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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN RELATION TO THE COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND EIGHTEEN MONTHS ENDED 30 JUNE 2022 ("FY2022 RESULTS")

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 SGX-ST on 29 August 2022 in relation to the Company's FY2022 Results.

SGX-ST's Query 1

We note from page 1 that administrative expenses and other operating expenses for the 18 months ended 30 June 2022 had increased significantly by $32.650m and $28.558m respectively since 30 June 2021. Please provide a breakdown of these expenses and explain the reason for any significant expenses and fluctuations.

Company's Response

The increase in administrative expenses and other operating expenses for the 18 months ended 30 June 2022 compared to the previous comparative periods was mainly due to the commencement of the healthcare segment on 10 May 2021, impairment loss on machineries by the healthcare segment amounting to RM31.8 million due to significant scale down of the operation and loss on disposal of associate amounting at RM16.9 million.

The breakdown of administrative expenses and other operating expenses is as follows:

RM million	18 months ended 30 June 2022	18 months ended 30 June 2021	Increase/ (Decrease)
Administrative expenses			
Payroll and welfare	38.6	31.1	7.5
Depreciation	23.3	20.7	2.6
Loss on disposal of associate	16.9	-	16.9
Other	33.8	28.2	5.6
Total	112.6	80.0	32.6
Other operating expenses			
Impairment loss on fixed asset	31.8	3.2	28.6
Other	1.7	1.8	(0.1)
Total	33.5	5.0	28.5

SGX-ST's Query 2

We note from page 27 that the decline in share of results of equity-accounted investees from $60.308m as at 30 June 2021 to loss of $2.106m as at 30 June 2022 was attributable to the disposal of the associate company, which had resulted in a drastic movement in shares of results of equity-accounted investees due to reversal of impairment loss on the investment property held by the associate recognised in the immediate preceding half year. Please disclose:

(a) the identity of this investee and when it was disposed of;
(b) what was the cost of investment in this investee;
(c) when and how the $60.3m impairment loss on the investment property held by the investee was reported and incurred; and
(d) the details of the disposal of the equity accounted investee. Please also disclose whether the Company had complied with the requirements under Listing Rules 1010 and 1014 (where applicable), noting the significant impact of such disposal on the Group's financial results. Otherwise, please disclose the relevant information as required under Listing Rule 1010.

Company's Response

For 18 months ended comparison, the share of results of equity-accounted investees had dropped significantly by RM62.4 million from RM60.3 million for the 18 months ended 30 June 2021 to loss of RM2.1 million for the 18 months ended 30 June 2022. There was a recognition of one-off fair value gain on the investment property of the Group's associated company, Global Vision Logistics Sdn. Bhd. ("GVL"), amounting to RM62.0 million due to increase in the investment property's valuation for the preceding financial year ended 30 June 2021. No fair value gain was booked on GVL's investment property for the 18 months ended 30 June 2022.

For 6 months ended comparison, the share of results of equity-accounted investees had increased significantly by RM16.3 million from loss of RM1.2 million for the 6 months ended 30 June 2021 to RM15.1 million for the 6 months ended the 30 June 2022. The increase is due to the reversal of impairment loss on the investment property held by the Group's associated company, Bandar Cassia Properties (SC) Sdn. Bhd., ("BCP") recognised in the 6 months ended 31 December 2021 financial result.

On 29 November 2021, the Group announced that its indirect subsidiary, Aspen Vision Land Sdn. Bhd. entered into a sale and purchase agreement with Ikano Pte. Ltd. for the sale of its entire shareholding of 30% of the issued and paid-up share capital in BCP, in compliance with Rule 1010 of the Listing Manual. In compliance with Rule 1014 of the Listing Manual, the sale of shares was made subject to the approval of the shareholders of the Group by way of an ordinary resolution. The Company obtained the Shareholders' approval for the sale of shares at an extraordinary general meeting convened on 8 February 2022. The Group's cost of investment in BCP was RM63.9 million as at the date of disposal. An impairment loss on the investment property held by BCP amounting to RM16.9 million had been recognised immediately based on the valuation done on the land to determine the share value of BCP and it was reported on the 6 months financial result ended 31 December 2021.

SGX-ST's Query 3

We note from page 3 that the Group's trade and other receivables (current and non-current) had increased by $24.227m even though revenue had declined by approximately $26m for the 18 months ended 30 June 2022. Please disclose:

(a) a breakdown of the Group's trade and other receivables and elaborate on the reasons for the increase in the receivables;
(b) the underlying transactions of the other receivables, the terms of the transactions, the terms of payment, and whether this was incurred in the ordinary course of business;
(c) the ageing profile of the Group's trade and other receivables in bands of 3 months (with upper limit disclosed);
(d) whether these outstanding amounts are owing from related parties. If yes, to provide details and quantify; and
(e) the Board's assessment on the recoverability of the Group's trade and other receivables, and the basis for such an assessment.

Company's Response

(a) The increase in the receivables is mainly attributable to an increase in trade receivables from the property development segment due to the release of the stakeholder sum (i.e. the sum retained by the stakeholder solicitor pursuant to the Housing Development Act to protect the homebuyer's interest and to ensure that developers rectify the defects during the defect liability period after obtaining the temporary occupation permit) from completed projects during the 18 months financial year ended 30 June 2022 and improvement in property's take-up rate from property development segment as economic sectors reopen after better control of the Covid-19 pandemic.

Breakdown of the Group's trade and other receivables is as follows:

	30.06.22 RM million	**31.12.20 RM million**
Non-current		
Deposits	0.9	0.9
Advances to associates	7.0	19.9
	7.9	20.8
Current		
Trade receivables	62.4	14.3
Other receivables	0.5	4.6
Deposits	18.6	26.7
Prepayments	5.4	4.1
	86.9	49.7
Total trade and other receivables	94.8	70.5

(b) The underlying transactions that were mainly included in the current other receivables were Goods and services tax ("GST") receivables. As per the GST Act, a GST refund is made to the taxpayer within 14 days (for online submission) or 28 days (for manual submission) from the day that the Royal Malaysian Customs Department receives the submitted return. The GST receivables were incurred in the ordinary course of business.

(c) Aging of the Group's trade receivables is as follows:

RM million	Current	≤ 90days	91-180days	Total
Trade receivables	48.6	11.2	2.6	62.4

The balance of RM0.5 million in current other receivables are immaterial items hence ageing schedule is not disclosed.

(d) There are no outstanding amounts owing from related parties.

(e) Under the Board's assessment, the recoverability of the Group's trade and other receivables is probable. The Group does not have any significant credit risk from its property development activities as its products are predominantly sold to a large number of purchasers with end financing facilities from reputable financiers. In addition, the credit risk is limited as the ownership and rights to the properties revert to the Group in the event of default, and the products do not suffer from physical, technological or fashion obsolescence. As for trade receivables for the healthcare segment, buyers are required to place a deposit upon the issuance of a purchase order and balance payment upon delivery.

SGX-ST's Query 4

We note from page 28 that the increase in contract costs of $49.8m was arising from ongoing projects. Please provide details of the contract costs, including a breakdown of the amount, which projects where these contract costs incurred for and elaborate further why such significant contract costs were incurred in comparison to the period ended 31 December 2020.

Company's Response

The increase in contract costs from RM12.0 million as at 31 December 2020 to RM61.8 million as at 30 June 2022 was due to the increase of contract costs being capitalised is higher than contract cost being amortised based on revenue recognition principles outlined in Singapore Financial Reporting Standards (International) ("SFRS(I)"). Contract costs consist of commission fees paid to property agents and legal fees for securing the sale contracts, which increase correspondingly with the property sales take-up rate. The decrease in amortization rate was mainly caused by the decrease in the percentage of completion of the Group's development projects due to delays in construction progress during the Covid-19 lockdown, especially the ongoing projects in Aspen Vision City.

SGX-ST's Query 5

Please disclose a breakdown of trade and other payables (current and non-current) amounting to $587.351m as at 30 June 2022. For other payables, please disclose the aging and nature of these other payables, and whether the counterparties are related parties.

Company's Response

Breakdown of trade and other payables (current and non-current) is as follows:

	30.06.22 RM million
Non-current	
Other payables	113.7
Provision for reinstatement costs	0.7
	114.4
Current	
Trade payables	136.0
Other payables	245.4
Accrued operating expenses	76.5
Interest payable	15.1
	473.0
Total trade and other payables	587.4

RM million	Current	≤ 90 days	91-180 days	> 180 days	Total
Other payables	168.6	6.7	33.3	150.5	359.1

Other payables amounting to RM359.1 million mainly consist of the amount outstanding from the acquisition of properties, plant and equipment in the healthcare segment amounting to RM152.1 million, land cost payables amounting to RM173.3 million and payables related to general expenditures. There are no outstanding amounts owing to related parties.

Other payables include the amount claimed by Penang Development Corporation, Tialoc and MPMT which is currently pending court proceedings.

SGX-ST's Query 6

We note from page 6 that the Company had acquired property, plant and equipment ("PPE") amounting to $277.998m for the 18 months ended 30 June 2022.

(a) Please provide a breakdown for the significant PPE acquisitions of $277.998m for the 18 months ended 30 June 2022 and $103.834m for the 18 months ended 30 June 2021; and
(b) Please explain (i) the impact on capacity arising from the significant capital expenditure ("CAPEX") of approximately $382m; and (ii) when these CAPEX will be completed and commence operation.

Company's Response

(a) The breakdown of the significant PPE acquisition for the 18 months ended 30 June 2022 is as follows:

RM million	**1 January 2020 to 31 December 2020**	**1 January 2021 to 30 June 2022**
Healthcare segment - Building	14.0	152.5
Healthcare segment – Plant and machinery	17.6	81.8

(b) The significant CAPEX was mainly attributable to the acquisition of building and plant & machinery for the Group's new healthcare segment which commenced its operation on 10 May 2021. However the Group's healthcare segment had to significantly scale down its operation due to the reasons stated in the Company's announcement dated 8 June 2022.

SGX-ST's Query 7

The Company reported on page 31 that there were no interested person transactions ("IPT") during the financial period under review. However, we note from page 20 (Note 6.2 on related party transactions) that the Company reported certain transactions with its directors, key management personnel, as well as the companies in which they have substantial interests ("RPT").

(a) Please elaborate further on what "progress billings" refers to; and
(b) Please explain why the RPTs were not disclosed as IPTs on page 31. In your response, you should explain how the Company has complied with Listing Rule 905 or 906 with regard to IPT.

Company's Response

(a) Progress billings refers to invoices raised for property unit sold under the sale and purchase agreement pursuant to which the property unit purchaser's obligation to pay such invoices are conditioned upon the property unit's completion by stages under the agreement.

(b) The IPTs were transacted during the past financial years. The progress billings are issued over a few years period depending on the construction stage, hence the RPTs were not disclosed as IPT in the Company's FY2022 Results. Refer to the Company's announcements dated 9 March 2018 and 30 March 2020 which were made in compliance with the Listing Rule 910. As these transactions were less than 3% of the group's latest audited net tangible assets at the material time, these transactions were not subjected to Listing Rule 905 or 906.

SGX-ST's Query 8

Please provide a status update on the legal actions commenced by Tialoc Malaysia Sdn Bhd and Multipurpose Metal Tech Sdn Bhd. In your response, you should disclose the next court hearing dates, if applicable.

Please also disclose whether the Company has made any provisions for the legal claims and if so, where the provisions were reported.

Company's Response

Tialoc Malaysia Sdn Bhd's ("Tialoc")

On 13 April 2022, the Company's subsidiary, Aspen Glove Sdn. Bhd. ("AGSB") received a Notice of Adjudication to refer the dispute in relation to Tialoc's claim of RM84,348,615.00 (in relation to construction work done together with financing charges) ("Tialoc's Claim") against AGSB to adjudication under Sections 7 and 8 of the Construction Industry Payment & Adjudication Act 2012 ("CIPAA 2012"). On 26 April 2022, AGSB filed an originating summons ("OS") in the Sungai Petani High Court for inter alia, a declaration that Tialoc's reference of the payment dispute to adjudication pursuant to the CIPAA 2012 is null and void. AGSB had also filed a notice of application seeking, inter alia, an interim injunction to restrain Tialoc from commencing and/or proceeding with the adjudication proceedings pursuant to CIPAA 2012 until the full and final determination of the OS ("Notice of Application"). On 9 May 2022, AGSB obtained an ad interim injunction restraining Tialoc from taking any further steps and/or proceedings in respect of adjudication under CIPAA 2012 until the hearing and disposal of AGSB's Notice of Application. Tialoc has filed a striking-out application which is now fixed for hearing before the Sungai Petani High Court on 13 September 2022.

Multipurpose Metal Tech Sdn. Bhd. ("MPMT")

On 2 June 2022, AGSB received a Notice under Section 466(1)(a) of the Companies Act 2016 (the "Notice") filed by MPMT. The Notice sets out, inter alia, that MPMT is seeking payment from AGSB for a sum of RM29,348,000.00 ("MPMT's Claim") being the balance sum due, owing and payable in respect of services rendered to AGSB; and in the event that AGSB fails, neglects and/or refuses to make the payment or to secure or compound MPMT's Claim to the reasonable satisfaction of MPMT within twenty-one (21) days after the service of the Notice, MPMT shall proceed to commence winding-up proceedings against AGSB. On 21 June 2022, AGSB filed an originating summons and a notice of application ("NA") in the Klang High Court against MPMT seeking, amongst others, a declaration that the Notice is null and void and that MPMT shall be restrained by an injunction from acting on the Notice including but not limited to filing and/or presenting a winding-up petition against AGSB. AGSB had also on 21 June 2022 successfully obtained an ex parte interim injunction restraining MPMT from filing and/or presenting a winding-up petition against AGSB pending the inter partes hearing of the NA. The NA is now fixed for hearing before the Klang High Court on 12 September 2022.

The Company had made provisions for these legal claims which were recorded in the Company's FY2022 Results.

SGX-ST's Query 9

We note from page 33 that Mr Iskandar Basha Bin Abdul Kadir, the former Managing Director of Aspen Glove Sdn Bhd ("AGSB"), had transferred his 5% shareholding in AGSB to Aspen Vision All Sdn Bhd upon his resignation. Please disclose whether there was an exchange of considerations relating to the share transfer, and provide any relevant details.

Company's Response

The shares were exchanged at a nominal rate of RM1 per share totaling RM1,450,000 and were recorded in the Company's FY2022 Results.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
9 September 2022