (where applicable).

Reply

Part C (1), Appendix 10A of MMLR

(a) The said Land is held under H.S.(D) 19049, No. PT57721, Bandar Kuantan, Kuantan, Pahang;
(b) The said Land is a vacant piece of land and the land size is approximately 2.22 acres;
(c) TDKSB plans to have a mixed development consisting Retail at ground and first floor; and 2 blocks of Service Apartments on the said Land;
(d) Not applicable as the said Land is currently a vacant land without any developed buildings on it;
(e) The said Land is a piece of leasehold land and the expiry date of the lease is on 2 September 2093;
(f) No valuation was carried out on the said Land by independent registered valuer. The assessment of the market value in respect of the said Land was carried out internally by project team by reference to local famous property website on similar land located nearby and taking into consideration other relevant factors such as surrounding amenities, etc.;
(g) Not applicable as the Group does not own the said Land;
(h) The said Land, a Malay reserved land, is currently charged to Bank Muamalat Malaysia Berhad. However, SSPP having conditions to be fulfilled by them to convert the said Land into Non-Malay reserved land and to ensure that the said Land is free of all encumbrances and third party interest as part of the Conditions Precedent as stated in Section 4.1.1 of the Announcement.
Part C (2), Appendix 10A of MMLR

Not applicable as the said Land is not an estate or plantation.

Part C (3), Appendix 10A of MMLR

Not applicable as the said Land is currently a vacant land without any developed buildings on it.

Part C (4), Appendix 10A of MMLR

(a) The Project is at an initial conceptual planning stage. It is a mixed development project that consists of Retail at ground and first floor; and 2 blocks of Service Apartments on the said Land and TDKSB is targeting to have a minimum net floor area of 600,000 square feet for the entire Project;
(b) Total estimated development cost for the said Project is approximately RM263.10 million;
(c) TDKSB shall commence and diligently proceed with building works within two (2) years from the unconditional date or such further extended period as may be agreed by the parties in writing, provided always that all the approvals from the appropriate authority relating to the construction of the Project (including but not limited to the approval of the said building plans and specifications and the requisite approval in principle to convert the said Land into housing or commercial building in nature) are in good order. The said Project shall be completed within four years from the commencement of the building works;

Unconditional date refers to the date when TDKSB receives the following, whichever is later

(i) a copy of title of the said Land registered under the name of SSPP only; and

(ii) a copy of title of the said Land free of restriction of Malay reserved land, all encumbrances and third party interests.

(d) The expected net profit after tax for the Project is approximately RM58.60 million;
(e) Not applicable;
(f) Refer to item 5 below;
(g) The relevant approvals for the development have not yet been obtained at this juncture.

4. The estimated conversion premium from Malay reserved land to Non-Malay reserved land and whether to be borne by Takaso Development (Kuantan) Sdn Bhd or SSPP.

Reply

The conversion premium from Malay reserved land to Non-Malay reserved land shall be borne by SSPP as one of the conditions precedent stated in Section 4.1.1 of the Announcement.
5. **The breakdown of the total capital and investment outlay in the joint-venture for the development of the said Project and the source of funds.**

**Reply**

The breakdown of the total capital and investment outlay of the said Project is estimated as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Land related expenditures</td>
<td>4,965,000</td>
</tr>
<tr>
<td>(2)</td>
<td>Pre-construction costs</td>
<td>276,000</td>
</tr>
<tr>
<td>(3)</td>
<td>Construction cost</td>
<td>211,162,000</td>
</tr>
<tr>
<td>(4)</td>
<td>Professional cost</td>
<td>11,264,000</td>
</tr>
<tr>
<td>(5)</td>
<td>Authorities cost</td>
<td>7,881,000</td>
</tr>
<tr>
<td>(6)</td>
<td>Marketing expenses</td>
<td>5,491,000</td>
</tr>
<tr>
<td>(7)</td>
<td>Contingency cost</td>
<td>7,483,000</td>
</tr>
<tr>
<td>(8)</td>
<td>Finance cost</td>
<td>8,408,000</td>
</tr>
<tr>
<td>(9)</td>
<td>Other cost</td>
<td>6,154,000</td>
</tr>
<tr>
<td><strong>Total amount</strong></td>
<td></td>
<td><strong>263,084,000</strong></td>
</tr>
</tbody>
</table>

The above cost is subject to change upon TDKSB obtaining the development order and the layout plan approval and building plan and specifications approval by the appropriate authority.

The Group intend to finance the Project through internally generated funds, fund raising exercise and/or bank borrowings which has not been finalised at this juncture. The finalised amount can only be determined when TDKSB has all the approvals in place.

As stated in Section 4.4 of the Announcement, SSPP has agreed that it shall upon TDKSB’s request, charge the said Land to any banks and/or financial institutions as security to secure any financing and loan facilities to be granted to TDKSB for the Project.

6. **Further elaboration on your Company’s capacity, capability and resources in undertaking the Project.**

**Reply**

Our Board believes that our Group has the capacity, capabilities and resources to diversify its business to include the property development business after taking into consideration the competency and experience of Mr. Ong Kah Wee, whom our Board deems to be the main key management personnel and instrumental in our Group’s new venture into the construction and property development industries. He is also the Project Director of Takaso Land Sdn Bhd, a wholly owned subsidiary of TRB, and has been involved in the construction and property development industries for over ten (10) years. He will be supported by other key management personnel namely Mr. Tang Hang Lee (Senior Manager of Project Task Force) and Ms. Ong Yew Ming (Sales & Marketing Director) as well as external consultants such as the architects, engineers, surveyors, subcontractors and other consultants.
7. **To provide the outlook of property industry, in particular on the state of Pahang.**

**Reply**

The Pahang property market recorded a 9.9% decrease in overall transaction volume last year, falling to 17,902 compared with 19,874 in 2013, according to the “Property Market Report 2014” by the National Property Information Centre (Napic).

However, the overall value of transactions increased to RM4.78 billion or a 7.2% rise over RM4.46 billion in 2013.

While prices of residential properties remained stable, upward movement can be seen in selected locations.

*Source: The Edge Property.com, 7 May 2015*

Kuantan with a population of 607,778 is the biggest city in the east coast of Peninsular Malaysia. Kuantan has been identified as Special Economic Zone (SEZ) in year 2009. SEZ is located inside East Coast Economic Region stretch from Kertih to Pekan. Kuantan has a seaport, Kuantan Port, as the transportation gateway for international trade and commerce.


**Surrounding Amenities**

The location of this plot of land is very strategic. East Coast Mall, Zenith Hotel and Zenith Tower are within 5 minutes walking distance. Besides, the Stadium Darul Makmur is also within walking distance. This plot of land is surrounded by matured shops and residential area.

East Coast Mall, built-up area of 1 million square feet, is the most happening and vibrant shopping mall in Kuantan City. It is managed by renowned retail mall operator, Capital Land Mall. This mall is crowded especially during the weekend.

Zenith Hotel and Tower is the tallest and iconic high rise building in Kuantan. Its attractive façade distinguishes it from other buildings in the city town. Zenith Hotel enjoys high occupancy rate being the only 5 star hotel in the city centre of Kuantan.

Stadium Darul Makmur is familiar to all Pahang football fans. This stadium is full of Pahang fans whenever there is any football matches involving Pahang. This will definitely increase foot traffic during matches or events.

*Source: The Management of TRB*

**Market Analysis**

Most of the developments in Kuantan are focused on landed residential which do not emphasise on lifestyle. TDKSB therefore foresees a vacuum or short of supply for service apartments that offer facilities and provide versatile lifestyle to the middle and upper class folks in the city of Kuantan. With the Project, the facilities and city life offered coupled with the modern contemporary lifestyle concept are all expected to address the needs and expectations of this group of people. Those who prefer city life and city lifestyle will find the Project appealing and attractive.

*Source: The Management of TRB*
8. Further clarification as to whether the RM17 million would be settled on a deferred basis depending on the progress of the development or otherwise.

Reply

The Minimum Consideration of RM17 million would be settled in the manner stated in Section 4.3 of the Announcement which is as follows:-

(a) the sum of Ringgit Malaysia Five Hundred Thousand (RM500,000.00) upon signing of the JVA ("First Deposit");

(b) the sum of Ringgit Malaysia Four Million Five Hundred Thousand (RM4,500,000.00) upon the unconditional date, the sum of which shall be given to and retained by the solicitors as stakeholder and this sum shall be released by the solicitors to SSPP upon fulfilment of the conditions precedent ("Second Deposit") and (the First Deposit and Second Deposit shall be hereinafter referred to as the "Deposits" and shall forms part of the Minimum Consideration);

(c) the sum of Ringgit Malaysia Twelve Million (RM12,000,000.00), being part of Minimum Consideration Amount, whether by cash or in kind, upon issuance of Certificate of Completion and Compliance of the building in the JVA project if the project is not falling under The Housing Development (Control and Licensing) Act 1966, or upon withdrawal of surplus monies from the Housing Development Account under Regulation 9 of the Housing Development Account Regulation 1991 in case of Units falling under the Housing Development (Control and Licensing) Act 1966 ("Profits Payment");