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 TWELVE MONTHS ENDED 30 JUNE 2023 ("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 8 September 2023 in relation to the FY2023 Results.

SGX-ST's Query 1

We note that other income and administrative expenses had declined significantly by 55% and 44% to RM5.4million and RM48.8million respectively as at 30 June 2023.

(a) Please provide a breakdown of other income and administrative expenses for FY2023 and FY2022; and
(b) Please explain the movement for each line item, including any material factors that resulted in the fluctuations.

Company's Response:

(a) The breakdown of other income and administrative expenses for FY2023 and FY2022 is as follows:

	12 months ended 30.06.2023 RM million	18 months ended 30.06.2022 RM million
Other income		
Rental income	4.2	1.5
Gain on disposal of an associate	-	6.5
Government grant	0.2	1.6
Others	1.0	2.5
	5.4	12.1
Administrative expenses		
Salaries & welfare	19.7	26.2
Depreciation	12.6	21.2
Others asset disposal	-	16.9
Consultancy fee	3.0	4.0
Site expenses	6.6	4.8
Other admin expenses	6.9	13.5
	48.8	86.6

(b) Financial statements of the Group are made up of a period of 12 months for year ended 30 June 2023. The comparative information is for a period of 18 months, therefore it should be noted that the movement is not comparable.

Other income

Rental income movement was mainly due to monthly rental of RM0.3 million derived from rental of a piece of land since March 2022. It generated annual income of RM3.6 million in FY2023 and RM1.2 million in FY2022.

During FY2022, other income recorded a gain on disposal of an associate, Delivereat Sdn. Bhd., amounting to RM6.2 million.

During the Covid-19 pandemic, grants and financial aid were provided by the government to the Group. The fluctuation was mainly due to the government ceasing to provide the grants and financial aid when the economy was in the recovery phase.

Administrative expenses

Administrative expenses were lower in FY2023 due to absence of loss on disposal of associate amounting to RM16.9 million in FY2022.

For administrative expenses, the decrease of salaries & welfare, depreciation, consultancy fee, site, and other administrative expenses was mainly due to the comparison between 12 and 18 months.

SGX-ST's Query 2

We note that the Group's other operating expenses of RM90.0 million included impairment for property, plant and equipment ("PPE"), intangible assets and inventory of RM8.1 million, RM1.6 million and RM14.2 million respectively. Please disclose:

(a) A full breakdown of the other operating expenses and disclose the reason(s) for the significant expenses incurred;
(b) The details of the PPE, intangible assets and inventory impaired and provide a breakdown of the impairment recorded for each of these asset groups;
(c) The reasons for the impairment losses for each of these assets;
(d) The basis how the amounts of impairment were calculated;
(e) Whether any valuation was conducted, the value placed on the assets, the basis and the date of such valuation; and
(f) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amounts of impairment.

Company's Response:

(a) The breakdown of the other operating expenses and the reason(s) for the expenses incurred is as follows:

	12 months ended 30.06.2023 RM million	Explanation
Others asset disposal	62.6	Fair value loss of asset held-for-sale (Global Vision Logistics Sdn. Bhd.)
Impairment loss on PPE	8.1	Impairment on ROU/lease building for food and beverage sector, due to recoverable amount being lower than carrying amount.
Impairment on intangible asset	1.6	Impairment on franchise fee for food and beverage sector, due to recoverable amount being lower than carrying amount.
Impairment on inventories	14.2	Impairment of quota inventories from property development segment.
Forfeiture asset	2.6	IT equipment forfeited
Others	0.9	Immaterial
	90.0	

(b) The details of the PPE, intangible assets and inventory impaired and the breakdown of the impairment recorded are as follows:

	12 months ended 30.06.2023 RM million
Impairment loss on PPE	
- Lease building	7.3
- Renovation	0.8
	8.1
Impairment loss on intangible asset	
- Franchise fee	1.6
Impairment loss on inventories	
- Quota sales	14.2

(c) Please refer to the Company's response to SGX-ST's Query 2 (a) above.

(d) The impairment loss on PPE & intangible assets was calculated based on recoverable amount being lower than carrying amount. The quota inventories from the property development segment was impaired in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

(e) No valuation was conducted as it was not required due to recoverable amount being lower than carrying amount.

(f) The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine amounts of impairment.

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

We note the Company's explanation that "finance cost amounting to RM13.2 million has increased mainly because there was no expenditure in respect of the Group's vacant lands in 2H FY2023. According to accounting standards, finance cost capitalised shall be charged out to profit and loss when vacant land ceases to be a qualifying asset." Please disclose:

(a) A breakdown of finance costs for FY2023 and FY2022;
(b) What are the qualifying criteria under the relevant accounting standards and the reason(s) why the vacant land ceased to be a qualifying asset;
(c) The details of the relevant vacant land, including but not limited to its location, land size, land condition, book value and market value; and
(d) The Group's plan with respect to the vacant land.

Company's Response:

(a) The breakdown of finance costs for FY2023 and FY2022 is as follows:

	12 months ended 30.06.2023	**18 months ended 30.06.2022**
	RM million	**RM million**
Interest on hire purchase & lease	0.7	1.0
Interest on term loan	12.4	1.1
Interest on RPS	1.6	-
Others	0.8	0.1
	15.5	2.2

(b) According to Singapore Financial Reporting Standards (International) (SFRS(I)), an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Hence, interest capitalisation should be suspended at the time when expenditure on the land ceased.

The vacant land and common infrastructure ceased to be a qualifying asset as no further development work has been planned for the near future.

(c) The vacant land and common infrastructure are located at Aspen Vision City, Batu Kawan and measure 79 acres. The book value of the vacant land is RM221.7 million. No valuation has been done to determine the current market value of the vacant land and common infrstructure.

(d) The vacant land will be developed in accordance with the approved master plan.

<u>SGX-ST's Query 4</u>

We note that the Group's property, plant and equipment ("PPE") had decreased by approximately 66% to RM115.8 million as at 30 June 2023. Please provide a reconciliation of the PPE balances between 30 June 2023 and 30 June 2022, and explain the movements and the nature of the PPE that had decreased.

Company's Response:

	Land	Building	Office, tools, and IT equipment, furniture and fittings	Motor vehicle	Construction in progress	Total
	RM million	RM million	RM million	RM million	RM million	RM million
At 1 July 2022	74.7	223.7	33.5	1.2	10.0	343.1
Additions	0.4	11.8	0.2	-	0.4	12.8
Disposal	(47.8)	(31.4)	(21.2)	(0.5)	(4.3)	(105.2)
Write-off	-	(107.9)	(2.0)	-	(0.2)	(110.1)
Depreciation	(0.7)	(10.9)	(5.1)	(0.5)	-	(17.2)
Impairment	-	(8.1)	-	-	-	(8.1)
Foreign exchange movement	-	0.5	-	-	-	0.5
At 30 June 2023	26.6	77.7	5.4	0.2	5.9	115.8

PPE decreased mainly due to the surrender of the lease land and the factory buildings to Kulim Technology Park Corporation Sdn. Bhd. ("**KTPC**") in accordance with the terms of the Deed of Mutual Termination between AGSB and KTPC.

Plant, equipment and machineries were disposed of based on the quoted price from buyer(s).

SGX-ST's Query 5

We note that the Group recorded a net current liabilities of RM8.3 million for the financial year ended 30 June 2023.

(a) Please explain how the Company intends to meet its short-term obligations as and when they fall due. Please 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) AGSB contributed RM138.1 million net current liabilities to the Group for the financial year ended 30 June 2023. On 14 July 2023, AGSB submitted a winding up petition to the High Court of Penang for winding up of AGSB pursuant to Section 465(1)(a) and (e) of the Companies Act 2016, by the reason of the inability of AGSB to pay its debts ("**Winding Up Petition**"). Upon the appointment of a liquidator, AGSB's liabilities will be dealt with by the liquidator in accordance with the applicable laws.

As the net current liabilities for the financial year 30 June 2023 were mainly attributable to AGSB, after the winding up and derecognition of AGSB as a subsidiary of the Group, the Group is expected to record net current assets. Consequently, the Group is able to meet its short-term obligations.

(b) Taking into consideration the above, the Board is of the view that the Company is able to meet its short-term obligations and has the ability to operate as a going concern.

<u>SGX-ST's Query 6</u>

We note that the Company recorded impairment on receivables of RM6.9 million in FY2023. Please disclose:

(a) The underlying transactions of the receivables;
(b) The reasons for the impairment on receivables, including the reasons for delays or non-payment, where applicable;
(c) What were the actions taken to recover the receivables;
(d) Whether the receivables are due from related parties. If yes, to provide details and quantify;
(e) A breakdown of the Group's trade and other receivables, including the ageing profile of the Group's trade and other receivables in bands of 3 months (with the upper limit disclosed); and
(f) The Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response:

(a) The RM6.9 million impairment is attributable to AGSB receivables.

(b) Due to the Winding-Up Petition submitted by AGSB, it is unlikely that the receivables will be recovered. Hence the amount was impaired.

(c) Please refer to the Company's response to SGX-ST's Query 6(b) above.

(d) The receivables are not due from related parties.

(e) The breakdown of the Group's trade and other receivables is as follows:

RM million	Current	< 90 days	91-180 days	Total
Trade receivables	47.1	6.9	0.3	54.3
Other receivables	7.3	0.1	0.3	7.7

The above aging receivables do not include deposits and prepayment.

(f) According to the Board's assessment, the recoverability of the Group's remaining 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 termination of the transaction arising from an event of default by the purchasers, and the products do not suffer from physical, technological or fashion obsolescence.

<u>SGX-ST's Query 7</u>

We note that the Company recorded proceeds from sale of property, plant and equipment ("PPE") amounting to RM61.9 million in FY2023.

(a) Please provide a breakdown of the amount and details of the PPE sold, including their book values, market values and sale prices; and
(b) Whether the Company had complied with Chapter 10 of the Listing Manual in relation to such disposals. Please provide data to substantiate the Company's response.

Company’s Response:

(a) The breakdown of the amount and details of the PPE is as follows:

	Book Value RM million	**Proceeds RM million**
Lease land & building	182.1	53.4
Plant & machinery	21.8	8.0
Motor vehicle	0.5	0.5
		61.9

The proceeds of RM61.9 million were due to the termination of the lease and the surrender of the lease land and factory buildings to KTPC pursuant to the Deed of Mutual Termination between AGSB and KTPC as announced by the Company on 6 June 2023.

(b) The Company had submitted a consultation on the applicability of Chapter 10 of the Listing Manual and has, on 12 September 2023, received SGX-ST’s reply. In its reply, SGX-ST has required, inter alia, that the Company seek shareholders' ratification of the Deed of Mutual Termination at an extraordinary general meeting. The Company will accordingly take the necessary actions to comply with SGX-ST’s requirements.

<u>SGX-ST’s Query 8</u>

We note that non-current trade and other payables increased by RM36.0 million due to agreement with other creditor to extend the payment term to over more than a year. Please disclose:

(a) The details of the payables;
(b) The identity of the creditor and whether the creditor is related to the Company's directors, CEO, controlling shareholders and their associates;
(c) Whether there are any conditions imposed on the extension. If so, to provide details; and
(d) Why the Company required the payment term to be extended and how is this in the best interest of the Company.

Company’s Response:

(a) The payables are in relation to:
(i) progressive claims by Penang Development Corporation (“**PDC**”) for infrastructure construction work as announced by the Company on 7 October 2021; and
(ii) the construction of ingress leading into various parcels of land in Batu Kawan as announced by the Company on 12 February 2023,
both in connection with the purchase and development of land in Batu Kawan.

(b) The creditor is PDC. PDC is not related to the Company's directors, CEO, controlling shareholders and their associates.

(c) The condition is that each payment term is paid in a timely manner as stipulated in the settlement agreement ("**Settlement Agreement**") executed by PDC and the Company's indirect subsidiaries Aspen Vision Land Sdn. Bhd. ("**AVL**") and Aspen Vision City Sdn. Bhd. ("**AVC**") as announced by the Company on 15 March 2023.

(d) The payment term was extended in accordance with the terms of the Settlement Agreement. AVC and AVL had entered into the Settlement Agreement to avoid protracted legal proceedings with PDC and to focus the Group's resources on revenue-generating activities instead.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
14 September 2023