

**CLASSITA HOLDINGS BERHAD
(FORMERLY KNOWN AS CAELY HOLDINGS BHD.)
[Registration No. 199601036023 (408376-U)]
(Incorporated in Malaysia)**

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING (EGM) OF CLASSITA HOLDINGS BERHAD (FORMERLY KNOWN AS CAELY HOLDINGS BHD) (CLASSITA OR THE COMPANY) CONDUCTED VIRTUALLY ON MONDAY, 27 MARCH 2023 AT 10.00 AM

1. Why is there a conflict / discrepancy with Classita's Circular dated 10.03.2023 and Classita's announcement made on 01.11.2022 i.e. the existence of additional components, GDV, GDC and GDP?

Answer

As stated in the announcement made on 1 November 2022, the proposed development comprises of, amongst others, 84 units of semi-detached house, 7 units of bungalow, a club house and a private organic farm.

As explained during the EGM on 27 March 2023, the proposed project is planned to be undertaken in 2 phases. Phase 2 of the proposed project refers to future development of serviced apartments which will be commenced after completion of Phase 1 (comprises of the development of 84 units of semi-detached house, 7 units of bungalow, a club house and a private organic farm), and after considering the market condition at the material time. The Circular dated 10 March 2023 provided a more detailed description on the proposed project.

After the acquisition of the Kepayang Heights Sdn Bhd ("Kepayang Heights"), the Company has revised the Gross Development Value ("GDV"), Gross Development Costs ("GDC") and Gross Development Profit ("GDP") of the proposed project to reflect the current market condition including the budgeted selling price of the properties as well as the budgeted cost of the proposed project. There is no changes to the proposed project.



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2. Why is the GDV and GDC as stated in the announcement on 01.11.2022 and Circular dated 10.03.2023 nearly the same, when suddenly in the Circular dated 10.03.2023, a never-before-mentioned component of “1 block of 22 storey service apartment” and “1 block of 21 storey service apartment” (“the 2 Unheard Components”) has been added?

Answer

Please refer to the answer in Question 1.

3. Why was the 2 Unheard Components not mentioned in the announcement dated 01.11.2022?

Answer

Please refer to the answer in Question 1.

4. Why has suddenly the GDP of the Bentong Project dropped by RM5 million now, and why was this not disclosed as early as 01.11.2022? Why is the GDP decreasing despite more units now are being built?

Answer

Please refer to the answer in Question 1.

5. What are the actual project components of the approved DO? If the components were as in the announcement on 01.11.2022, did Classita get approval for components as stated in the Circular dated 10.03.2023?

Answer

The project components of the approved Development Order (“DO”) comprises of 84 units of semi-detached house, 7 units of bungalow, a club house, a private organic farm and serviced apartments (future development).



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6. Can the Company provide market survey report of this project?

Answer

Please refer to Section 7 of the Circular dated 10 March 2023 on the industry outlook and prospect of the Group.

7. How many phases are there in the Bentong Project?

Answer

There are 2 phases in the Bentong Project. Phase 1 comprises of the development of 84 units of semi-detached house, 7 units of bungalow, a club house and a private organic farm. Phase 2 refers to the future development of 2 blocks of serviced apartments.

8. When will the actual construction commence / expected to commence?

Answer

The proposed project is expected to commence in the second half of 2023.

9. How confident is the Company that it can meet that construction commencement time?

Answer

The Group shall use its best endeavours to ensure every effort is made to meet the construction commencement timeline for the best interest of the Group.

10. How does the cash flow look like for the Bentong Project? Is the Company confident that expected sales of the project to be profitable?

Answer

As mentioned in the announcement on 1 November 2022, the development of the land is subject to the risks inherent to the property development business which include but not limited to market demand and competition from the supply of commercial and residential properties in the surrounding areas of the Bentong Project, changing demands for the type of properties, fluctuation in material prices and labour costs as well as changes in federal and state policies with regard to property development, changes in the financial or fiscal policies of the government and the overall economic conditions that could have an impact on the purchasing power and buying sentiments of property buyers.

However, the Group is optimistic and shall use its best endeavours to ensure every effort is made to achieve the Group's plans.



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11. When entering into the Bentong Project deal, did Classita foresee that they need to propose the Rights Issue in order to fund the Bentong Project? If yes, was this disclosed to the public before the announcement of the EGM?

Answer

When entering into the Bentong Project deal, the Bentong Project was intended to be funded via a combination of the Group's internal funds and/or bank borrowings.

After due consideration of various fund-raising options, Classita's Board of Directors ("Board") is of the view that the Rights Issue is an appropriate avenue of fund-raising mainly due to the following key considerations:-

- (i) the Rights Issue allows the Group to raise funds expeditiously without incurring interest costs associated with bank borrowings;**
 - (ii) avoid cash outflow arising from debt servicing costs;**
 - (iii) proceeds from the Rights Issue will strengthen the cash flows of the Group and the utilisation of the proceeds will be used for the Group's property development and construction business as well as working capital; and**
 - (iv) the Warrants will also provide the Group with additional funding if and when the Warrants are exercised.**
12. Why does the company rush to raise funds for the Bentong Project, when the same major shareholders and related directors in Harvest Miracle themselves, are not confident and has negative perspective with the project?

Answer

We wish to clarify that the Board are not the same and not related to Harvest Miracle Capital Berhad. The rationale for the Board to undertake the project is as disclosed in the announcement made on 1 November 2022.

13. Instead of purchasing 100,000 ordinary shares in Kepayang Heights for a total cash consideration of RM17 million, the company could have directly subscribed shares in Kepayang Heights, ensuring that monies go directly to Kepayang Heights and Bentong Project to settle the relevant debts / projects. Why was this not done?

Answer

The purchase consideration of RM17 million was arrived based on direct negotiation between the Vendor and Classita on a willing-buyer-willing seller basis and agreed upon after taken into consideration, inter alia, the following:-

- (i) the market value of the Land of RM18,500,000 ascribed by the Valuer via its valuation conducted on 1 October 2022 using the Comparison Method (as set out in Section 2.3 of the announcement dated 1 November 2022);
- (ii) the rationale and benefits of the said proposal as set out in Section 3 of the announcement dated 1 November 2022; and
- (iii) the prospects as set out in Section 4 of the announcement dated 1 November 2022.

In addition, Classita also subscribed shares in Kepayang Heights representing 97.14% of the enlarged total number of issued shares in Kepayang Heights for a total subscription price of RM1,500,000. The subscription monies are used for its working capital purposes.

14. Why must Classita be involved with a company related to Chan Swee Ying / Harvest Miracle, when at the material time she is the Executive Director and substantial shareholder of Harvest Miracle?

Answer

The rationale for the Board to undertake the project is as disclosed in the announcement made on 1 November 2022. Madam Chan Swee Ying does not hold any executive role in Classita.

15. Classita has few other development projects which may be developed. Why did company not channel its sources there, and instead actively channel funds in relation to the Bentong Project that is related to Kepayang Heights dan/atau Harvest Miracle?

Answer

The new phase of existing property project of Classita Group was put on hold due to weak market sentiment within the vicinity. Thus, the Group has explored other potential development project has the greatest potential to enhance and boost the Group's financial performance in the future after taking into consideration of current market condition and demand.

16. What are the status of the existing outstanding projects at Tapah Road and Ulu Kelang?

Answer

The property development project comprising 86 units of double-storey terrace house in Taman Wallagonia (Phase 6) at Tapah Road, Perak had been put on hold due to the weak market sentiment as answered in Question 15.

The development project in Ulu Kelang (i.e. Casamas Court B) was completed in 2020.

17. There are outstanding issues remained unresolved especially in regard to the Ulu Kelang project? Has the Board tried to resolve the issues or what has the Board done to resolve the same? Is the Board aware of the issues?

Outstanding projects:

Access road to the project site issue where Classita have to acquire land from a workshop owner, strata title application for completed Block and future Block, and Unsettled agreement terms, which were made by Dato Alan Chuah Chin.

Answer

The Ulu Kelang project (ie Casamas Court B) has been completed in 2020 and the current management is liaising with relevant parties to resolve the outstanding issues by the previous management.



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18. How much has been collected by the Company for those impaired debts which are amounting to multi million ringgit? Or what efforts have been taken by the Board to recover the impaired debts?

Answer

The Group has made continuous efforts to recover impaired debts. Since July 2022 up to-date, the Group had successfully recovered approximately RM1.5 million of the impaired debts.

19. How many current completed unit stock have been sold by the company? What efforts are being taken sell the current property stock in hand?

Answer

The completed units have not been in high demand due to weak market sentiment, the Group will take necessary efforts to sell its remaining inventory.

20. Do we / the Company have a proper project development team? And who are they?

Answer

The Company's property development and construction business segment is currently led by our Executive Director, Datuk Kuan Poh Huat and he is assisted with appointed consultants and a project team. The Group always maintains a continuous review of staffing needs and expands its workforce as required.

21. Instead of now offering the Rights Issue and Warrants, Classita could have applied a loan from the Bank should they really need the said funds, and charged the Land (of which with such a property, would attract less bank interest and without diluting shares). Why was this not done?

Answer

Please refer to the answer in Question 11.



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22. The Company should not burden or oppress the shareholders, especially the minority shareholders by asking funds or diluting their shareholdings, vide drastic acts taken by the new management after they took over the board only back in 29.08.2022. The Company then bought two pieces of land which seems to beyond Company's capabilities. Before 01.11.2022, was there even proper planning and feasibility study conducted on the Bentong Project?

Answer

The issuance of new ordinary shares in Classita via the Rights Issue would not dilute the existing shareholders' equity interest, assuming all entitled shareholders fully subscribe for their respective entitlements. The issuance of Rights Shares provides an opportunity for Classita's existing shareholders to increase their equity participation in Classita by subscribing to the Rights Shares and exercising the Warrants into new Shares that enables the shareholders to benefit from the future growth of the Group and any potential capital appreciation arising thereof.

The issue price of RM0.10 of the Rights Shares is at a discount of 45.62% to the TEAP of RM0.1839 based on the 5D-VWAP up to and including the announcement latest practicable date (i.e 5 January 2023). This Rights Issue offers the opportunity to the shareholders to subscribe shares of Classita at a discounted price.

The acquisition of the two pieces of lands is in line with the Group's objective to expand its property development construction segment via acquisitions of land banks for potential development in strategic location with high development value. The proposed project and planning on both lands augurs well with the Group's strategy to expand and establish its footprint to other states of Malaysia. The Group had carried out relevant assessment and due diligence in relation the Bentong Project.

23. Based on the Circular dated 10.03.2023, it is stated that total project costs / gross development cost for the Bentong Project is approximately RM217.58 million.

Based on the company's Annual Report 2022, the total assets stands at RM78.8 million. Thus, we can see that the total cost of the said project exceed the total assets by 200%. It seems to have exceeded the threshold of 25% of the Company's total assets. If so, the Company must pursuant to Chapter 10.07 of the Main Market - Chapter 10 – Transactions of the Bursa Listing Rules, amongst others seek shareholder approval of the transaction in a general meeting.

Was there such approval and/or meeting, and if so, when?

Answer

The Company's proposals comply with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As disclosed in the announcement dated 1 November 2022, Section 7, the highest percentage ratio is 23.47%.



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24. Can the Board assure that they will not deviate the purpose of the funds raised vide the EGM, since there was such event recently where the Board decided to switch the private placement raised before to general working capital use?

Answer

All decisions made by the Board are for the benefits of the Group and stakeholders and after taking into consideration of the cash flows requirements of the Group at the material time. The Company complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for any deviation made by the Company.

25. Why did the Company not allocate all the funds raised just for the Bentong project, but instead spread into a few purposes?

Answer

The Board took into consideration of the cash flow requirements of the Group as a whole and as such funds raised are for the purposes stated in the Circular dated 10 March 2023.

26. Will The Board consider giving door gifts such as e-voucher or e-wallets for those participating in this EGM as a token of appreciation?

Answer

The Board is currently prioritising the allocation of the Group's resources to its core business.



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Updated as at 05 June 2023 and included the following:-

27. It is stated that the issue price of rights share is RM0.10 per share and it is at discount of 45.62% to the TEAP. also, the circular stated that future fund-raising exercises to be undertaken if required. May I ask to the Board:

- (i) why issue the rights share at such a deep discount, instead of issuing at higher price with the aim of higher amount of proceeds?

Answer

The issue price of RM0.10 of the Rights Shares is at a discount of 45.62% to the TEAP of RM0.1839 based on the 5D-VWAP up to and including the announcement latest practicable date (i.e 5 January 2023). This Rights Issue offers the opportunity to the shareholders to subscribe shares of Classita at a discounted price. The discounted price is to encourage subscription of the Rights Shares.

- (ii) with such a deep discount Rights Issue, it seems to compel the entitled shareholders to fork out their monies to subscribe or at risk of having their portion of shareholding being diluted. Will the Board consider increase the issue price of Rights Shares?

Answer

The issuance of new ordinary shares in Classita via the Rights Issue would not dilute the existing shareholders' equity interest, assuming all entitled shareholders fully subscribe for their respective entitlements. The issuance of Rights Shares provides an opportunity for Classita's existing shareholders to increase their equity participation in Classita by subscribing to the Rights Shares and exercising the Warrants into new Shares that enables the shareholders to benefit from the future growth of the Group and any potential capital appreciation arising thereof.

- (iii) why the exercise price of Warrants being set at a premium compared to these Rights shares which are at a discount? If the Board is of the view that the Company's shares can be valued at a premium, is it logical to give such a deep discount to the Rights Shares?

Answer

The Board is of the opinion that the premium of the exercise price of the Warrants is reasonable to incentivise Warrants holders to hold on to the Warrants for a longer period. The Board hopes that this will encourage the Warrants holders to have longer investment horizon and to make their investment decisions based on the long-term prospects of the Group rather than short-term market fluctuations.



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Date : 27 March 2023

MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
Level 23, Unit 23-2,
Menara AIA Sentral,
No. 30, Jalan Sultan Ismail,
50250 Kuala Lumpur.

Dear Devanesan Evanson,

RE : Extraordinary General Meeting (“EGM”) of Classita Holdings Berhad (fka Caely Holdings Bhd. (“Classita” or “the Company”)) held on Monday, 27 March 2023

We refer to your letter dated 21 March 2023 on the above-mentioned matter.

Please find our replies to your queries as follows:

Question 1

It has been close to seven months since the new board lineup was appointed on 29 August 2022 following a Court Order dated the same day. However, Classita continued to face a host of unresolved issues, including legal disputes (pages 37 – 43 of Circular dated 10 March 2023), allegations of suspicious and irregular transactions, alleged funds misappropriation by former directors and loss-making businesses.

To regain shareholders’ confidence and for the long-term business sustainability of Classita, should the Board not focus on resolving these legal issues before embarking on this major fundraising exercise to further expand the property development business?

Why did the Company not focus on turning around the existing property projects before embarking on an expansion drive?

Answer

Legal issues take time to resolve and the Company or the Board is unable to control legal actions initiated by third parties as some of these may be malicious or vexatious. As a mitigating measure, the Group had appointed Solicitors to act on behalf of the Group to defend or undertake legal action against the relevant parties in protecting the interest of the shareholders. At the same time, the Group’s businesses must carry on and the Board will still deliberate on and assess business opportunities for the benefit of the Group. Therefore, all matters must be handled concurrently.

The existing property project of Classita Group at Tapah Road, Ipoh was put on hold due to weak market sentiment within the vicinity and currently, the township is not matured for further development. This project will resume when it is viable.

The Group is continuously seeking opportunities to expand and grow its property development and construction business by various means including the acquisition of land banks for potential development in strategic locations. This expansion enables the Group to diversify its income streams.

Question 2

In explaining the disposal of its 97.24% stake in Kepayang Heights Sdn Bhd (KHSB) to Classsita for RM18.5 million (announcement dated 1 November 2022), Harvest Miracle Capital Berhad (HMCB), the Vendor of KHSB said the disposal was due to property demand within the vicinity of the Bentong Land which “may take times to fully recover to pre-pandemic level”. KHSB is the registered proprietor of Bentong Land.

Why did the Company pursue this acquisition since the prospect of the Bentong Land is less rosy, as stated by the Vendor?

Answer

The Company intends to develop the Bentong Land into a mixed commercial and residential development project over 2 phases. Phase 1 of the said project comprises 84 units of semi-detached house, 7 units of bungalow, a club house, a traditional Chinese medical centre and a private organic farm and Phase 2 comprises 2 blocks of service apartments.

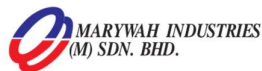
The Board believes that people’s lifestyle may change after the pandemic and may seek for more healthy living and better lifestyle, there is demand for more spacious and landed homes especially when it is closer to nature. The Group is optimistic about the demand potential of the proposed development, given the strategic location of Bentong Land and its development concept.

The Bentong Land is located at Kampung Bukit Tinggi, Bentong, Pahang. Kampung Bukit Tinggi is a well-known location for holiday-goers and nature-lovers who enjoy the fresh air and greeneries in the surrounding hills and rivers. The average temperature of the town is between 19° and 26° Celsius which makes it conducive for agriculture where many vegetable farms and fruit orchards are established in this area.

The proposed project is also complemented with a traditional Chinese medical centre and a private organic farm which will be developed and backed by the surrounding hills, fresh air and greeneries. The traditional Chinese medical centre will be able to provide health-related services to residents and visitors while the private organic farm enable residents to be healthier as they can participate in some farming works to stay fit.



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Question 3

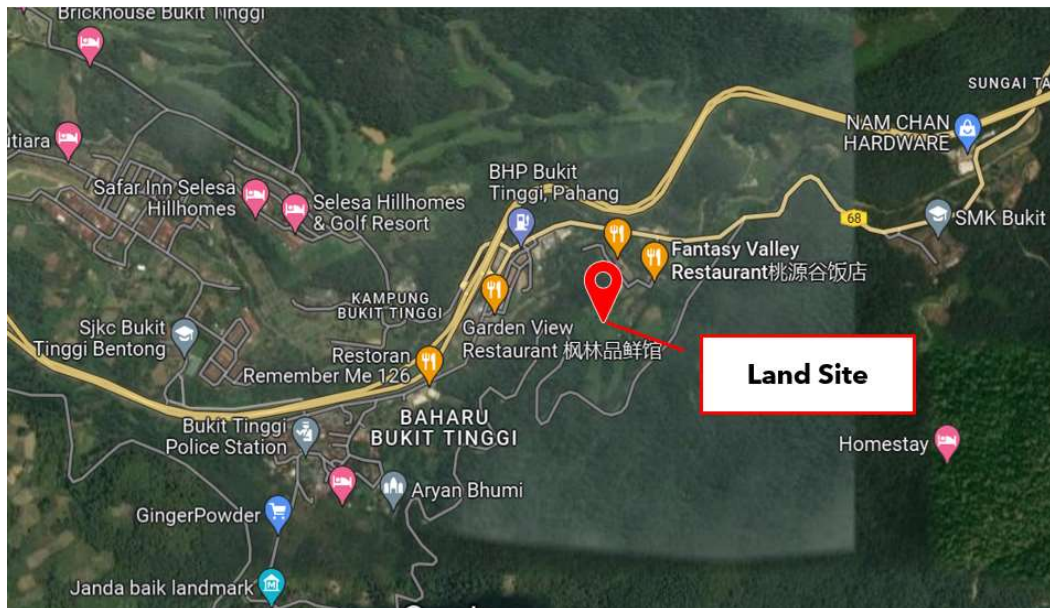
About 70% to 86% (minimum and maximum scenario) of the proceeds raised will be utilised for the property development and construction business (page 9 of the Circular) and will be used for the development of a mixed commercial and residential project on Bentong Land.

The Bentong project will consist of two blocks of 21 and 22-storey serviced apartments, 84 semi-detached houses, and 7 bungalow houses.

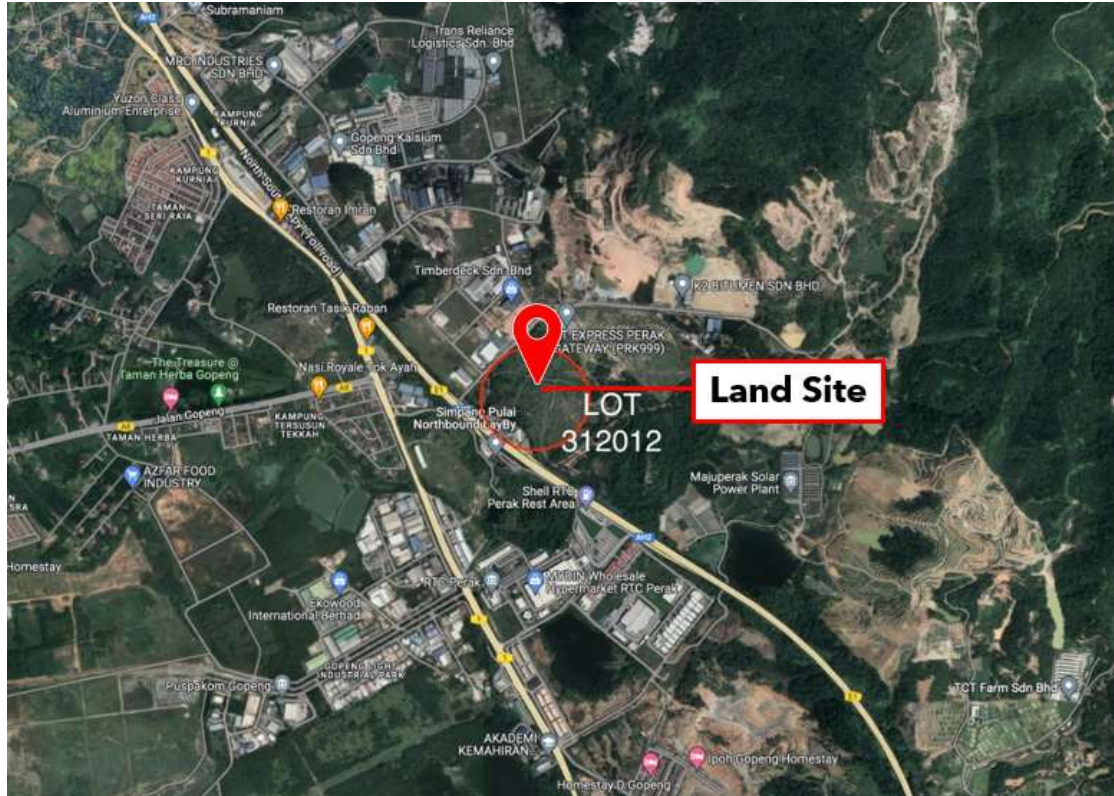
- a) Please pinpoint the locations of the Bentong and Kinta Land on a map.

Answer

(i) Bentong Land Project



(ii) **Kinta Land**



- b) What are the prospects of Bentong's commercial and residential property market?

Answer

The proposed project is surrounded with other residential and commercial areas such as Kampung Bukit Tinggi, restaurants and shop lots together with Lentang forest reserve.

Kampung Bukit Tinggi generally have a more temperate climate and higher land elevation surrounded by greenery, which is conducive for the development of getaways home and weekend homes. Moreover, the Genting tunnel boring work has resumed since June 2022 for East Coast Rail Link ("ECRL") and ECRL will cut short the travel time between Bentong and the Gombak integrated transport terminal near Kuala Lumpur to only 28 minutes. According to former Transport Minister, Tan Sri Liow Tiong Lai, the railway will promote ecotourism in Bentong and economic growth for the eastern corridor of the peninsula.

The transition to an endemic phase and reopening of the economy has led to the normalisation of economic and social activities in Malaysia. The lifting of overseas travel restrictions has revitalised the tourism sector of Malaysia.

The proposed project is strategically located near to notable landmarks such as Genting Highlands, Berjaya Bukit Tinggi Resort and Genting Sempah as well as enjoy the unique distinction of straddling the states of Selangor and Pahang, allowing multiple access for the convenience of residents and visitors alike. Thus, the Board believes that this development will receive positive demand given the high visitor traffic along this tourist hotspot.

- c) What are the indicative selling prices of the serviced apartments, semi-detached and bungalow houses that will be built on the Bentong Land?

Answer

The indicative selling prices are as follows:-

	Indicative price per square feet (psf)	Indicative selling price per unit RM
Bungalow houses	RM580 psf	1,763,000
Semi-detached houses	RM480 psf	969,000 – 1,211,000
Serviced apartments	RM470 psf	400,000

The selling prices will be reassessed prior to launching of the development.

Question 4

A search on Google Maps with the keywords Kampung Janda Baik, Kampung Cheringin Tengah and Kampung Chemperuh (nearby residential settlements of the Land stated on page 23 of the Circular) showed that the types of properties in the area mainly comprise villas, resorts, farmland, and camping sites.

- a) What is the rationale for building high-rise serviced apartments on the Land?

Answer

The surrounding area of the Bentong Land also comprises other high-rise residential projects in the area such as The Enclave in Kampung Bukit Tinggi, and many other new high-rise projects in Genting Highland areas such as Tropicana Grandhill, Antara and etc.

The building of serviced apartments on the Land offers the resident a hassle-free living where the maintenance of the property will be taken care of by the building management.

The Board believes that serviced apartments will serve the needs for potential buyers with small families or those seeking for a second home or a get-away home.

The proposed project is planned to be undertaken in 2 phases. Phase 2 of the proposed project which is the serviced apartments development which will commence upon completion of Phase 1 as well as after considering the market condition at the material time.

- b) How popular will high-rise residential developments in the area be?

Answer

As mentioned above, there are a few on-going high rise development being undertaken at the moment. These are:

1. Tropicana Grandhill project developed by Tropicana Corporation Berhad. Tropicana Grandhill will be completed in 2025 with a total of 1,443 units in a 56 storey service residence.
2. Antara @ Genting project developed by Aset Kayamas Sdn Bhd. Antara @ Genting will be completed in 2026. This development comprises 4 blocks of serviced apartment with a total of 1,460 units.

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- c) What similar developments were undertaken by other developers before, and what was the market reception towards these projects? What are the recent property transactions and the selling prices?

Answer

Based on information data from online property portal (iproperty.com.my), there were several transactions concluded from January 2022 to December 2022:-

Project	Type	Median price	Median psf	Transactions
Geo 38 Residence (Bentong, Pahang)	Service Residence	RM500,000	RM731	11
Grand Ion Delemen (Bentong, Pahang)	Service Residence	RM730,000	RM849	9
Windmill upon Hills (Bentong, Pahang)	Service Residence	RM607,500	RM886	8

- d) Is there any concern of poor market response towards the high-rise serviced apartment development as the locals are probably used to landed and low-rise properties?

Answer

Serviced apartment is a housing type that has gained popularity in the past decade due to its convenience and lifestyle appeal (with additional facilities such as swimming pool, gym and other recreational facilities which is absent in many landed property developments). Thus, the Group believes that the proposed development of serviced apartments in Bentong Land will gain its popularity in the near future.

Based on Knight Frank's Global Buyer Survey 2021 report which surveyed more than 900 respondents located across 49 countries and territories to find out what property buyers wanted in their homes, the survey found that in terms of location, buyers looked at good air quality, proximity to green spaces, access to good healthcare, good views and proximity to amenities.

Kampung Bukit Tinggi is a well-known location for holiday-goers and nature-lovers who enjoy the fresh air and greeneries in the surrounding hills and rivers. The Group intends to develop the proposed project into a health-centric and nature living lifestyle home in view of its strategic location in Kampung Bukit Tinggi.

Further, other developers are also acquiring and developing high-rise residential projects in the vicinity (as stated above).

Also, as mentioned in reply No. 4(a), the building of the serviced apartment will only continue after completion of first phase. The Group will re-assess the market demand and response towards the serviced apartment before commencing Phase 2 development.



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Question 5

To meet the Minimum Subscription Level of RM30 million, Classita has obtained the undertaking from Chan Swee Ying to partially subscribe for her entitlement of 100 million rights shares based on the issue price of 10 sen per rights share to arrive at the gross proceeds of RM10 million.

As of 28 February 2023, the latest practicable date (LPD), Chan held a 26.55% stake in Classita.

On the other hand, the Company shall procure Underwriting arrangement with the underwriter(s) to underwrite the 200 million rights shares at an issue price of 10 sen each to arrive at the gross proceeds of RM20 million (page 6 of the Circular).

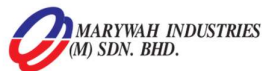
Has the Company procured any underwriter to subscribe for the remaining portion to meet the Minimum Subscription Level? If no, has any institution expressed interest in underwriting the rights shares?

Answer

We have commenced discussion with several parties and currently in the midst of negotiation on the terms of the underwriting arrangement and underwriting fees. However, as at today, nothing has been finalised.



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