ASPEN (GROUP) HOLDINGS LIMITED
Company Registration No.: 201634750K
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST'S QUERIES ON ANNOUNCEMENT OF THE UNAUDITED FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of Aspen (Group) Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 17 March 2021 in relation to the announcement of the unaudited full year results for the Financial Year Ended 31 December 2020 ("**FY2020**") made by the Company on 1 March 2021.

SGX-ST's Query 1

The share of profit of associates RM60.1 million was recorded in FY2020 mainly due to revaluation surplus on investment properties, which is significant to the Group's profit of RM74.43 million.

(a) To provide details and location of the underlying investment properties which experienced the huge upside in revaluation.
(b) To identify the associated company which holds these investment properties and its principle business.
(c) To explain whether the revaluation was performed by an external valuer. If so, to provide details and track record of the valuer - whether valuer has prior experience in valuing properties of SGX listed companies; methodology and material assumptions of the valuation;
(d) To provide a discussion on the factors which resulted in and reasons why these investment properties had experienced such significant upward revaluation in midst of the pandemic.

Company's Response

In FY2020, the Group recorded a profit of RM74.43 million. The main contributor of the Group's profit is the share of profit from the Group's 30% owned associated company, Global Vision Logistics Sdn Bhd ("**GVL**") which holds investment properties that had been revalued in 2020 with fair value gain been recognized in accordance to SFRS(I) 1-40 Investment Properties.

GVL is primarily engaged as an investment holding company and the investment properties which consist of 3 pieces of leasehold industrial lands measuring 71 acres in total located in Shah Alam, State of Selangor, Malaysia (collectively known as the "**Land**") were purchased by GVL from Chemical Company of Malaysia Berhad pursuant to a Sale and Purchase Agreement entered into on 30 November 2017 (previously announced by the Company on 30 November 2017).

The Land is strategically situated in Section 16 of Shah Alam, Selangor, off the Batu Tiga Toll along the Federal Highway with easy access to major roads and highways as well as public amenities. It also has direct access to the Kampung Jawa KTM station and is parallel to the railway track.

The revaluation was performed by an external valuer, namely First Pacific Valuers Property Consultants Sdn Bhd ("**First Pacific**"). First Pacific incepted in 1993, specialising in industrial asset valuations, and has undertaken valuation exercises both locally and overseas, including the valuation of logistic hubs for Mapletree Logistics Trust. The basis of the Land valuation is on "as is where is basis" where the market value of the subject property in its present state and on the assumption that it is held under an individual title that is free from encumbrances, marketable and registerable and with permission to transfer, lease and charge.

The Land will be developed into a sustainable integrated logistics, warehousing and e-commerce hub consisting of warehouses, storage facilities, distribution centres, offices, ecommerce services, transportation hub and packaging facilities. The project will consist of a total development area of 785,000 sqm and the gross leaseable area for the intended five (5) warehouse blocks will be approximately 589,000 sqm, to be completed in phases.

Due to the Covid-19 pandemic and wider adaptation of digital economy by various from small, medium and large enterprises across almost all industries, the demand for e-commerce supply chain services has increased multiple-fold. In line with the increase in demand and severe shortage in warehousing space and logistic services especially in the Klang Valley area, the fair value of the assets has appreciated significantly from RM80 per sq. ft. in December 2018 to RM160 per sq. ft. in December 2020.

SGX-ST's Query 2

Please disclose a breakdown of trade and other payables/other payables amounting to RM304.51 million as at 31 December 2020 and elaborate why these payables are so significant. Please disclose whether any of these counterparties are related parties. if so, please provide details. For other payables, please disclose the aging and nature of the underlying transactions relating to these other payables.

Company's Response

As at 31 December 2020, the Group's trade payables and other payables is amounts to RM84.78 million and RM219.73 million respectively.

Trade payables mainly consist of contractor claim on work done on site and retention sum for on-going and completed projects amounting to RM47.57 million. A retention sum is a sum retained against interim sums payable to the contractors for work done and only payable upon fulfilment of conditions stated in terms and conditions of the construction contracts. The retention sum is to be payable upon the expiry of the defect liabilities period. RM103.38 million is included in other payables for work done (but where the claim has yet to be submitted by the contractors).

As at 31 December 2020, other than the transaction in accrued and deposit nature, only interest expense from loan and borrowing is due between 30 days and 90 days while remaining other payables are not due. None of the amount outstanding is owed to related parties. The nature of trade and other payables are as follow:-

No.	**Nature**	**Amount (RM'000)**
1	Main contractor for Vertu project	89,573
2	Accrual for infrastructure contribution for Aspen Vision City	59,678
3	Main contractor for Beacon project	20,656
4	Main contractor for Aspen Vision City's infrastructure	16,059
5	Main contractor for Vervea project	7,581
6	Accrual for contribution to authorities and government agencies	34,265
7	Accrual on Sales promotion packages	17,832
8	Others*	58,868
	TOTAL	304,511

1. *Others* - Consists of booking fees from purchasers, interest expense from loan and borrowing, interest expense accrued from redeemable preference share, general operating accrual and trade payables and other payables not stated above*.

<u>SGX-ST's Query 3</u>

It is noted that the Company has a net cash outflow from operating activities of RM6.36 million and a net profit of RM74.43 million for the financial period/year ended 31 December 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year. Please quantify how much was the cash outflow attributable to acquisition of landbanks.

<u>Company's Response</u>

The net profit for the financial year ended 31 December 2020 consists of the following: -

	Amount (RM)
Net profit as per Statement of Comprehensive income	74.43 million
Share of profit from associated company	60.14 million
Net profit from ordinary business activities	14.29 million

Share of profit from associated company was mainly derived from the gain on revaluation of investment properties from GVL, which is an accounting profit and not a cash flow item for the current financial year. The cash flow impact on the transaction will materialise when the Group receive the redemption of redeemable preference shares and dividend from GVL upon completion of the transactions with Logos SE Asia Pte. Ltd. as previously announced by the Company on 18 January 2021.

Net profit from ordinary business activities is mainly derived from the property development sector. The main reason why there was a net outflow in operating activities is that there is an increase of RM60.69 million in contract assets.

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of the property development sector. The contract assets are transferred to trade receivables when the right becomes unconditional. This usually occurs when the Group invoices the customer upon the construction milestones achieved.

As at financial year ended 31 December, the Group's Vertu Resort and Beacon Executive Suites projects had completed its structural work and progress billing has reached 75% of the Sale and Purchase Agreement value. The next progress billing milestone is when vacant possession is delivered, where the balance of 25% will be billed. Hence, all work done on site for these projects had been captured as contract assets in the statement of financial position. Once the billing is raised, it will contribute positively to the operating cash flow. The Group expects to obtain the Certificate of Completion and Compliance (CCC) for Vertu Resort and Beacon Executive Suites in the first half of 2021 and the profit recognition and positive cash inflow will be realised in the first half of 2021.

For FY2020, there is no increase in new land bank for the property development sector. The outflow in operating activities is attributable to the final settlement and completion of acquisition for Kajang development amounting to RM29.96 million by Aspen Vision Development (Central) Sdn Bhd.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
18 March 2021