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 ENDED 31 DECEMBER 2022 ("1H FY2023 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 22 February 2023 in relation to the Company's 1H FY2023 Results.

SGX-ST's Query 1

We note that revenue has more than doubled from RM62.4 million for the 6 months ended 31 December 2021 ("1H2022") to RM147.8 million for the 6 months ended 31 December 2022 ("1H2023"). The Company attributed the increase to "progressive construction of the Group's ongoing projects namely Vivo Executive Apartment and Viluxe Phase 1, and the sales of completed projects namely Vertu Resort and Beacon Executive Suites".

(a) Please provide a comparison of the construction progress and take-up rates for each of the Group's key projects between 1H2022 and 1H2023; and
(b) Please disclose the reason(s) for the significant increase in construction status and sales activities/take-up rates by projects in relation to both periods to explain the significant increase in revenue.

Company's Response

(a) The details of the construction progress and take-up rates for each of the Group's projects between 1H2023 and 2H2022 are as follows:

Project (1H FY2023)	Construction progress (%)	Cumulative Sale (1) (In accordance with SFRS(I)) (%)	Cumulative Sale including booking (2) (%)
Tri Pinnacle	100	99.5	99.5
Vervea	100	92.9	93.4
Vertu Resort	100	96.0	96.7
Beacon Executive Suites	100	87.3	90.5
Vivo Executive Apartment	33.2	88.5	89.0
Viluxe Phase 1	55.1	82.6	82.6

Project (2H FY2022)	Construction progress (%)	Cumulative Sale [(1)] (In accordance with SFRS(I)) (%)	Cumulative Sale including booking [(2)] (%)
Tri Pinnacle	100	98.0	99.0
Vervea	100	92.7	93.3
Vertu Resort	100	79.1	85.9
Beacon Executive Suites	100	72.0	73.0
Vivo Executive Apartment	17.5	61.7	71.6
Viluxe Phase 1	30.9	65.3	78.1

Note:
(1) *According to Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), revenue is recognised only in respect of finalised sale contract where the sale and purchase agreement is stamped, financing obtained, and differential sum (i.e. the difference between the purchase price of the sale unit and the loan amount obtained by the purchaser) is paid.*
(2) *The unbilled sales including booking as of 31 December 2022 amounting to RM473.7 million (31 December 2021: RM548.7 million).*

(b) The significant increase in construction status can be mainly attributed to the easing of the COVID-19 measures and re-opening of international borders which eased the foreign labour shortage issues across the construction industry. Whereas the increase in sales take-up rates can be mainly attributed to the successful marketing activities and promotional efforts carried out by the Group, capitalising on gradual improvements in the Malaysian property market and buying sentiment after the COVID-19 pandemic.

<u>SGX-ST's Query 2</u>

We note that the Group's gross profit has increased substantially by 960% from RM4.3 million as at 1H2022 to RM45.6 million as at 1H2023, exceeding the rate of growth in revenue of 137%. Please provide the factors that resulted in this outcome and a breakdown of the cost of sales to substantiate your response, where applicable.

<u>Company's Response</u>

The substantial increase in the Group's gross profit is attributable to the healthcare segment which had forfeited and set off the deposits received amounting to RM22.4 million against the cost incurred for the sales for phase 1A of Aspen Glove Sdn. Bhd. ("**AGSB**") production of 1 billion pieces of medical examination gloves due to contract expiry and breach of the sales and distribution agreement which was entered into on 13 January 2021. The breakdown of gross profit by segment is as follows:

	Six months ended 31 December 2022			
	Property development	**Healthcare**	**Others**	**Total**
	RM million	**RM million**	**RM million**	**RM million**
External revenue	141.6	0.2	6.0	147.8
Cost of sales	(121.1)	20.3	(1.4)	(102.2)
Gross profit	20.5	20.5	4.6	45.6
Gross profit (%)	14.5%	10250.0%	76.7%	30.9%

SGX-ST's Query 3

We note from page 21 that "The scaling down of AGSB's glove manufacturing operation resulted in the administrative expenses being decreased by RM10.8 million compared to 2H FY2022".

(a) Please provide a breakdown of the material expenses that were eliminated from the scaling down of glove operations which resulted in the reduction of 30% in administrative expenses from RM36.2 million to RM25.4 million; and
(b) Please elaborate if AGSB is still in operation and its operating capacity.

Company's Response

(a) Administrative expenses have decreased by RM10.8 million compared to 2H FY2022 mainly due to the scaling down of AGSB's glove manufacturing operation. The breakdown of AGSB's administrative expenses for 1H FY2023 in comparison to AGSB's administrative expenses for 2H FY2022 are as follows:

	Group		
	6 months ended		
	31.12.22 Unaudited RM'000	**31.12.21 Unaudited RM'000**	**Change RM'000**
Staff payroll	(490)	(3,750)	(3,260)
Directors' remuneration	-	(1,363)	(1,363)
Staff welfare	(12)	(523)	(511)
Depreciation	(677)	(776)	(99)
Rental and maintenance	(20)	(172)	(152)
Consultancy fees	(687)	(2,389)	(1,702)
Other administrative expenses [1]	(1,012)	(2,735)	(1,723)
Total administrative expenses	(2,898)	(11,708)	(8,810)

Note:
[1] *The other administrative expenses included bank charges, small value assets, security services, cleaning expenses, license fee etc.*

(b) The design capacity for AGSB's Phase 1(a) facilities is in the range of 1.6 to 1.8 billion pieces of gloves per annum. In view of the impending completion of the Proposed Disposal (as defined herein), AGSB has currently halted its operations and AGSB's board of directors is considering various options including new joint venture with new partners and a complete exit from the glove manufacturing business, and ceasing its operations entirely.

SGX-ST's Query 4

We note that the Group recorded a net current liabilities of RM89.9 million for the 6 months ended 31 December 2022.

(a) Please explain how the Company intends to meet its short-term obligations as and when they fall due and provide details to substantiate your response; and
(b) We draw your attention to listing rule 1303(3)(c). Please assess and disclose the Board's view of the Company's ability to operate as a going concern and provide the basis for the Board's view.

Company's Response

(a) The Group's current liabilities consist of trade payables and other payables amounting to RM214.3 million and RM268.3 million respectively. Out of trade payables of RM214.3 million, RM187.2 million are mainly from contractors of completed and on-going development projects of the Group which will be funded via progress billings and bridging loans obtained for these projects.

Whereas other payables amounting to RM268.3 million mainly consist of the amount claimed by Tialoc Malaysia Sdn. Bhd. ("**Tialoc**") and Multi Purpose Metal Tech Sdn. Bhd. ("**MPMT**") which is currently pending global settlement and court proceedings respectively.

In December 2022, AGSB entered into a Sale and Purchase Agreement ("**SPA**") with Sustainable Waste Management Holdings Pte. Ltd. ("**SWMH**") to sell all rights, title and interest of AGSB in all that piece of land held under Hakmilik Sementara No. H.S.(D) 73801, No PT 4065 Seksyen 11, Bandar Lunas, Daerah Kulim, Negeri Kedah and the factory building erected thereon ("**Lease Land and Factory**") for an aggregate cash consideration of RM200.0 million ("**Proposed Disposal**"). Pursuant to the terms of the SPA, SWMH and AGSB shall use their best endeavors to procure that AGSB and Tialoc enter into a settlement agreement ("**Settlement Agreement**") to settle all claims between AGSB and Tialoc at RM55.0 million only being RM50.0 million in cash and RM5.0 million in properties, as full and final global settlement of all claims between AGSB and Tialoc. The Settlement Agreement is expected to be signed latest by 28th February 2023. With the full and final global settlement, the Group's current liabilities is expected to decrease by RM86.5 million, resulting in the net current liabilities being reduced from RM89.9 million to RM3.4 million.

Further details on how the Group intends to meet the short-term obligation attributable to the healthcare segment are covered in the Company's Response to SGX-ST's Query 7.

(b) Taking into consideration the above, the Board is of the view that the Company has the ability to operate as a going concern.

SGX-ST's Query 5

We note that contract liabilities have decreased from RM31.9 million as at 30 June 2022 to RM15.1 million as at 31 December 2022. Please provide details of the decrease in contract liabilities amounting to RM16.7 million and the corresponding accounting entry for this movement.

Company's Response

The Group's contract liabilities are the excess of the progress billings over the revenue recognised. The decrease in contract liabilities from RM31.9 million as at 30 June 2022 to RM15.1 million as at 31 December 2022 was due to revenue recognition when the criteria had been met in accordance with SFRS(I) 15 Revenue from contracts with customers.

SGX-ST's Query 6

Please disclose whether the Company has made any provisions for each of the material litigations and where are the provisions currently recorded in the interim financial statements.

Company's Response

(i) Tialoc
RM78,102,643.78 of the disputed claim is provided in other payables in the 1H FY2023 Results. RM6,245,971.53 of the disputed claim for alleged finance charges is not provided for.

(ii) MPMT
The disputed claim of RM29,348,000 is provided in other payables in the 1H FY2023 Results.

(iii) JR Engineering and Medical Technologies (M) Sdn. Bhd.
The disputed claim of RM22,363,423.07 was provided in other payables as at 30 June 2022.

As at 31 December 2022, the said amount has been forfeited and set off against the cost incurred for the sales for phase 1A of AGSB production of 1 billion pieces of medical examinations glove due to contract expiry and breach of the sales and distribution agreement which was entered into on 13 January 2021.

(iv) Penang Development Corporation
The disputed claim of RM1,761,156.58 is provided in other payables in the 1H FY2023 Results.

(v) A Group of Purchasers of Aspen Vision City Sdn Bhd's ("**AVC**") Development Properties
The disputed claim was not provided in the 1H FY2023 Results in accordance with SFRS(I).

SGX-ST's Query 7

We note on page 27 the disclosure that "Upon the completion of proposed disposal of rights title and interest in lease land and factory building of RM200.0 million, and settlement agreement between AGSB and Tialoc of RM55.0 million, the Group's current liabilities will drop significantly". Please provide a breakdown of the current liabilities that are expected to decrease and quantify where possible.

Company's Response

The breakdown of the current liabilities that are expected to decrease are as follows:

Current Liabilities	**Before Proposed Disposal (RM million)**	**After Proposed Disposal (RM million)**	**Decrease (RM million)**
Loans and borrowings	190.4	133.6 [(1)]	56.8
Trade and other payables	482.6	324.4 [(2)]	158.2
Total	673.0	458.0	**215.0**

Note:
[(1)] *After taking into account the following payments: balance existing lease consideration to Kulim Technology Park Corporation Sdn. Bhd. amounting to RM10.1 million, outstanding facility to Standard Chartered Bank Malaysia Berhad amounting to RM45.8 million and outstanding hire purchase facility to PAC Lease Berhad amounting to RM0.9 million.*
[(2)] *After taking into account the payment to Tialoc amounting to RM55.0 million pursuant to the terms of the SPA and on the basis that the Settlement Agreement is entered; and other payables amounting to RM71.7 million, and the decrease in trade and other payables by RM31.5 million on the assumption that the said RM55.0 million will be the full and final global settlement of all claims between AGSB and Tialoc.*

Based on the foregoing, the current liabilities of the Group is expected to drop significantly by RM 215.0 million and accordingly the Group will have a positive working capital.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
27 February 2023